QWID
BLOCKCHAIN FOR THE POST-QUANTUM ERA

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SUMMARY

Current blockchain technologies rely on a decentralized network of block producers, such as miners in Proof-of-Work systems like Bitcoin or validators in Proof-of-Stake networks like Cardano and Ethereum 2.0. The security of these networks is based on conventional asymmetric encryption which are based on challenges and mathematical assurances that cannot be solved easily by conventional computers. However, these protections are known to be susceptible to quantum computing algorithms. This paper presents a blockchain framework that is immune to quantum computing and related attack methods that may threaten existing blockchains in the near future. We propose a dual blockchain structure that utilizes a cryptographic standard resistant to even the most advanced quantum computers, offering a future-proof network that is compatible with existing technologies. This includes a PQC blockchain network, decentralized price and verifiable random number oracles, as well as a quantum-resistant and EVM-compatible smart contract platform.

1. INTRODUCTION

In a few short years, quantum computing will pose a legitimate security threat to contemporary blockchains. Asymmetric cryptography, which is the most commonly used encryption standard in today's blockchains, will be susceptible to attack due to the superior computational power of quantum computing. It is commonly known that a quantum computer with a sufficient number of qubits could theoretically break public-key cryptography schemes using Shor's Algorithm. While there has previously been debate as to whether a quantum computer could be built that would be both powerful enough and stable enough to perform this task, a growing number of scientists and engineers now believe that this is no longer a question of if, but when. Some experts argue that within the next ten to fifteen years, quantum computers will be built that will be capable of breaking all public-key schemes currently in use. It has taken almost two decades to deploy and normalize modern public-key cryptography, and whether or not we can accurately estimate the exact date of the arrival of the quantum computing era — it is clear that we must act now to prepare our infrastructure and information security systems to be able to resist all kinds of upcoming technologies and future threats. In particular, the existential threats quantum computing poses to the cryptographic schemes we rely on in our digital and financial infrastructure today.

2. DEFINITIONS & PREVIOUS WORK

These threats to the blockchain and cryptocurrency ecosystem have inspired us to develop the QWID Blockchain, which leverages a cryptographic standard that will be resistant to even the most powerful quantum computers. In the process, we have solved the issues that have plagued early pioneers of quantum-resistant blockchain technology. One of the main characteristics of PQC (Post-Quantum Cryptography) cryptosystems is the need for large public keys and signatures. This can affect the ability to scale within the context of a blockchain due to the significant data storage overhead. QWID provides a solution to this requirement by implementing a unique dual-chain architecture, with a primary chain for processing transactions and a secondary chain for storing public key data. Combined with a cryptographic standard that boasts compressed public keys and signatures, QWID functions as a blockchain that is PQC compliant, while achieving transaction processing speeds that rival even the fastest contemporary blockchains. QWID also leverages a proprietary consensus model called Proof-of-Synergy which combines the best features of Proof-of-Work (PoW), Proof-of-Stake (PoS),

and Proof-of-Authority (PoA). This means that in addition to being resistant to attacks from quantum computers, the QWID Blockchain will be environmentally friendly, resistant to DDoS attacks, and fully decentralized with a very high transaction throughput rate. The QWID Blockchain is primarily driven by the native payments and governance token, QWIDT, which is used as gas for network transactions, and as a financial incentive to participate in block validation.

2.1. QWID Network Components & Characteristics

- PQC (**Post-Quantum Cryptography**) is achieved on the QWID Blockchain with the Rainbow-III-Compressed cryptographic standard, with a small signature size (164 bytes), small private key size (64 bytes), but a large public key size (264kB) to ensure resistance to attack by quantum computers.
- **Split chain architecture**: Unique split architecture design, with a primary chain for processing transactions and a side chain for storing public key data — allowing the network to be both secure and performant.
- Proprietary consensus model **Proof-of-Synergy**, which is decentralized and energy-efficient, while preventing malicious actors from harming and destabilizing the QWID Blockchain.
- The QWID Blockchain is **EVM-compatible**, Turing-complete smart contract platform. Existing smart contracts can be migrated from other chains to leverage QWID's security benefits.
- **Deflationary total supply** of QWID's asset and gas token, QWIDT, with the number of new QWIDT minted as validator rewards diminishing over time on a fixed schedule.
- **Decentralized oracles** for QWIDT price and verifiable random numbers, helping DeFi and GameFi applications reduce costs, add new features, improve security, and increase service reliability.

2.2. Existing Blockchain Networks

- **QRL**: Fully integrated PQC blockchain based on XMSS cryptography. Proof-of-Work consensus model. Average block interval of 1 minute. Problems with scaling and low transaction throughput (~10-12.5 TPS). Standardization of XMSS by NIST is due to happen in the near future. [2]
- **IOTA**: Hashgraph/tangle type of blockchain. Not a full PQC blockchain, quantum computers pose a moderate threat. In January 2018, the IOTA blockchain was hacked, resulting in losses of 11 Million USD. [3]
- **Monero**: Hidden public keys. Moderate threat from quantum computers.
- **Beam**: Hash-based cryptography used. Moderate threat from quantum computers.
- **Bitcoin**: The most popular cryptocurrency based on market capitalization. Proof-of-Work. Average block interval of 10 minutes. High threat from quantum computers.
- **Ethereum**: Second largest cryptocurrency based on market capitalization. Distributed virtual machine for smart contracts. PoW - layer 1, PoS - layer 2. Block interval is 14 seconds on average. 14-16 TPS. High threat from quantum computers.
- **Solana**: The blockchain with the largest throughput among blockchains. Proof-of-Authority. Smart contract functionality. Very sensitive to DDOS attacks. In January 2022, Solana was halted for 4 hours due to network issues. [4] In June 2022, Solana

was halted again to correct a bug that threatened consensus on the network. [5] High threat from quantum computers.

Below, we evaluate the architecture and consensus models of existing chains in comparison with QWID in an extended version of the well-known blockchain trilemma, and explore the trade-offs in features and functionality each carries to the underlying protocol.

Decentralization:

1. Private nodes
2. Proof-of-Authority
3. Public, limited number of nodes
4. Public, but realistically limits nodes to large servers
5. Public, no limitations of nodes

Stability:

1. Proof-of-Authority
2. Delegated Proof-of-Stake with limited nodes
3. Proof-of-Stake with unlimited nodes
4. Proof-of-Stake with DDOS protection
5. Proof-of-Work, unlimited nodes

Cryptography:

1. Standard encryption
2. Hidden public keys
3. Hash-based cryptography
4. PQC not on NIST list
5. PQC approved by NIST

Throughput:

1. TPS > 1
2. TPS > 10
3. TPS > 100
4. TPS > 1k
5. TPS > 10k

Utility features:

1. Only currency function
2. Possible to create new tokens
3. N/A
4. Smart contracts
5. Smart contracts + feeless oracles

Environmentally friendly:

1. High energy consumption
2. Hardware intensive
3. Proof-of-Stake

4. N/A
5. Proof-of-Stake with limited nodes

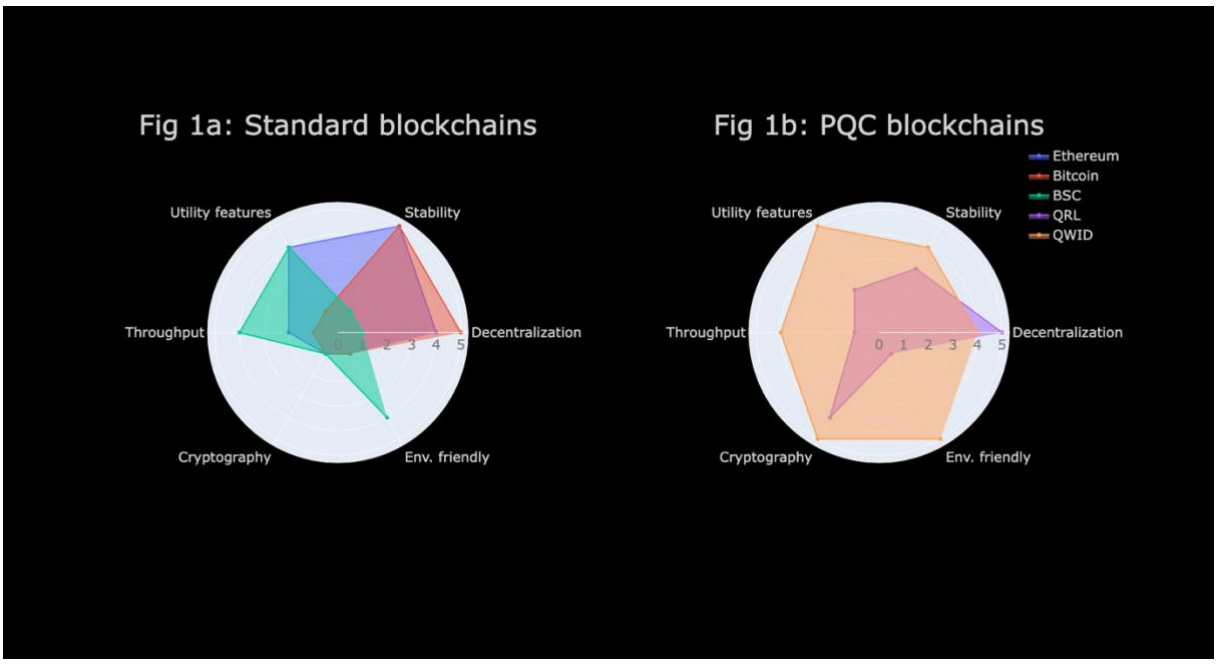

Figure 1. The most important properties of contemporary blockchains, and how their respective consensus models and architecture affect performance and functionality.

Attribute	Ethereum (PoW)	Ethereum (PoS)**	Solana	Cosmos	Avalanche	Cardano	QWID
Highly Decentralized	Yes	Yes	No	No	No	Yes	No
Robust against DDoS attacks	Yes	No	No	No	No	No	Yes
Low transaction fees	No	Yes	Yes	Yes	Yes	No	Yes
High throughput (TPS)	No	Yes	Yes	Yes	Yes	No	Yes
Low latency (time to confirmation)	No	Yes	Yes	Yes	Yes	Yes	Yes
Environmentally friendly	No	Yes	Yes	Yes	Yes	Yes	Yes
Trustless	Yes	No	No	No	No	No	Yes
Post-Quantum Cryptography (PQC)	No	No	No	No	No	No	Yes
Feeless RAND and PRICE oracles	No	No	No	No	No	No	Yes
Permissionless and public	Yes	Yes	No	Yes	Yes	Yes	Yes
No slashing	Yes	No	No	No	Yes	Yes	Yes

Figure 2. Comparison of the QWID Blockchain against other blockchain solutions currently on the market.

- Trustless - there is no need to trust any user, independent authority, or validator in order for the protocol to work. A trustless blockchain is self-regulating and requires validation by other network participants.
- Slashing - stakers can lose all or part of the money they have staked with a node if that node behaves in a malicious manner. There is no slashing on the QWID Blockchain to ensure individuals staking with a malicious node are not unfairly penalized.
- All networks listed support some variant of smart contracts

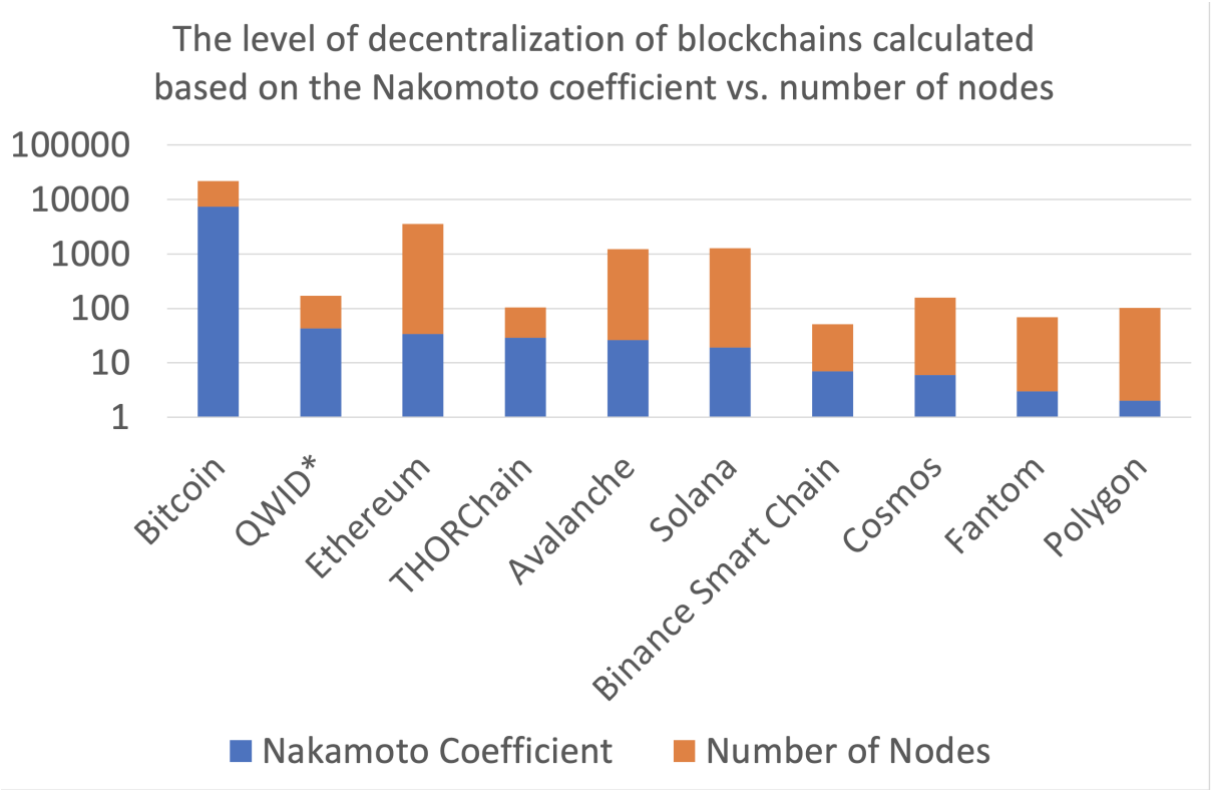

Fig 3. The level of decentralization of QWID vs. contemporary blockchains

- The Nakamoto Coefficient represents the number of validators (nodes) that would have to collude together to successfully block a blockchain from functioning properly.
- The source: https://crosstower.com/resources/education/nakamoto-coefficient/ https://twitter.com/vitalikbuterin/status/1333738057162362880?lang=en

3. QWID BLOCKCHAIN OVERVIEW

3.1. QWIDT Coin

To incentivize participation in QWID's validation process and to facilitate the exchange of value between parties on the network, QWID issues the native QWIDT Coin.

- Total supply of 2.3 BLN QWIDT
- The number of mineable coins will be 2.07 BLN QWIDT. As with conventional blockchains, the native QWIDT asset is required to make transactions on the network, where they are used to pay transfer (gas) fees. As part of QWID's consensus model, these fees, along with a diminishing block reward, are awarded to whichever participating validator authored the latest block.

QWIDT block rewards diminish roughly once every three days by a factor of 0.999. It can be calculated as follows:

MineableCoins = IBR * NB * (1 + 0.999 + 0.999^2 + … + 0.999^n) = 1000 * IBR * NB

where:
IBR - Initial block reward
NB - Number of blocks with constant reward

NB for the main and secondary chains is equal to 25920 (~3 days). IBR for both chains is equal to 39.93055556 QWIDT.

MineableCoins = 1000 * 39.93055556 * (25920 + 25920) = 2.07 BLN

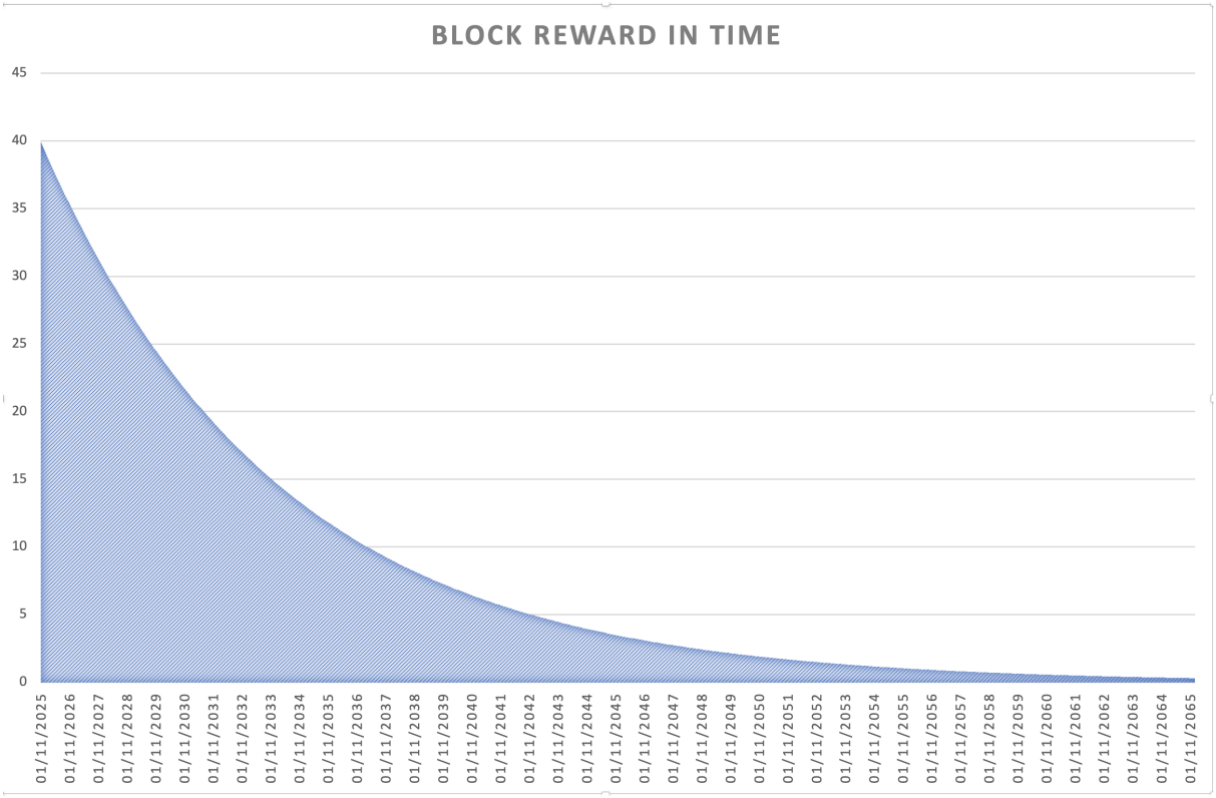

Figure 3. Hyperbolically diminishing QWIDT block rewards.

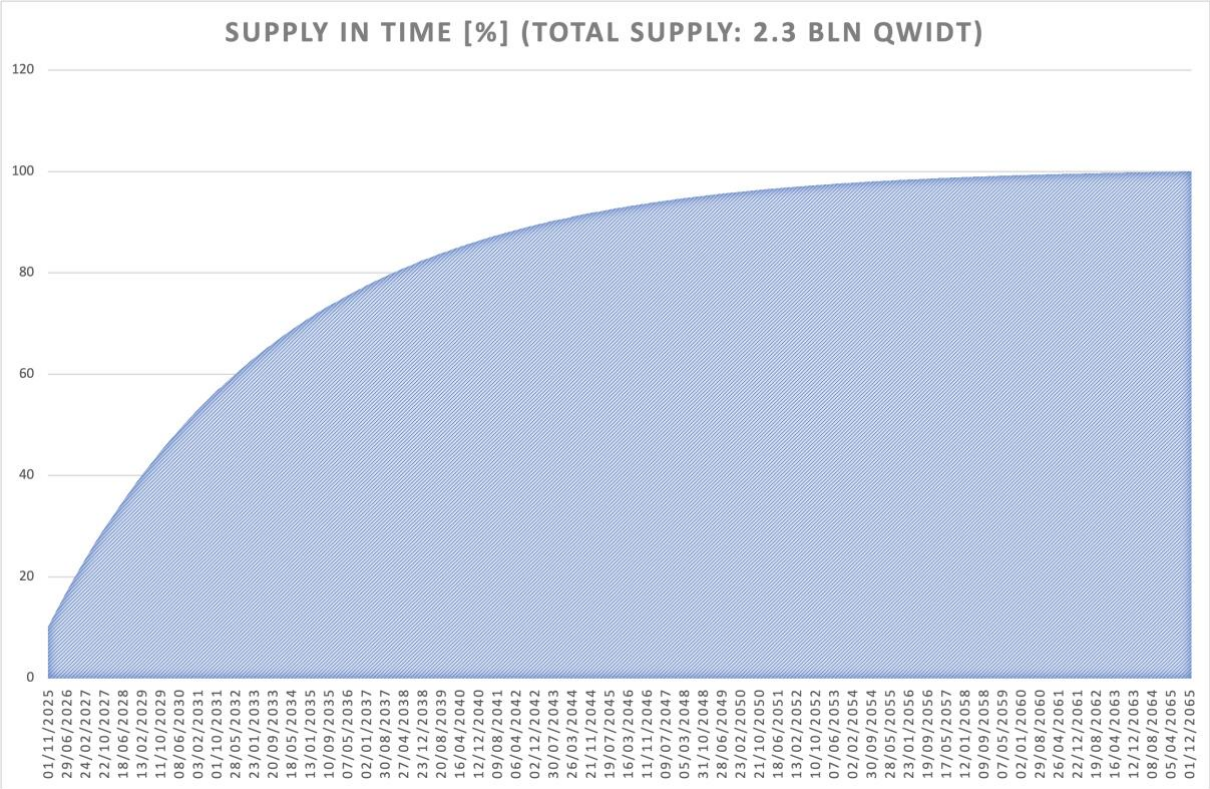

Figure 4. Total supply saturates to 2.3 BLN QWIDT.

3.2. Dual Chain Architecture

One of the most problematic characteristics of a PQC cryptosystem is the large size of the public keys, which are needed to verify new transactions. When one assumes that there will be circa 100,000,000 addresses (which is comparable to the Ethereum blockchain), we end up with 26 TB in data which needs to be made available to verify the signatures in every transaction. If implemented into popular networks today like Ethereum, the large public keys utilized by PQC models could reduce the rate at which blocks could be validated by a factor of 14.

To solve this issue, the QWID Blockchain is divided into two chains. The primary chain focuses on processing transactions, and a secondary chain is used to store public keys. These two chains are bound to each other like a DNA double helix.

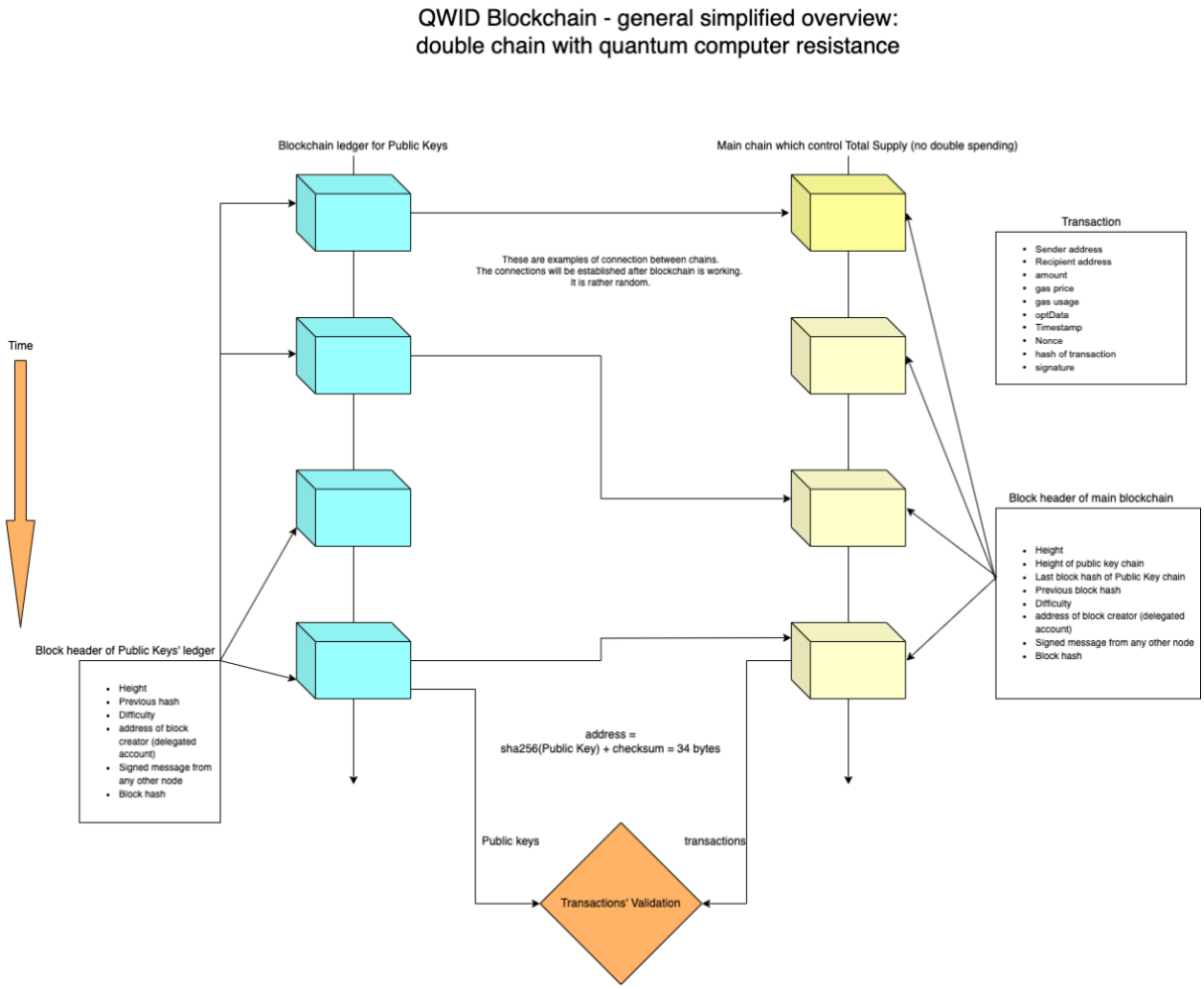

Figure 5. Overview of QWID's dual blockchain architecture.

Public keys are stored in the secondary blockchain and only accessed when validation of a new block is required. The primary and secondary chains are connected, allowing transactions in the primary chain to be verified against public keys in the secondary chain. Public keys need to be registered in the secondary chain before transactions can be processed by network nodes because each node needs to cross-reference the signature of every transaction against the complete list of public keys. It will take a maximum of 256 comparison calculation steps to search and confirm a 256-bit public key address in the secondary/storage chain.

Of course, not every public key is required to validate each new block — only the keys that correspond to the transactions in the block. When we are reading public keys from the secondary chain, there is an I/O limitation because current SSDs on the market are only able to read a maximum of 7 GB per second. The Badger key-value database is capable of loading around 12k values per second (714k per minute) 16kB each (see Fig. 6). This results in a theoretical limit for the QWID Blockchain of around 10,000 TPS (Transactions per Second).

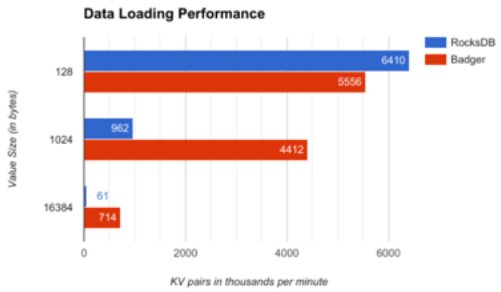

Figure 6. Plotting the performance of key-value databases.

3.3. Proof-of-Synergy Consensus Algorithm

QWID's proprietary Proof-of-Synergy model combines characteristics of three commonly used consensus algorithms:

- Proof-of-Work: To introduce complexity to block creation which ensures protection against DDOS attacks. We will use a modified POW model that is environmentally friendly. The first node to solve the POW calculation correctly will create the new block.
- Delegated Proof-of-Stake: This allows staking and DeFi-style yields.
- Proof-of-Authority: To limit the number of nodes while retaining high scalability and transactional throughput. The QWID Blockchain will have a restricted number of nodes (128).

There will be a level of difficulty in creating new blocks (similar to the Bitcoin blockchain), which would be adjusted in order to keep the interval between blocks at the target of 10 seconds.

3.3.1. Staking and Delegated Accounts

- 256 delegate accounts will be created when the blockchain is first initiated. Anyone interested in staking (mining) needs to send QWIDT to one of these accounts.
- The top 128 delegate accounts in terms of QWIDT holding will act as nodes and validators. Out of the 256 delegate accounts in QWID, only 128 will act as nodes, and the remainder will remain sidelined until they have a large enough QWIDT deposit and can join the top 128 delegators.
- Withdrawing coins from one of these accounts (unstaking) can be done at any time, and there is no fixed deposit period.
- Withdrawing or depositing QWIDT to delegated accounts needs to be confirmed with 36 confirmations (around 6 minutes) in order to be valid.
- Nodes can create blocks, as well as validate blocks created by other nodes.
- There are no special hardware requirements for a computer to remain as a node/validator. In a situation where a computer has insufficient resources (CPU/RAM), the node won't be able to create or validate blocks quickly enough.

- If the delegated account is below the threshold of 10 MLN QWIDT, then it cannot create or validate blocks. Only delegated accounts that hold >= 10 MLN QWIDT can act as nodes.
- Users can deposit QWIDT in any of the 256 delegated accounts, as long as they deposit a minimum of 1000 QWIDT.
- After the block is validated, rewards are sent to users' accounts according to the value of their stake.
- Delegated accounts cannot withdraw staked coins. Only the person that deposits coins to a delegated account can withdraw those coins.

3.3.2. Operational Accounts

- Each delegated account will have an operator. The operator will be responsible for the administration of the physical server on which the node is running.
- The operator of the node defines the percentage of the reward from block creations that they will claim. The percentage can be anywhere from 0% to 50%.
- There will be competition within nodes to attract staked accounts. If the operator of a delegated account claims too much of the reward, then users will choose to deposit their funds in another account.
- Any participant is eligible to be an operator on any given delegated account. Participants need to signal their intent to become operators. The participant with the largest stake will be declared the operator for any given delegated account. If 2 participants have an equal stake, then the participant that is fastest to signal their intent will be awarded operator status.
- Every delegated account must have an operator in order to become a node.

3.3.3. Block Creation

- Each node on the network will try to solve the Proof-of-Work algorithm. When a node successfully solves this algorithm, then this node will create a new block.
- As part of this block creation process, a unique string value is generated that is derived from a combination of the node's UNIX timestamp, the account's public key (256 bits - elliptic curves), the hash of the last block, and the index of the last block in the chain (height). This string value is signed using the account's private key and is inserted into the header of the new block. This string value will change every second (due to the UNIX timestamp incrementing every second). For the purposes of this whitepaper, we will refer to this unique string value as the nonce.
- This block is then broadcast to all nodes on the network who will verify that the block is correct by validating the nonce and the hash value in the header of the block. The longest main chain will be considered the correct one.
- When the timestamp of the block is larger than the timestamp of the node plus 60 seconds, the block will not be accepted. This ensures clock synchronization across the network.
- The private keys for delegated accounts will be the keys of the node operators. These private keys will be used for generating the nonce and signing oracle broadcasts.

3.3.4. Difficulty

- The difficulty of the POW algorithm will be automatically adjusted to help maintain the rate of block creation to QWID's target of 10 seconds. This results in a transaction finality of 1 minute on QWID, vs 3 minutes on Ethereum or 1 hour on the Bitcoin network.
- Difficulty will be adjusted after every block creation in order to prevent any malicious nodes from creating a large number of blocks in a short period of time and overloading the network (DDoS).
- No slashing or punitive action is required against malicious nodes because the QWID protocol is self-managing and will prevent situations where nodes behave maliciously. As a result, the QWID network will be a trustless network much like the bitcoin network.

Both the primary and secondary chains share the same consensus model (Proof-of-Synergy) with the same block time interval (on average 10 seconds).

3.4. Post-Quantum Cryptography (PQC)

The first iteration of the QWID Blockchain leverages Rainbow-III-Compressed [10] as its underlying cryptographic standard. Rainbow was chosen as one of the finalists in the NIST PQC cryptography standardization review. [11] There are a number of variations of this cryptographic standard. We have selected a variation called Rainbow-III-Compressed due to its high level of security, small signature size, fast signature verification, and a small private key of 64 bytes. [12] Private keys in the QWID network can be represented with 48 mnemonic words, with the full list of possible mnemonic words containing 2048 different words. [13] Rainbow-III-Compressed is published under a creative commons license, which states "You can copy, modify, distribute and perform the work, even for commercial purposes, all without asking permission." [14]

3.4.1. Summary of Rainbow-III-Compressed

Rainbow-III-Compressed features similar levels of security to 128-bit AES symmetric encryption models. It would take modern computers 10^26 years to break 128-bit symmetric key encryption using brute force, which is 200 times greater than the age of our universe. [15] In the QWID Blockchain, only public keys and signatures need to be stored. Private keys are stored in a private user wallet.

- Public key size: 264kB
- Signature size: 164B
- Private key size: 64B
- NIST Level 1 security [16]

Rainbow-III carries a level of security equivalent to the algorithm used by Bitcoin today and is able to maintain this security even when quantum computers capable of defeating Bitcoin's consensus are available. Any attack that breaks the relevant security definition must require

computational resources comparable to or greater than those required for key search on a block cipher with a 128-bit key (e.g., AES128).

3.5. QWID Oracles

The QWID Blockchain was designed to help shape the future of decentralized finance. To this end, QWID implements two decentralized protocol-level oracles that are free to use by developers in their smart contracts and applications.

3.5.1. QWID PRICE Oracle

The QWID Blockchain incentivizes nodes to provide data about the QWIDT/USD exchange rate to the QWID PRICE Oracle. The blockchain establishes the current price of QWIDT by calculating the median price submitted by nodes. This is called the oracle price, which is used to determine the exchange rate of QWIDT to USD. To begin submitting data to the QWID PRICE Oracle, a node operator must stake QWIDT. An operational account's staking requirement may be raised by the protocol if individually submitted data points are significantly divergent from the median of all submitted prices.

The QWIDT price, as determined by the QWID PRICE Oracle, is included in the body of new blocks on the QWID main chain, on a per-block basis. When a node solves the POW algorithm and creates a new block, it must solicit prices from other nodes representing at least two-thirds of the total amount of staked QWIDT. Other nodes will broadcast the QWIDT price as a number with up to 9 digits after the decimal place. All of these prices will be added to the new block, and the median of all of these prices will be the official QWIDT oracle price.

3.5.2. QWID RAND Oracle

The second oracle, called QWID RAND, will provide a source of verifiably random numbers for use by developers. No special reward or punishment will be associated with RAND. In this model, each node proposes a random number. In the same manner as the QWIDT oracle, RAND needs to be proposed by nodes representing at least 2/3 staked coins. Submitted numbers will be distributed along with oracle prices, signed by the operational account. The overall RAND number of the block will be a 256-bit hash of oracle prices and proposed random numbers, making the result unpredictable. Random numbers need to be submitted as a 64-bit integer. In order to calculate the random hash, the submitted oracle price and random integers are converted to strings, and then consequently to bytes. The final random number would be the sum of homomorphic hashes of separated byte arrays of each number. In this way, homomorphic hashing will allow network participants to easily check the correctness of the resulting hash and RAND value by validator nodes. This model is resistant to manipulation of outcome by malicious nodes, allowing developers to build secure and reliable GameFi or DeFi applications whose logic requires a tamper-proof random number.

4. SUMMARY & DISCUSSION

We have outlined a practical implementation of a secure and performant blockchain that is resistant to quantum computers and their ongoing development. The proposed architecture for the QWID Blockchain allows users and developers to securely store and transfer value within a permissionless, decentralized network, and to build and interact with decentralized applications that are resistant to future technological development, as outlined in Appendix A.

QWID's core mission is to provide a blockchain network that is able to thrive for many decades to come, and the design decisions illustrated here reflect this goal. The end result is a feature-rich and quantum-computer resistant blockchain whose upgrades can be directed by the community, without causing disruption of service or loss of value to users. QWID provides a complete toolkit to aid in the development of decentralized applications and DeFi primitives.

QWID's EVM-compatible smart-contract platform allows developers to create native dApps within a secure post-quantum computing blockchain environment, and provides a means for existing dApps to be ported from other networks for increased speed and security — without any changes to the underlying smart contract code. In addition, the QWID Price and QWID RAND oracles help to ease the process of developing DeFi applications and to lower their operational costs — particularly those that rely on provably random numbers or live currency exchange rates, like gaming dApps and financial services like borrowing, lending, or decentralized exchanges.

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APPENDIX A: CALCULATING THE TIME AT WHICH QUANTUM COMPUTING WILL THREATEN BITCOIN

Introduction:

Bitcoin uses a version of Elliptic Curve Cryptography (ECC) known as Secp256k1. 256-bit ECC is equivalent to 3072-bit DSA/RSA encryption (see Figure 1).

Minimum size (bits) of Public Keys

	Minimum size (bits) of Public Keys		Key Size Ratio	
Security (bits)	DSA / RSA	ECC	ECC to RSA / DSA	Valid
80	1024	160-223	1:6	Until 2010
112	2048	224-255	1:9	Until 2030
128	3072	256-383	1:12	Beyond 2031
192	7680	384-511	1:20	
256	15360	512+	1:30	

Figure 1: Security properties of RSA and ECC cryptography (https://www.ssl2buy.com/wiki/rsa-vs-ecc-which-is-better-algorithm-for-security)

To implement Shor's methodology on a quantum computer, one needs at least $2n + 3$ qubits. Where n is the number of bits in the public key of the RSA encryption model, [17] $2n + 3 = 2 \cdot 3072 + 3 = 6147$ ideal qubits are required to perform a successful attack on a 3072-bit RSA model. From this, we can infer that Bitcoin would be vulnerable to attack by quantum computers with 6147 or more ideal qubits.

The current state of quantum computing:

- Quantum chip with 433 qubits was built in December 2022 by IBM.
- IBM is planning a 1121 qubit quantum chip by 2023.
- "The 'Eagle' chip is a step towards IBM's goal of creating a 433-qubit quantum processor next year, followed by one with 1,121 qubits, named Condor, by 2023" [18]

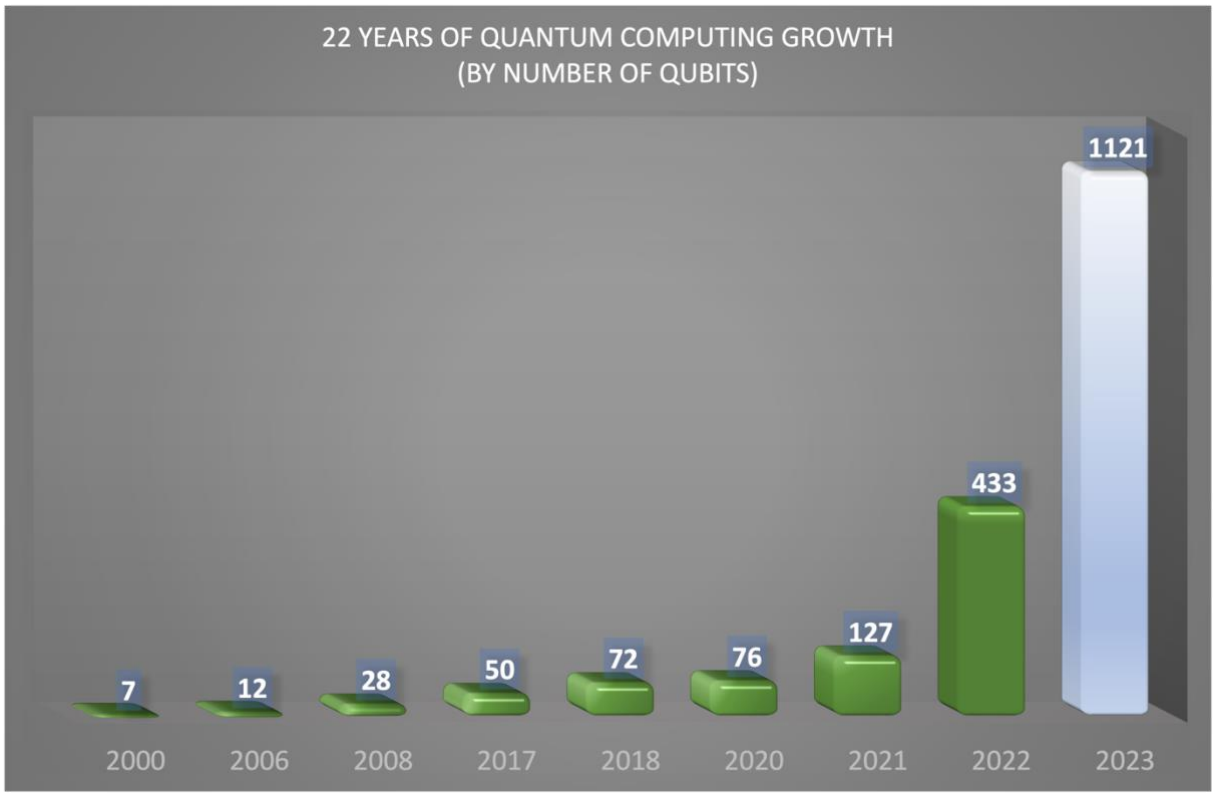

Figure 2: Quantum computing growth by number of qubits, between 2000 to 2023.

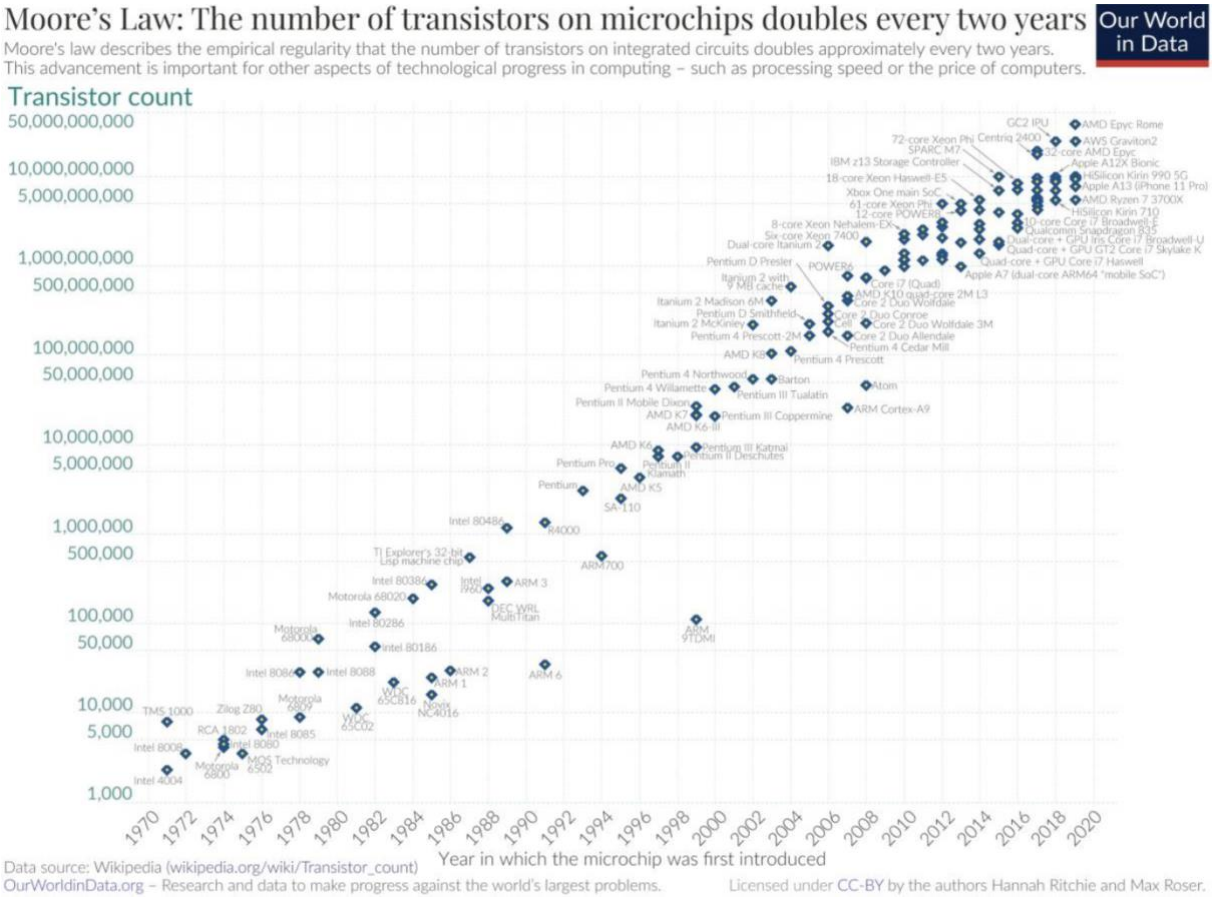

Figure 3: Moore's Law: The number of transistors on microchips doubles every two years. OurWorldinData.org

In Figure 4, we show the projected development of quantum computing if Moore's law is applied. The dotted straight line shows the trend of the number of qubits (see Fig. 2). The threshold (6147 qubits) shows the critical point at which the cryptographic schemes securing Bitcoin will be vulnerable to attack by quantum computers. The intersection of lines at 2029 and 2039 represent the range of time at which we could expect quantum computers to break Bitcoin's consensus model and underlying cryptographic standard.

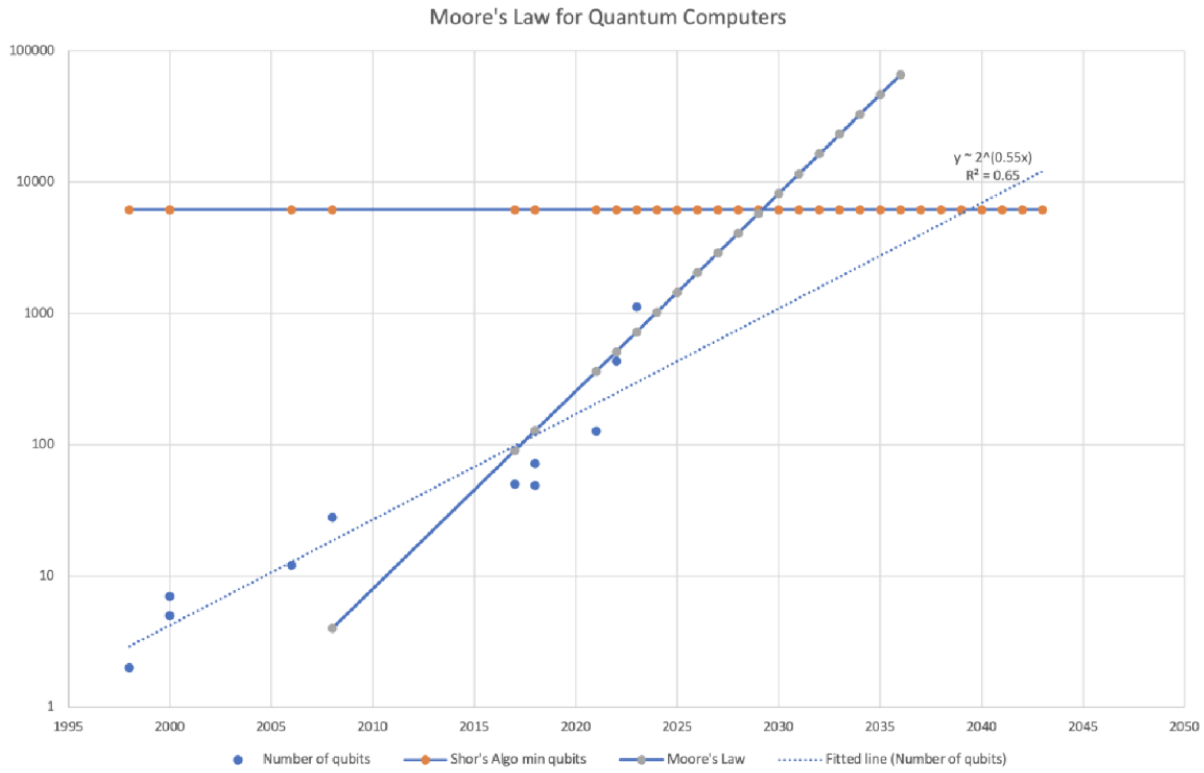

Figure 4: Moore's Law applied to quantum computers.

Conclusion:

The expected time at which quantum computers will be able to break Bitcoin's encryption is in the year 2039. We note three important factors:

1. The number of qubits forecasted to be achieved in 2022 and 2023 are very rapidly approaching the minimum attack threshold using Shor's algorithm.
2. The trend line does not precisely preserve Moore's Law, as the relative growth in performance is roughly half that of standard computers. If we were to precisely attribute Moore's Law to the progression of quantum computers – i.e., a doubling of the number of qubits every 2 years – then one can see that the trend line crosses the threshold needed to break Bitcoin by the year 2029.
3. The effects of the threat will appear faster than quantum computers are able to achieve it. Traders who are familiar with the threat may exit their Bitcoin positions as quantum computers are normalized, anticipating an attack to become reality.