

Bitcoin over Tor isn't a good idea

Alex Biryukov
University of Luxembourg
Email: alex.biryukov@uni.lu

Ivan Pustogarov
University of Luxembourg
Email: ivan.pustogarov@uni.lu

Abstract—Bitcoin is a decentralized P2P digital currency in which coins are generated by a distributed set of miners and transaction are broadcasted via a peer-to-peer network. While Bitcoin provides some level of anonymity (or rather pseudonymity) by encouraging the users to have any number of random-looking Bitcoin addresses, recent research shows that this level of anonymity is rather low. This encourages users to connect to the Bitcoin network through anonymizers like Tor and motivates development of default Tor functionality for popular mobile SPV clients. In this paper we show that combining Tor and Bitcoin creates an attack vector for the deterministic and stealthy man-in-the-middle attacks. A low-resource attacker can gain full control of information flows between all users who chose to use Bitcoin over Tor. In particular the attacker can link together user's transactions regardless of pseudonyms used, control which Bitcoin blocks and transactions are relayed to the user and can delay or discard user's transactions and blocks. In collusion with a powerful miner double-spending attacks become possible and a totally virtual Bitcoin reality can be created for such set of users.

I. INTRODUCTION

Bitcoin is a decentralized virtual currency and a P2P payment system in which coins are generated by miners and double spending is prevented by that each peer keeps a local copy of the constantly growing public ledger of all the previous transactions. Though the original Bitcoin paper states that privacy in such a system may still be maintained, the recent findings disprove this. Anonymity and privacy of the plain Bitcoin protocol is also not claimed by the Bitcoin developers.

There are two independent problems: a) ability of the attacker to link transactions to the IP address of the user [1], [11], [10] by studying connectivity and traffic of the peers and b) linkability of the user's pseudonyms and transactions in the public ledger achieved via graph and transaction flow analysis [16], [13]. At the same time as Bitcoin increases its user base and moves from mining and hoarding to the actual use as a currency and payment protocol in various on-line applications there is a growing demand in more privacy among the Bitcoin users. While one could use a Bitcoin mixing service¹ to break connections in the transaction graph, IP address leakage is still possible. Bitcoin developers recommend to use third party anonymization tools like Tor or VPNs to solve this problem. Seeing this shortcoming of Bitcoin some alternative currencies like BitTor, Stealthcoin and others, offer native support for Tor. There are also several other use cases for Tor in the Bitcoin ecosystem. For mobile payments it is of interest to use so called SPV (simple payment verification) clients which cannot afford to hold the full 20

¹Some of them unfortunately did not provide much security and require to trust the service operator.

Gbyte blockchain ledger. Such feature was already foreseen in the original Bitcoin whitepaper, see Section 8 of [14]. Since such popular clients (around 1 Million userbase [9]) are vulnerable to spoofing attacks which may result in double-spending, the current trend is to bundle them with Tor by default to avoid spoofing and man-in-the-middle attacks [4], [7]. Tor can also be a solution for services and online shops that want to prevent DoS attacks against their public IP. Finally Tor is seen as a countermeasure for the case if Internet neutrality towards Bitcoin will start to erode [6].

Tor is not a panacea however and not all applications are anonymized equally well when combined with Tor. The biggest effort has been made so far on improving protection of the HTTP(S) protocol on top of Tor. Other protocols are not researched that well. There were several documented cases when application level leaked crucial user-identifying information [12], [18]. Moreover, there is only limited number of applications which are studied well enough to be considered safe to use with Tor [20].

In this paper we show that using Bitcoin through Tor not only provides limited level of anonymity but also exposes the user to man-in-the middle attacks in which an attacker controls which Bitcoin blocks and transactions the users is aware of. Moreover in collusion with a powerful miner double-spending becomes possible and a totally virtual Bitcoin reality may be created for such users.

It turns out that by exploiting a Bitcoin built-in reputation based DoS protection an attacker is able to force specific Bitcoin peers to ban Tor Exit nodes of her choice. Combining it with some peculiarities of how Tor handles data streams a stealthy and low-resource attacker with just 1-3% of overall Tor Exit bandwidth capacity and 1000-1500 cheap lightweight Bitcoin peers (for example, a small Botnet) can force *all* Bitcoin Tor traffic to go either through her Exit nodes or through her peers. This opens numerous attack vectors. First it simplifies a traffic correlation attack since the attacker controls one end of the communication. Second, the attacker can glue together different Bitcoin addresses (pseudonyms) of the same user. Third, it opens possibilities of double spending attacks for the mobile SPV clients, those which it was supposed to protect from such attacks. The estimated cost of the attack is below 2500 USD per month.

The rest of the paper is organized as follows. In section II we provide information on Bitcoin and Tor internals required for understanding the attacks. In section III we describe how an attacker can get in the middle between Bitcoin clients and Bitcoin network, effectively isolating the client from the rest of the Bitcoin P2P network. We also show that Bitcoin peers available as Tor hidden services may not solve the problem.

In section IV we estimate connection delays experienced by the user and check for which malicious Exit bandwidth and number of malicious peers the attack becomes unnoticeable to the user. Section VI calculates the costs of the attack. In section VII we describe several possible countermeasures.

II. BACKGROUND

In this section we provide details of the inner working of Tor and Bitcoin protocols. Many of these details do not appear in any specifications and were obtained by a careful analysis of the corresponding source code. This is especially true for Bitcoin for which there exists no official documentation except for the original white paper [14] and Bitcoin Wiki[3].

A. Bitcoin

Bitcoin is a decentralized virtual currency and a payment system based on cryptography and a peer-to-peer network. Its main components are transactions and blocks. Blocks are created by Bitcoin miners by solving cryptographic puzzles of controlled hardness (called *proofs of work*). The proof of work consists of finding a cryptographic hash value for a block of transactions which starts with a certain number of leading zero bits (32 when Bitcoin was first proposed, 64 zero bits at present). With each solved block a miner creates and earns 25 new Bitcoins. Hash of the previous block is included into the new block, which results in a chain of blocks or *blockchain*. The difficulty of the cryptographic puzzles is adjusted automatically by the network so that the network generates one block every 10 minutes on the average. Payers and payees of the system are identified by Bitcoin addresses which are base58-encoded hashes of their public keys. Money transfers from one Bitcoin address to another are done by creating a signed transaction and broadcasting it to the P2P network. Transactions are included into blocks by miners; once a transaction is buried under a sufficient number of blocks, it becomes computationally impractical to double spend coins in this transaction.

Bitcoin is a peer-to-peer system where each peer is supposed to keep its copy of the blockchain, which plays a role of a public ledger. Whenever a block or a transaction is generated by a peer, it is broadcasted to other peers in the network. Upon receipt and verification of the block's proof of work the peer updates his copy of the blockchain. Bitcoin software does not explicitly divide its functionality between clients and servers, however Bitcoin peers can be grouped into those which can accept incoming connections (*servers*) and those which can't (*clients*), i.e. peers behind NAT or firewalls. Bitcoin users connecting to the Bitcoin network through Tor or VPN obviously also do not accept incoming connections.

At the time of writing there are about 7,500 reachable Bitcoin servers and an estimated number of 100,000 clients. By default Bitcoin peers (both clients and servers) try to maintain 8 outgoing connections to other peers in the network. If any of the 8 outgoing connections drop, a Bitcoin peer tries to replace them with the new connections. Using our terminology, a Bitcoin client can only establish a connection to a Bitcoin server.

1) *Bitcoin anti-DoS protection*: As an anti-DoS protection, Bitcoin peers implement a reputation-based protocol with each node keeping a penalty score for every other Bitcoin peer (identified by its IP address). Whenever a malformed message is sent to the node, the latter increases the penalty score of the sender and bans the "misbehaving" IP address for 24 hours when the penalty reaches the value of 100.

2) *Bitcoin peers as Tor hidden services*: Tor hidden services (see section II-B3) are service-agnostic in the sense that any TCP-based service can be made available as a Tor hidden service. This is used by Bitcoin which recognizes three types of addresses: IPv4, IPv6, and OnionCat [15]. Onioncat address format is a way to represent an onion address as an IPv6 address: the first 6 bytes of an OnionCat address are fixed and set to `FD87:D87E:EB43` and the other 10 bytes are the hex version of the onion address (i.e. base32 decoded onion address after removing the ".onion" part).

3) *Bitcoin peer discovery and bootstrapping*: Bitcoin implements several mechanisms for peer discovery and bootstrapping. First, each Bitcoin peer keeps a database of IP addresses of peers previously seen in the network. This database survives between Bitcoin client restarts. This is done by dumping the database to the hard drive every 15 minutes and on exit. Bitcoin peers periodically broadcast their addresses in the network. In addition peers can request addresses from each other using `GETADDR` messages and unsolicitedly advertise addresses using `ADDR` messages.

If Tor is not used, when a Bitcoin client starts, it first tries to populate its addresses database by resolving 6 hard-coded hostnames². If Tor is used, Bitcoin does not explicitly ask Tor to resolve³ them but rather asks it to establish connections to these hostnames.

If Tor is not used, the addresses for outgoing connections are taken from the addresses database only. In case Tor is used, every second connection is established to a DNS hostname. These DNS hostnames are called "oneshots" and once the client establishes a connection to such a hostname it requests a bunch of addresses from it and then disconnects and never tries to connect to it again. As a fallback if no addresses can be found at all, after 60 seconds of running the Bitcoin client uses a list of 600 hard-coded bitcoin addresses.

Bitcoin nodes recognize three types of addresses: IPv4, IPv6, and OnionCat [15]. For each type of addresses the peer maintains a state variable indicating if the bitcoin node is capable of using such address type. These state variables become important when using Tor: the only address type which is accepted from other peers is OnionCat type. Curiously, this results in that all IPv4 and IPv6 addresses obtained from oneshots are dropped and the client uses its original database. The opposite case also holds: if Tor is not used, onion addresses are not stored in the addresses database.

4) *Choosing outgoing connections*: For each address in the addresses database, a Bitcoin peer maintains statistics which

²At time of this writing one of these hostnames constantly failed to resolve into any IP address.

³When applications communicate with Tor they can either ask Tor to establish a connection to a hostname by sending a `CONNECT` command or to resolve a hostname by sending a `RESOLVE` command.

among other things includes when the address was last seen in the network, if a connection to this address was ever established before, and timestamp of such connection. All addresses in the database are distributed between so called buckets. There are 256 buckets for “new” addresses (addresses to which the bitcoin client has never established a connection) and 64 for “tried” addresses (addresses to which there was at least to one successful connection). Each bucket can have at most 64 entries. When a peer establishes outgoing connections, it chooses an address from “tried” buckets with probability $p = 0.9 - 0.1n$, where n is the number of already established outgoing connections. If an address is advertised frequently enough it can be put into up to 4 different “new” buckets. This obviously increases its chances to be selected by a user and to be transferred to a “tried” bucket.

B. Tor

Tor is the most popular low-latency anonymity network which at the time of this writing comprised of 5000-6000 routers with an estimated number of daily users exceeding 500,000 (not counting the botnet-infected nodes). Tor is based on ideas of onion routing and telescoping path-building design. When a user wants to connect to an Internet server while keeping his IP address in secret from the server he chooses the path consisting of three Tor relays (called *Guard*, *Middle* and *Exit*), builds a *circuit* and negotiates symmetric key with each one of them using the telescoping technique. Before sending a message to the server, the user encrypts it using the negotiated keys. While the message travels along the circuit, each relay strips off its layer of encryption. In this way the message arrives at the final destination in its original form and each party knows only the previous and the next hop.

Tor tries hard to achieve low traffic latency to provide a good user experience, thus sacrificing some anonymity for performance. To keep latency low and network throughput high, Tor relays do not delay incoming messages and do not use padding. This makes Tor susceptible to traffic confirmation attacks: if an attacker is able to sniff both ends of the communication, she is able to confirm that a user communicated with the server. If the first hop of a circuit is chosen at random then the probability that a malicious node will be chosen as the first hop (and thus will know the IP address of the user) converges to one with the number of circuits. Due to this, each user has a set of three⁴ *Guard nodes*. When a user builds a circuit the first hop is chosen from the set of trusted Guard nodes.

The list of all Tor relays is assembled and distributed in the so called “consensus” document by nine trusted Tor authorities. For the purpose of traffic balancing the bandwidth of each relay is measured and reported. A user chooses relays for circuits proportional to their consensus bandwidth. Each relay in the Consensus is identified by his fingerprint (or ID) which is the SHA-1 hash of its public key.

1) *Tor stream timeout policy*: Tor provides a SOCKS interface for application willing to connect to the Internet anonymously. Each connection to the SOCKS port by an application is called a *stream*. For each new stream Tor tries to attach it either to an existing circuit or to a newly built one. It then sends a BEGIN cell down the circuit to the corresponding

Exit node asking it to establish a connection to the server requested by the application. In order to improve user’s quality of service, if Tor does not receive a reply from the Exit node within 10 or 15 seconds⁵, it drops the circuit and tries another one. If none of the circuits worked for the stream during 2 minutes, Tor gives up on it and sends a SOCKS general failure error message.

2) *Tor Exit policy*: In order to access a Web resource anonymously through a Tor circuit, the Exit relay (the final relay in the circuit) should allow establishing connections outside the Tor network. This makes Exit relay operators open to numerous abuses. In order to make their life easier, Tor allows to specify an Exit Policy, a list of IP addresses and ports to which the Exit node is willing to establish connections and which destination are prohibited. When a client establishes a circuit, he chooses only those Exit nodes which allow connections to the corresponding destination.

3) *Tor Hidden Services*: Tor is mostly known for its ability to provide anonymity for clients accessing Internet services. Tor Hidden Services are a less known feature of Tor which enables responder anonymity: a service can be contacted by clients without revealing its physical location. In order to achieve this a client and the hidden service choose at random and connect to a Tor relay (*rendezvous point*) and forward all the data through this rendezvous point. In more detail:

- 1) The service generates a public key and chooses a small number of Tor relays at random which become his *introduction points*.
- 2) It then generates a *descriptor* which contains the public key and the list of introduction points, and
- 3) Publishes it at 6 different Tor relays having `HSDir` flag.⁶ These are called *responsible HS directories*. The choice of responsible HS directories is deterministic and depends on the hash of the hidden service’s public key and current day.
- 4) Introduction points are instructed by the hidden service to forward connection requests from clients. The base32 encoding of the hash of the hidden service’s public key (*onion address*) is then communicated to clients by conventional means (blog post, e-mail, etc.).

When a client decides to connect to the hidden service, he:

- 1) Determines the list of the responsible HS directories using the onion address and downloads the descriptor.
- 2) Chooses a rendezvous point at random.
- 3) Communicates the ID of the rendezvous point to the hidden service’s introduction points which then forward it to the hidden service.

When the hidden service receives the ID of the rendezvous point, it establishes a connection to it and the data transfer between the service and the client can start. All communications between the client and the rendezvous point, between the service and the rendezvous point and between the service and

⁵Tor waits for 10 seconds for the first two attempt and 15 seconds for the subsequent attempts.

⁶`HSDir` flag is assigned by Tor authorities to relays which wish to be a part of a distributing database and store descriptors of Tor hidden services. A relay should be up for at least 25 hours to get this flag.

⁴Will be reduced down to one Guard per user in the next Tor update[19].

the introduction points are established over three-hop circuits. This hides the location of the hidden service and its clients both from each other and external observer.

The hidden service or a client can determine the fingerprints of the responsible directories as follows. They first take all Tor relays which have `HSDir` flag in the consensus and sort their fingerprints in lexicographical order. Second, they compute the descriptor IDs of the hidden service which is the SHA-1 hash of a value composed of the following items⁷: public key of the hidden service, current day, and replica (which can be 0 or 1). The exact expression for the ID is of little importance here, the only important things are a) the ID changes every 24 hours, b) there are two replicas of the ID. Third they find the place in the sorted list of the fingerprints for the computed ID and take the next three relays' fingerprints (thus having 6 fingerprints in total since there are two replicas).

III. GETTING IN THE MIDDLE

By combining subtle (however essential) details of Tor and Bitcoin protocols a low-resource attacker can force users which decide to connect to the Bitcoin network through Tor to connect exclusively through her Tor Exit nodes or to her Bitcoin peers, totally isolating the client from the rest of the Bitcoin P2P network. This means that combining Tor with Bitcoin may have serious security implications for the users: 1) they are exposed to attacks in which an attacker controls which Bitcoin blocks and transactions the users is aware of; 2) they do not get the expected level of anonymity.

The main building blocks of the attack are: Bitcoin's reputation-based anti-Dos protection, Tor's stream management policy, the fact that connections between Bitcoin peers are not authenticated. Authors in [1] exploited the Bitcoin's reputation-based DoS protection to force all Bitcoin servers to ban all Tor Exit nodes. In this section we exploit the DoS protection, however we noticed that instead of just banning Bitcoin clients from using Tor the attacker might achieve much smarter results. The attack consists of four steps:

- Inject a number of Bitcoin peers to the network. Note that though Bitcoin allows only one peer per IP address, it does not require high bandwidth. IP addresses can be obtained relatively cheap and on per-hour basis.
- Periodically advertise the newly injected peers in the network so that they are included into the maximum possible number of buckets at the client side.
- Inject some number of medium-bandwidth Tor Exit relays. Even a small fraction of the Exit bandwidth would be enough for the attacker as will be shown later.
- Make non-attacker's Bitcoin peers ban non-attacker's Tor Exit nodes.

We now explain each step of the attack in more detail. See section IV for attack parameter estimation.

⁷A hidden service may also decide to use a secret key (aka descriptor-cookie), but for hidden services which are meant to be accessed by everybody it is not relevant.

A. Injecting Bitcoin peers

This step is rather straightforward. In order to comply with Bitcoin's limitation "one peer per IP address", the attacker should obtain a large number of IP addresses. It's not as hard as it might seem to be. The easiest way would be to rent IP addresses on per hour basis. The market value is 1 cents per hour per IP address. The important note is that the obtained IP addresses will not be involved in any abusive activity (like sending spam or DoS attacks) which makes this part of the attack undetectable.

B. Advertising malicious peers

The attacker is interested in that her Bitcoin peers are chosen by Bitcoin clients as frequently as possible. In order to increase the chances for her peers to be included into "tried" bucket by factor 4, the attacker should advertise the addresses of her peers as frequently as possible. This mechanism would allow the attacker to inject less malicious peers. Note also that address advertisement is not logged by default and thus requires special monitoring to be noticed.

C. Injecting Tor Exit nodes

During this step the attacker runs a number of Exit Tor nodes. In order to get an Exit flag from Tor authorities, an attacker's Exit node should allow outgoing connection to any two ports out of ports 80, 443, or 6667. Such an open Exit policy might not be what a stealthy attacker wants. Fortunately for the attacker she can provide incorrect information about her exit policy in her descriptor and thus have an Exit flag while in reality providing access to port 8333 only. The attacker can do even better, and dynamically change the exit policy of her relays so that only connections to specific Bitcoin peers are allowed. We implemented this part of the attack: while the Tor consensus indicated that our relays allowed exiting on ports 80, 443, and 8333 for any IP address, the real exit policy of our relays was accepting port 8333 for a couple of IP addresses⁸.

D. Banning Tor Exit nodes

In this phase, the attacker exploits the built-in Bitcoin anti-Dos protection. The attacker chooses a non-attacker's Bitcoin peer and a non-attacker's Tor Exit, builds a circuit through this Exit node and sends a malformed message to the chosen Bitcoin peer (e.g. a malformed coinbase transaction which is 60 bytes in size and which causes the immediate ban for 24 hours). As soon as the bitcoin peer receives such message it analyses the sender's IP address which obviously belongs to the Tor Exit node chosen by the attacker. The Bitcoin peer then marks this IP address as misbehaving for 24 hours. If a legitimate client then tries to connect to the same Bitcoin peer over the banned Exit node, his connection will be rejected. The attacker repeats this step for each non-attacker's Bitcoin peers and each non-attacker's Tor Exit node. This results in that a legitimate Bitcoin user is only able to connect to Bitcoin over Tor if he chooses either one of the attacker's peers or establish a circuit through an attacker's Exit node. We validated this part of the attack by forcing about 7500 running Bitcoin peers to ban our Exit node. To do this we implemented a rudimentary

⁸We also allowed exiting to 38.229.70.2 and 38.229.72.16 on any port which are IP addresses used by bandwidth scanners

Bitcoin client which is capable of sending different custom-built Bitcoin messages.

E. Defeating onion peers

Bitcoin peers can be made reachable as Tor hidden services. Banning Tor Exit nodes will obviously not prevent Bitcoin clients from connecting to such peers. Nonetheless our observations show that this case can also be defeated by the attacker.

First the current design of Tor Hidden Services allows a low-resource attacker to DoS a hidden service of her choice [2] (this technique is called *black-holing* of hidden services). Before a client can contact a hidden service he needs to download the corresponding descriptor from one of the six responsible hidden service directories. These directories are chosen from the whole set of Tor relays in a deterministic way based on the onion address and current day (see section II-B3). The attacker needs to inject six malicious relays that would become responsible directories. In other words she needs to find the right public keys with fingerprints which would be in-between the descriptor IDs of the hidden service and the fingerprint of the currently first responsible hidden service directory. Authors in [2] show that computationally it is easy to do. It can become a problem though for a large number of hidden services: for each hidden service the attacker needs to run at least 6 Tor relays for at least 25 hours, 2 relays per IP address.

Fortunately for the attacker the fraction of Bitcoin peers available as Tor hidden services is quite small. During August 2014 we queried address databases of reachable Bitcoin peers [5] and among 1,153,586 unique addresses (port numbers were ignored), only 228 were OnionCat addresses and only 39 of them were actually online (see Appendix A for the list of these Bitcoin onion addresses). This results in (1) a very small probability for a client to choose a peer available as a hidden service; (2) this makes black-holing of existing Bitcoin hidden services practical.

Second, the attacker can at almost no cost inject a large number of Bitcoin peers available as Tor hidden services. It requires running only one `bitcoind` instance and binding it with as many onion addresses as needed. Thus users will more likely connect to attacker’s controlled “onion” peers.

Third, as was described in section II-A3, when running Bitcoin without Tor, onion addresses received from peers are silently dropped. Thus one can only obtain OnionCat addresses by either connecting to an IPv4- or IPv6-reachable peers through a proxy⁹ or by specifying an onion address in the command line.

IV. ESTIMATING CLIENT’S DELAYS

The steps described in the previous section imply that once a client decides to use Bitcoin network over Tor, he will only be able to do this by choosing either one of the attacker’s Exit nodes or one of the attacker’s Bitcoin peers. However for the attack to be practical a user should not experience significant increases in connection delays. Otherwise the user will just give up connecting and decide that Tor-Bitcoin bundle

is malfunctioning. In this section we estimate the number of Bitcoin peers and the amount of bandwidth of Tor Exit relays which the attacker needs to inject, so that the attack does not degrade the user’s experience.

Once the attacker completes the steps described in the previous section, for each user connecting to the Bitcoin network through Tor there are several possibilities (see Fig. 1).

- 1) The user chooses one of the attacker’s Bitcoin peers. The attacker does nothing in this case: the attacker automatically gains control over the information forwarded to the user.
- 2) The user chooses one of the attackers Exit nodes. The attacker can use the fact that Bitcoin connections are not encrypted and not authenticated and redirect the client’s request to Bitcoin peers under her control.
- 3) The user chooses a non-attacker’s Exit relay and a running non-attacker’s Bitcoin peer. In this case, due to the ban the user’s connections will be rejected. And the user will try to connect to a different Bitcoin peer.
- 4) The user chooses a non-attacker’s Exit relay and a non-attacker’s Bitcoin peer which went offline¹⁰. In this case the Bitcoin client will wait until the connection times out which can be up to two minutes (see section II-B1). This delay on the surface looks like taking prohibitively long time. However since during these two minutes Tor rebuilds new circuits every 10-15 seconds, trying new Exits at random, it actually makes the attacker’s life much easier. It increases the chances that malicious Exit relay will be chosen.

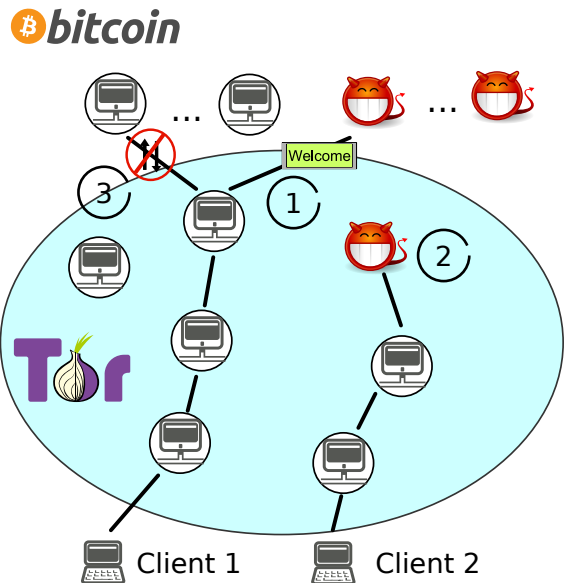


Fig. 1. Client’s state after the main steps of the attack

A. Handling unreachable Bitcoin peers

Before estimating the delays we consider case 4 in more detail. Our experiments show that for a Bitcoin client which

⁹Not necessarily Tor.

¹⁰Or never really existed: Bitcoin allows storing fake addresses in client addresses database.

was already used several times prior to the connection over Tor, the addresses database contains 10,000 – 15,000 addresses and the fraction of unreachable Bitcoin peers among them is between 2/3 and 3/4. Abundance of unreachable addresses means that case 4 is the most frequent scenario for the client. Consider a client which chose an unreachable Bitcoin server and a non-attacker’s Exit node.

The Exit relay can send either:¹¹

- 1) An END cell with a “timeout” error code. In case of a “timeout” message, Tor sends a “TTL expired” SOCKS error message to the Bitcoin application which then tries another Bitcoin peer.
- 2) An END cell with “resolve failed” error code¹². In case of “resolve” fail message, Tor drops the current circuit and tries to connect to the unreachable Bitcoin peer through a different Exit node. After 3 failed resolves, Tor gives up and sends a “Host unreachable” SOCKS error code, which also results in Bitcoin trying a different peer.

The third and the most common option is that the exit relay will not send any cell at all during 10-15 seconds. As was described in the Background section that in case the Exit node does not send any reply within 10 or 15 seconds (depending on the number of failed tries) along the circuit attached to the stream, Tor drops the current circuit and attaches the stream to another circuit (or to a newly built one if no suitable circuits exist). In case Tor cannot establish connections during 125 seconds, it gives up and notifies Bitcoin client by sending a “General failure” SOCKS error message. Bitcoin client then tries another peer.

B. Estimating delays

The facts that a) Tor tries several different circuits while trying to connect to unreachable peers and b) the fraction of unreachable peers in the client’s database is very large, significantly increases the chances that a malicious Exit node is chosen. The attacker only need this to happen once, since afterwards all connections to the other Bitcoin peers will be established through this Tor circuit; Bitcoin client will work even with one connection. On the other side, unreachable nodes increase the delay before the user establishes its first connection. This delay depends on the number of attacker’s Bitcoin peers and on how often the user chooses new circuits.

In order to estimate the later, we carried out the following experiment. We were running a Bitcoin client over Tor and for each connection to an unreachable Bitcoin client we were measuring the duration of the attempt and the number of new circuits (and hence different Exit nodes). The cumulative distribution function of the amount of time a Bitcoin client spends trying to connect to an unreachable node is shown in Fig. 2. On the average a Bitcoin peer spends 39.6 seconds trying to connect to an unreachable peer and tries to establish a new circuit (and hence a different Exit node) every 8.6 seconds. This results in 4.6 circuits per unreachable peer.

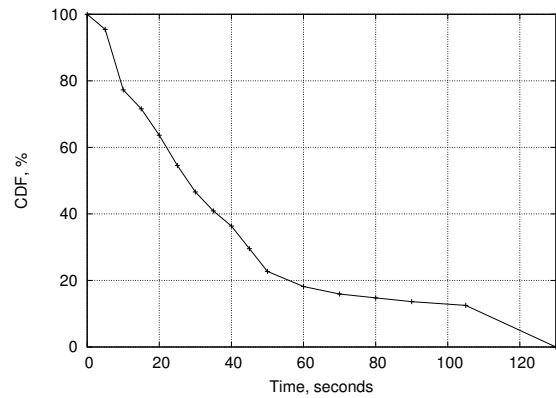


Fig. 2. Time spent connecting to an unreachable node

We now estimate how long it will take a user on average to establish his first connection to the Bitcoin network. This delay obviously depends on the number of the attacker’s Bitcoin peers and the amount of bandwidth of her Tor Exit relays. We adopt a simple discrete time absorbing Markov chain model with only three states (see Fig 3):

- State 1: the Bitcoin client tries to connect to an unreachable peer;
- State 2: the Bitcoin client tries to connect to a reachable Bitcoin peer banned by the attacker;
- State 3: Bitcoin peer tries to connect to an attacker’s Bitcoin peer or chooses an attacker’s Tor Exit node. State 3 is absorbing state, once it is reached, the user thinks that he connected to the Bitcoin network (while he is now controlled by the attacker).

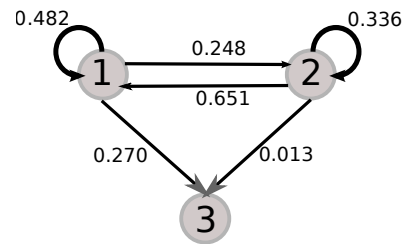


Fig. 3. Markov chain with probabilities for 400K of Exit capacity and 100 malicious Bitcoin peers. The client spends about 0.5 seconds in State 2 and about 40 seconds in State 1

After composing the fundamental matrix for our Markov chain, we find the average number of steps in two non-absorbing states. Taking into account the average amount of time spent by the user in each of the states (we use our experimental data here), we find the average time before the absorbing state. We compute this time for different number of Bitcoin peers and Tor Exit relay bandwidth controlled by the attacker. The results are presented in Fig 4. We have taken a conservative estimate that the fraction of unreachable Bitcoin peers in the client’s database is 2/3 = 66%, also the client spends only about 0.5 seconds in State 2 and about 40 seconds in State 1.

Fig 4 shows that an attacker having 100,000 of consensus Exit bandwidth and 1000 Bitcoin peers is able to carry out the attack

¹¹This is based on the Tor source code analysis and monitoring a running Tor instance.

¹²We observed this behaviour not only for hostnames but also for IP addresses.

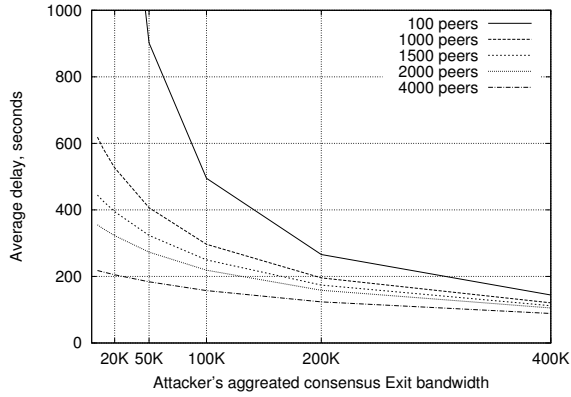


Fig. 4. Average time before the first connection

while keeping the average delay below 5 minutes. For example attacker controlling a small botnet can afford that many peers (she will need 1000 peers with public IPs or supporting UPnP protocol). An attacker having consensus weight of 400,000 and very few peers can decrease the average delay to about two minutes. Such a bandwidth is achievable by an economy level attacker as will be shown in section VI.

The line corresponding to 4000 attacker's Bitcoin peers in Fig. 4 is not as unrealistic as it may seem. Recall (see section II-A4) that each Bitcoin peer address can go to up to 4 "new" buckets at the client's side. This can be used by a persistent attacker to increase the choice probability for her peers by a factor 4 (in the best case) which means an attacker can have significantly less than 4000 peers.

C. Clients with empty addresses cache

As was pointed in section II-A3, all IPv4 and IPv6 addresses received from DNS-oneshots are dropped by a Bitcoin client if Tor is used. If the addresses database of a client is empty and all the seed nodes are banned, the client can connect to hidden services only. This is a limitation of our approach.

V. OPPORTUNISTIC DEANONYMISATION AND TRAFFIC CORRELATION

For a traffic confirmation attack an attacker needs to control both end of a users's communication and the fact that the attacker now controls one end of the communication significantly increases the success rate of the attack. The attacker sends a traffic signature down the circuit in in hope that some users chose the attacker's Guard nodes. Even if it is not the case, the attacker can try to reveal the Guard nodes of users by dropping their circuits and forcing them to reconnect (thus choose another circuit which would contain one of the attacker's middle nodes).

Attacker would be also in position to perform time correlation attacks in case the user is accessing Tor Hidden services and making payments with Bitcoin over Tor on them. For this it would be sufficient for the attacker to get control of the HSDir servers responsible for the onion addresses of the relevant hidden service.

A. Possibility of double spending and "virtual reality"

The attacker can defer transactions and blocks. In case of blocks we can send dead forks. In collusion with a powerful mining pool (for example 10-20% of total Bitcoin mining capacity) the attacker can create fake blocks. This enables double spend, however to make this relevant the amount should exceed what such miner would be able to mine in the real Bitcoin network. Also complete alternative Bitcoin reality for all the users who access Bitcoin solely through Tor is possible.

VI. ATTACK COSTS

A. Tor Exit nodes

During July 2014 we were running a non-Exit Tor relay for 30 USD per month. We set the bandwidth limit of the relay to 5 MB/s which resulted in traffic of less than 15GB per hour. The consensus bandwidth of this relay fluctuated between 5,000 and 10,000 units¹³. While the total weighted consensus bandwidth of all exit nodes was about 7 million units, the weighted consensus bandwidth of relays allowing exiting at port 8333 was about 5.7 million units. Assuming that we could achieve the same consensus bandwidth for an Exit node this gives the probability of 0.08%-0.17% for our relay to be chosen for Exit position by a user. Given that 10 TB of traffic is included into the server's price and one has to pay 2 EUR per additional 1 TB, it would cost an attacker 360 USD to have 180 TB of traffic per month. The corresponding speed is 69 MB/s (69,000 consensus bandwidth units). By running 6 such relays the attacker can achieve 400K of bandwidth weight in total for the price below 2500 USD (2160 USD for the traffic and 240 for renting fast servers).

Thus having a consensus weight close to 400,000 is possible for an economy-level attacker. The attacker can also decide to play unfair and mount a bandwidth cheating attack which would allow her to have a high consensus weight while keeping the budget of the attack even lower. This is especially possible since Bitcoin traffic by itself is rather lightweight and high bandwidth would be needed only in order to drive Tor path selection algorithm towards attacker's nodes.

B. Bitcoin peers

The attack described in section III suggests the attacker injects a number Bitcoin peers; at the same time Bitcoin network allows only one peer per IP address. Thus the attacker is interested in getting as many IP addresses as possible. Currently there are several options. The cheapest option would be to rent IP addresses on hourly basis. The market price for an IP address is 1 cent per hour [17]. This results in 7200 USD per 1000 IP's per month.

From these computations it is clear that attacker would do better by investing in Exit bandwidth rather than running Bitcoin peers (unless she controls a small botnet), and the only limitation for her would be not to become too noticeable. An attacker that has 400K (7% for port 8333) of Tor Exit capacity would cost about 2500 USD.

¹³A unit roughly corresponds to 1 KB/s of traffic

VII. COUNTERMEASURES

Our attack is very effective due to a feature of Bitcoin which allows an easy ban of Tor Exit nodes from arbitrary Bitcoin peers. One possible countermeasure could be to relax the reputation-based DoS protection. For example each Bitcoin peer could have a random variable, which would decide whether to turn ON or OFF the DoS protection mechanism with probability 1/2. As a result the attacker might be able to DoS at most half of the network, but on the other hand he will not be able to ban any relays or VPNs from ALL the Bitcoin peers.

An obvious countermeasure would be encrypt and authenticate Bitcoin traffic. This would prevent even opportunistic man-in-the-middle attacks (i.e. even if the user is unlucky to choose the malicious Exit relay).

Yet another possible countermeasure is to run a set of "Tor-aware" Bitcoin peers which would regularly download Tor consensus and make sure that Bitcoin DoS countermeasures are not applied to servers from the Tor consensus. Such relays however would be vulnerable to DoS via Tor attack.

Finally, Bitcoin developers can maintain and distribute a safe and stable list of onion addresses. Users which would like to stay anonymous should choose at least one address from this list. There currently exists a short and not up-to-date list of Bitcoin fallback onion addresses [8].

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APPENDIX

A. List of Reachable Bitcoin Onions

In this Appendix we list 39 Bitcoin onion addresses which we found to be reachable on the 5th of August 2014. In order to get this list we queried reachable for the time of the experiments Bitcoin peers by sending four GETADDR messages to each peer. A Bitcoin peer can reply to such message by sending back 23% of its addresses database but not more than 2500 addresses. A peer can store 16,384 addresses at most which means that sending 4 GETADDR messages is not enough to extract the complete peer's database. However we expect that there is a big overlap between the databases of different peers. Some of the discovered reachable onion addresses begin or end with meaningful text like: BTCNET, BITCOIN and belong to Bitcoin developers, pools or services.

2fvnvnvj2hiljjwck.onion:8333	it2pj4f7657g3rhi.onion:8333
2zdgmixc7obtivug.onion:8333	jq57qrkvvyi4a3o2.onion:8333
3crtkleibhn6qak4.onion:14135	kjy2eqzk4zwi5zd3.onion:8333
3lxko7l4245bxhex.onion:8333	mtzcz5knzjmuclnx.onion:8333
4crhf372poejlc44.onion:8333	nns4r54x3lfbkrq5.onion:8333
5ghqw4wj6hpgfvdg.onion:8333	nzsicg2ksmsrxwyz.onion:8333
5k4vwyy5stro33fb.onion:8333	pqosrh6wfaucet32.onion:8333
6fp3i7f2pbie7w7t.onion:8333	pt2awtcs2ulm75ig.onion:8333
7iyfdkr72hgtjdjoh.onion:8333	pxl7ytsd2aiydadi.onion:8333
b6fr7dllbu2kpiysf.onion:8333	qsxhkpvbmt6akrov.onion:8333
bitcoin625tzsusi.onion:8333	syix2554lvyjluzw.onion:8333
bitcoinostk4e4re.onion:8333	t2vapymuu6z55s4d.onion:8333
btcdatubbzaw4tj.onion:8333	td7tgof3imej3fm6.onion:8333
btcnet3utgzyz2bf.onion:8333	tfu4kqfshw5slqp2.onion:8333
czsbwh4pq4mh3izl.onion:8333	thfsmmn2jbitcoin.onion:8333
dqretelgl3kjtzei.onion:8333	xdnigz4qn5dbbw2t.onion:8333
e3tn727fywnioxrc.onion:8333	xij5qyrbosw2pzjm.onion:8333
evolynhit7shzeet.onion:8333	zqq6yxxb7or36br.onion:8333
gb5ypqt63du3wfh.n.onion:8333	zy3kdqowmrb7xm7h.onion:8333
hkxy4jpeniuwouiv.onion:8333	

TABLE I. BITCOIN ONIONS, ONLINE ON AUGUST 5th 2014