Non-Atomic Payment Splitting in Channel Networks

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ABSTRACT

Off-chain channel networks are one of the most promising technologies for dealing with blockchain scalability and delayed finality issues. Parties that are connected within such networks can send coins to each other without interacting with the blockchain. Moreover, these payments can be "routed" over the network. Thanks to this, even the parties that do not have a channel in common can perform payments between each other with the help of intermediaries.

In this paper, we introduce a new notion that we call Non-Atomic Payment Splitting (NAPS) protocols that allow the intermediaries in the network to split the payments recursively into several subpayments in such a way that the payment can be successful "partially" (i.e. not all the requested amount may be transferred). This is in contrast with the existing splitting techniques that are "atomic" in the sense that they did not allow such partial payments (we compare the "atomic" and "non-atomic" approaches in the paper). We define NAPS formally and then present a protocol that we call "EthNA", that satisfies this definition. EthNA is based on very simple and efficient cryptographic tools, and in particular, it does not use any expensive cryptographic primitives. We implement a simple variant of EthNA in Solidity and provide some benchmarks. We also report on some experiments with routing using EthNA.

1 INTRODUCTION

Blockchain technology allows a large group of parties to reach a consensus about the contents of an immutable ledger, typically containing a list of transactions. In blockchain’s initial applications, these transactions were simply describing transfers of coins between the parties. One of the very promising extensions of the original Bitcoin ledger are blockchains that allow to register and execute the so-called smart contracts (or simply "contracts"), i.e., formal agreements between the parties, written down in a programming language and having financial consequences (for more on this topic see, e.g., [1, 2, 3, 4]). Probably the best-known example of such a system is Ethereum [5].

Several blockchain-based systems’ main limitations are delayed finality, lack of scalability, and non-trivial transaction fees. Off-chain channels [6, 7, 8] are a powerful approach for dealing with these issues. The simplest examples of this technology are the so-called payment channels. Informally, such a channel between Alice and Bob is an object in which both parties have some coins that they can freely transfer without interacting with the blockchain ("off-chain"). We explain this in Sec. 1.1 below. Readers familiar with this topic can go quickly over it, just paying attention to some terminology and notation that we use.

1.1 Background

Assume that the maximal blockchain reaction time is \( \Delta \). We model amounts of coins as non-negative integers and write "\( n \mathcal{c} \)" to denote \( n \) coins. A payment channel is opened when Alice and Bob deploy a smart contract on the ledger and deposit some number of coins (say: \( x \), and \( y \), respectively) into it. The initial balance of this channel is: "\( x \mathcal{c} \) in Alice’s account, \( y \mathcal{c} \) in Bob’s account" (or \( \text{[Alice} \mapsto x, \text{Bob} \mapsto y] \) for short). This balance can be updated to some new balance \( \text{[Alice} \mapsto x', \text{Bob} \mapsto y'] \), such that \( x'+y' = x+y \) by exchanging messages between the parties. The corresponding smart contract guarantees that each party can at any time close the channel and get the money that corresponds to her latest balance.

Only the opening and closing operations require interaction with the blockchain. Since updates do not require blockchain participation, each update is immediate (the network speed determines its time) and at essentially no cost.

Now, suppose we are given a set of parties \( P_1, \ldots, P_n \) and channels between some of them. These channels naturally form an (undirected) channel graph, which is a tuple \( G = (\mathcal{P}, \mathcal{E}, \Gamma) \) with the set of vertices \( \mathcal{P} \) equal to \( \{P_1, \ldots, P_n\} \) and set \( \mathcal{E} \) of edges being a family of two-element subsets of \( \mathcal{P} \). The elements of \( \mathcal{P} \) will be typically denoted as \( P_i \leadsto P_j \) (instead of \( \{P_i, P_j\} \)). Every \( P_i \leadsto P_j \) represents a channel between \( P_i \) and \( P_j \), and the cash function \( \Gamma \) determines the amount of coins available for the parties in every channel. More precisely, every \( \Gamma(P_i \leadsto P_j) \) is a function \( f \) of a type \( f : \{P_i, P_j\} \rightarrow \mathbb{Z}_{\geq 0} \). We will often write \( \Gamma(P_i \leadsto P_j) \) to denote this function. The value \( \Gamma(P_i \leadsto P_j) \) denotes the amount of coins that \( P_i \) has in her account in channel \( P_i \leadsto P_j \). A path (in \( G \)) is a sequence \( P_{i_1} \rightarrow \cdots \rightarrow P_{i_t} \), such that for every \( j \) we have \( P_{i_j} \leadsto P_{i_{j+1}} \in \mathcal{E} \). In the formal part of the paper (see Sec. 3.1) we will also include "nones" in the paths, but in this informal description we ignore them. In this paper, for the sake of simplicity, we assume that (a) the channel system is deployed with some initial value of \( \Gamma \), which evolves over time, (b) once a channel system is established, no new channels are created, and no channels are closed (i.e., \( \mathcal{E} \) remains fixed), and (c) no coins are added to the existing channels, i.e., the total amount of coins available in every channel \( e = P_i \leadsto P_j \) never exceeds the total amount available in it initially.

Channel graphs can serve for secure payment sending. Let us recall how this works in the most popular payment channel networks, such as Lightning or Raiden. Our description is very high-level (for the details, see, e.g., [7]). Consider the following example: we have three parties: \( P_1, P_2, \) and \( P_3 \) and two channels: \( P_1 \leadsto P_2 \) and \( P_2 \leadsto P_3 \) between them. Now, suppose the sender \( P_1 \) wants to send \( \mathcal{v} \mathcal{c} \) to the receiver \( P_3 \) over the path \( P_1 \rightarrow P_2 \rightarrow P_3 \), with \( P_2 \) being an intermediary that routes these coins. This is done as follows. First, party \( P_1 \) asks \( P_2 \) to forward \( \mathcal{v} \mathcal{c} \) in the direction of \( P_3 \) (we call such a request pushing coins from \( P_1 \) to \( P_2 \)). The receipt from \( P_3 \) confirming that she received these coins has to be presented by \( P_2 \).
while Lightning is very efficient in transferring a small number of
\( P \) within 2\( \Delta \) (denote this receipt with \( \rho \)). If \( P_2 \) manages to do it by this deadline, then she gets these coins in her account in the channel
\( P_1 \leftarrow P_2 \). To guarantee that this will happen, \( P_1 \) initially blocks these coins in the channel \( P_1 \leftarrow P_2 \). These coins can be claimed back by \( P_1 \) if time 2\( \Delta \) have passed, and \( P_2 \) did not claim them. In a similar way, \( P_2 \) pushes these coins to \( P_3 \), i.e., she offers \( P_3 \) to claim (by providing proof \( \rho \) within \( \Delta \) time) \( \omega \) in the channel \( P_3 \leftarrow P_4 \). Now suppose that party \( P_3 \) claims her \( \omega \) in channel \( P_3 \leftarrow P_4 \). This can only be done by providing a receipt \( \rho \) confirming that she received these coins. We call this process acknowledging payment. Party \( P_2 \) can now claim her coins in channel \( P_1 \leftarrow P_2 \) by submitting an acknowledgment containing the receipt \( \rho \). In the above example, the number of coins that can be pushed via a channel
\( P_1 \leftarrow P_{\text{4,1}} \) is upper-bounded by the number of coins that \( P_1 \) has in this channel. Therefore the maximal amount of coins that can be pushed over path \( P_1 \rightarrow P_2 \rightarrow P_3 \) is equal to the minimum of these values. We will call this value the capacity of a given path.

The technical level, in the Lightning network, the receipt \( \rho \) is constructed using so-called hash-locked transactions and “smart contracts” that guarantee that nobody loses money. This is possible thanks to how the \( \eta \Delta \) deadlines in the channels \( P_1 \leftarrow P_2 \) and \( P_2 \leftarrow P_3 \) are chosen. An interesting feature of this protocol is that receipt \( \rho \) serves not only for internal purposes of the routing algorithm but can also be viewed as the output of the protocol, which can be used by \( P_1 \) as a receipt that she transferred some coins to \( P_2 \). In other words: \( P_1 \) can use \( \rho \) to resolve disputes with \( P_3 \), either in some smart contract (that was deployed earlier and uses the given PCN for payments) or outside the blockchain. The notion of payment channels can be generalized to “state channels”. Informally, such channels can serve not only for payments between the parties but also for executing contracts within them. For more on this see, e.g., [9, 3, 10, 11, 12, 13].

### 1.2 Our contribution and related work

One of the main problems with the existing PCNs is that sending a payment between two parties requires a path from the sender to the receiver that has sufficient capacity. This problem is amplified by the fact that the capacity of potential paths can change dynamically, as several payments are executed in parallel. Although usually, the payments are very fast, in the worst case, they can be significantly delayed since each “hop” in the network can take as long as the pessimistic blockchain reaction time. Therefore it is hard to predict exactly the capacity of a given path even in the very near future. This is especially a problem if the capacity of a given channel is close to being completely exhausted (i.e. it is close to zero because of several ongoing payments). Some research [14] suggests that while Lightning is very efficient in transferring a small number of coins, transferring the larger ones is much harder, and in particular, transfers of coins worth $200 succeed with probability 1%. A natural idea for solving this problem is to split the payments along the way into several subpayments. This was described in several recent papers (see, e.g., [15, 16, 17, 18, 19]). However, up to our knowledge, all these papers considered so-called “atomic payment splitting”, meaning that either all the subpayments got through, or none of them. In this paper, we prove a new, alternative technique that we call “non-atomic payment splitting” that does not have this feature and hence is more flexible. (We provide a comparison between atomic and non-atomic splitting in Sec. 2.1.2.) More concretely, our contribution can be summarized as follows.

**NAPS definition.** We introduce the concept of non-atomic payment splitting by defining formally a notion of Non-Atomic Payment Splitting (NAPS) protocols. In our definition, we require that splitting is done ad-hoc by the intermediaries, possibly in a reaction to dynamically changing the capacity of the paths or fees. Perhaps the easiest way to describe NAPS is to look at payment networks as tools for outsourcing payment delivery. For example, in the scenario from Sect. 1.1 party \( P_1 \) outsources to \( P_2 \) the task of delivering \( \omega \) to \( P_4 \), and gives \( P_2 \) time 2\( \Delta \) to complete it (then \( P_2 \) outsources this task to \( P_3 \) with a more restrictive deadline). The sender might not be interested in how this money is transferred, and the only thing that matters to her is that it is indeed delivered to the receiver and that she gets the receipt. In particular, the sender may not care if the money gets split on the way to the receiver, i.e. if the coins that he sends are divided into smaller amounts that are transferred independently over different paths. In many cases, the sender may also be ok with not all money being transferred at once. NAPS protocol permits such recursive non-atomic payment splitting into “subpayments” and partial transfers of coins. This splitting can be done in an ad-hoc way. Moreover, the users can try to route the same payment over the same path multiple times (hoping that some more capacity becomes available in the meantime). We present a UC-like [20] definition of NAPS. An additional advantage of our contribution is that our definition can be easily adapted to cover the atomic payment splitting protocols [16, 21, 22, 19]. We discuss the possible application scenarios further in Sec. 1.2.1.

**EthNA construction.** We construct a protocol that we call EthNA that satisfies the NAPS definition. We call our protocol EthNA, in reference to Etna, one of the highest active volcanos in Europe. This is because the coin transfers in EthNA resemble a lava flood (with large streams recursively bifurcating into small substreams). The letter “h” is added so that the prefix “Eth-” is reminiscent of ETH, the symbol of Ether (the currency used in Ethereum), and “NA” stands for “Non-Atomic”.

In EthNA the “subreceipts” for subpayments are aggregated by the intermediaries into one short subreceipt, so that their size does not grow with the number of aggregated subreceipts. This is done very efficiently, particularly avoiding using advanced and expensive techniques such as noninteractive zero knowledge or homomorphic signature schemes and hash functions. Instead, we rely on a technique called “fraud proofs” in which an honest behavior of parties is enforced by a punishing mechanism (this method was used before, e.g., in [23, 24, 3]). We stress that the amount of data that is passed between two consecutive parties on the path does not depend on the number of subpayments in which the payment is later divided. The same applies to the data that these two parties send to the blockchain if there is a conflict between them. We summarize the complexity of EthNA in Sec. 3.3.

**Security analysis.** We provide a formal security analysis of EthNA. More precisely, we prove that EthNA satisfies the NAPS definition. We also analyze EthNA’s complexity.
Implementation. We also implement ErtnA contracts in Solidity (the standard language for programming the smart contracts in Ethereum), and we provide some routing experiments. We describe this implementation and provide some benchmarks in Sec. 3.3.1. We stress, however, that routing algorithms are not the main focus of this work, and further research on designing algorithms that exploit non-atomicity of payment splitting.

1.2.1 Possible applications of NAPS. As mentioned above, one obvious application of NAPS is to help to efficiently send a big payment by dividing it into several ad hoc installments: if it is impossible to route the full amount \( u \), then the client can accept the fact that a \( v < u \) coins were transferred (due to network capacity limitations), and try to transfer the remaining \( u - v \) coins later (in another installment). The same applies to other situations, e.g., when the user wants to exchange coins into another currency: ideally, he would like to exchange the entire amount \( u \), but exchanging \( v < u \) is better than nothing. A related scenario is making a partial "bank deposit" when the user wants to deposit as much money as possible, but no more than \( u \).

Moreover, in many cases, the goods that the seller delivers in exchange for the payment can be divided into tiny units and sent to the buyer depending on how many coins have been transferred so far. One example is battery charging, where charging, say 1/2 of the battery, is much better than having the battery dead. This applies both to mobile phones and to IoT devices that can trade energy between each other. Let us also mention applications like file sharing, where typically the client connects to several servers and tries to download as much data as possible from each of them. NAPS can be an attractive way to perform payments in this scenario. Note also that NAPS can be combined with other means of payment. If a user manages to send only \( u < v \) coins via NAPS, then she can decide to send the rest \((v - u)\) in some more expensive way (this makes sense especially in systems where the fee depends on the amount being transferred, e.g., in the credit card payments).

1.2.2 Related work and organization. Some of the related work was mentioned already before. Off-chain channels are a topic of intensive research, and there is no space here to describe all recent exciting developments [25, 10, 26, 17, 27, 28, 3, 11, 29, 30, 31, 32, 13] in this area. The reader can also consult SoK papers on off-chain techniques (e.g. [33]). Partial coin transfers were considered in [16], but with no aggregation techniques and ad hoc splitting. Atomic payment splitting has been considered in [16, 21, 22, 19]. All of these papers focus on routing techniques, which is not the main topic of this paper.

1.2.3 Organization and notation. Sec. 2 contains an informal description of our ideas. Then, in Sec. 3 we provide the formal NAPS definition and the detailed description of ErtnA and its security properties. An overview of our implementation and simulations is presented in Sec. 3.3.1. For standard definitions of cryptographic algorithms such as signature schemes or hash functions, see, e.g., [34]. When we say that a message is "signed by some party", we mean that it is signed using some fixed signature scheme that is existentially unforgeable under a chosen-message attack. Natural numbers are denoted with \( \mathbb{N} \). We will also use the notion of nonces. Their set is denoted with \( \mathcal{N} \). We assume that \( \mathcal{N} = \mathbb{N} \). We use some standard notations for functions, string operations, and trees. For completeness, they are presented in Appx. B.

2 INFORMAL DESCRIPTION

Below, in Sec. 2.1 we provide an overview of NAPS definition, and in Sec. 2.2 we informally describe ErtnA.

2.1 Overview of the NAPS definition

Let us now explain the NAPS protocol features informally (for a formal definition, see Sec. 3.1). Throughout this paper, we use the following convention: our protocols are run by a set of parties denoted \( P = \{P_1, \ldots, P_n\} \), where \( P_1 \) be the sender, \( P_2, \ldots, P_{n-1} \) be the intermediaries, and \( P_n \) is the receiver. A message \( m \) signed by a party \( P_i \) will be denoted \([m]_{P_i}\). Let \( v \) be the number of coins that \( P_1 \) wants to send to \( P_n \), and let \( t \) be the maximal time until the transfer of coins should be completed. Since, in general, \( P_1 \) can perform multiple payments to \( P_n \), we assume that each payment comes with a nonce \( \mu \in \mathcal{N} \) that can be later used to identify this payment. Sometimes we will simply call it "payment \( \mu \). For simplicity, we start with an informal description of how NAPS protocols operate when all parties are honest. The security properties (taking into account the malicious behavior of the parties) are described informally in Sec. 2.1.1, and formally defined in Sec. 3.1. Before proceeding with the description of ErtnA the reader may look at the example in Fig. 1.

To describe the protocol more generally, let us start by presenting it from the point of view of the sender \( P_1 \). Let \( P_{i_1}, \ldots, P_{i_m} \) be the neighbors of \( P_1 \), i.e., parties with which \( P_1 \) has channels. Suppose the balance of each channel \( P_1 \iff P_{i_j} \) is \([x_{i_j} \iff y_{i_j}]\) (meaning that \( P_1 \) and \( P_{i_j} \) have \( x_{i_j} \) and \( y_{i_j} \) coins in their respective accounts in this channel). Now, \( P_1 \) chooses to push some amount \( v_{i_j} \) of coins to \( P_{i_j} \) via some \( P_{i_{j'}} \), and set up a deadline \( t_{j'} \) for this (we will also call \( v_{i_j} \) a subpayment of payment \( \mu \)). This results in: (a) balance \([x_{i_j} \iff y_{i_j}]\) changing to \([x_{i_j} - v_{i_j}, y_{i_j} + v_{i_j}]\) (b) the number of coins that \( P_1 \) still wants to transfer to \( P_n \) is decreased as follows: \( v := v - v_{i_j} \), and (c) \( P_{i_{j'}} \) holding \( v_{i_j} \) coins that she should transfer to \( P_n \) within time \( t_{j'} \).

It is also ok if \( P_{i_{j'}} \) transfers only some part \( v'_{i_{j'}} < v_{i_j} \) of this amount (this can happen, e.g., if the paths that lead to \( P_n \) via \( P_{i_{j'}} \) do not have sufficient capacity). In this case, \( P_1 \) has to get back the remaining ("non-transferred") amount \( r = v_{i_j} - v'_{i_{j'}} \). More precisely, before time \( t_{j'} \) comes, party \( P_{i_{j'}} \) acknowledges the amount \( v'_{i_{j'}} \) that she managed to transfer. This results in: (1) changing the balance of the channel \( P_1 \iff P_{i_{j'}} \) by crediting \( v'_{i_{j'}} \) coins to \( P_{i_{j'}} \)'s account in it, and (2) \( r \) coins to \( P_1 \)'s account. Moreover, (3) \( P_1 \) adds back the non-transferred amount \( r \) to \( v \), by letting \( v := v + r \). Above (1) corresponds to the fact that \( P_{i_{j'}} \) has to be given back the coins that she transferred, and (2) comes from the fact that not all the coins were transferred (if \( P_{i_{j'}} \) managed to transfer all the coins, then, of course, \( r = 0 \). Finally, (3) is used for \( P_1 \)'s "internal bookkeeping" purposes, i.e., \( P_1 \) simply writes down that \( r \) coins were "returned" and still need to be transferred. While the party \( P_1 \) waits for \( P_{i_{j'}} \) to complete the transfer that it requested, she can also contact some other neighbor \( P_{i_{j'}} \) asking her to transfer some other amount \( v_{i_k} \) to \( P_n \). This is done in the same way as transferring coins via \( P_{i_{j'}} \).
The intermediaries can repeat this process. Let $P$ be a party that holds some coins that were "pushed" to her by some $P'$ (and that originate from $P_1$ a have to be delivered to $P_n$). Now, $P$ can split them further, and moreover, she can decide on her own how this splitting is done depending, e.g., on the current capacity of the possible paths leading to $P_n$. The payment splitting can be done arbitrarily, except for the two following restrictions. First of all, we do not allow "loops" (i.e., paths that contain the same party more than once), as it is hard to imagine any application of such a feature. In the basic version of the protocol, we assume that the number of times a given payment subpayment is split by a single party $P$ is bounded by a parameter $\delta \in \mathbb{N}$, called *arity* (for example, arity on Figs. 1 is at most 2). In Appx. E we present an improved protocol where $\delta$ is unbounded (at the cost of a mild increase of the pessimistic number of rounds of interaction). As already mentioned, the essential feature of NAPS is the non-atomicity of payments. We discuss it further below.

2.1.1 NAPS security properties. In the description in Sec. 2.1 we assumed that all parties were behaving honestly. Like all other PCNs, we require that NAPS protocols work if the parties are malicious. In particular, no honest party $P$ can lose money, even if all the other parties are not following the protocol and are working against $P$. The corrupt parties can act in a coalition, which is modeled by an adversary $\mathcal{A}$. Formal security definition appears in Sec. 3.1. Let us now informally list the security requirements, which are quite standard and hold for most PCNs (including Lightning). Below, let $u$ denote the total amount of coins that $P_1$ wants to transfer to $P_n$ within some payment $\mu$.

The first property is called *fairness for the sender*. To define it, note that as a result of payment $\mu$ (with timeout $t$), the total amount of coins that each party $P$ has in the channels with other parties typically changes. Let $\text{net}_\mu(P)$ denote the number of coins that $P$ gained in all channels. Of course $\text{net}_\mu(P)$ can be negative if $P$ lost $-\text{net}_\mu(P)$ coins. We require that by the time $t$ an honest $P_1$ holds a receipt of a form $\text{Receipt}(\mu, v) := "an amount $v$ of coins has been transferred from $P_1$ to $P_n$ as a result of payment $\mu"$". Moreover, under normal circumstances, i.e., when everybody is honest, $v$ is equal to $-\text{net}_\mu(P_1)$ (i.e., the sum of the amounts that $P_1$ lost in the channels). In case some parties (other than $P_1$) are dishonest, the only thing that they can do is to behave irrationally, and let $v \geq -\text{net}_\mu(P_1)$, in which case $P_1$ holds a receipt for transferring more coins than she actually lost in the channels. A receipt can be later used in another smart contract (e.g., a contract that delivers some digital goods whose amount depends on $v$). *Fairness for the receiver* is defined analogously, i.e., if $P_1$ holds a receipt $\text{Receipt}(\mu, v)$ then typically $v = \text{net}(P_n)$, and if some parties (other than $P_n$) are dishonest, then they can make $v \leq \text{net}_\mu(P_n)$. In other words, $P_1$ cannot get a receipt for an amount that is higher than what $P_n$ actually received in the channels. Finally, we require that the following property called *balance neutrality for the intermediaries* holds: for every honest $P \in \{P_2, \ldots, P_{n-1}\}$ we have that $\text{net}_\mu(P) \geq 0$. Again: if everybody else is also honest, then we have equality instead of inequality.

2.1.2 Atomic vs. non-atomic payment splitting. As already highlighted in Sec. 1.2 the previous protocols on payment splitting always required payments to be atomic, meaning that for a payment to succeed, all the subpayments had to reach the receiver.

Figure 1: An example of a NAPS protocol execution. An edge \( \overrightarrow{P_1 \rightarrow P_2} \) denotes the fact that there exists a channel between $P_1$ and $P_2$, and the parties have $x$ and $yc$ in it, respectively.
Technically, this means that to issue a receipt for any of the subpayments (this receipt is typically a preimage of a hash function, see, e.g., [19]) all of them need to reach the receiver. This has several disadvantages: (1) the coins remain blocked in every path at least until the last subpayment arrives to the receiver, (2) the success of a given subpayment depends not only on the subsequent intermediaries, but also on the other “sibling” paths (this problem was observed in [19] where it is argued that this risk may lead to intermediaries rejecting subpayments that were split before, see Sec. 3.1 of [19]). Finally, atomic payments may result in “deadlock” situations in the network where two competing payments can prevent each other from being executed. More precisely, consider a channel graph as below (for simplicity, we do not specify the coin amounts on the right-hand-sides of the channels, as they are irrelevant to this example).

Now suppose that $P_1$ and $P_2$ decide to send 2¢ each to $P_3$ via $P_3$ and $P_4$. If now $P_1$ pushes 1¢ to $P_3$ and at the same time $P_2$ pushes 1¢ to $P_4$, then none of the payments can be completed (since the channels $P_3 \rightsquigarrow P_5$ and $P_4 \rightsquigarrow P_5$ do not have sufficient capacity). On the other hand: if we allow non-atomic payments then each payment will partially succeed (i.e. each sender will send 1¢ to the receiver $P_3$). They may then try to send the remaining amounts after some time when new capacity in these channels is available. This can be generalized to much larger graphs, and to more complicated “deadlocks”.

Let us also remark that “atomicity” and even “fine-grained atomicity” can also be obtained in EthNA by a small protocol modification. We write more about it in Appx. D. Let us also remark that atomic payment splitting, in general, seems to be easier to achieve, which is probably the reason why there has been more focus on them in the literature (with papers focusing more on other aspects of this problem, such as routing algorithms, e.g., [19]). Finally, let us stress that we do not claim that non-atomicity is in any way superior to atomicity. We think that both solutions have their advantages and disadvantages, and there exist applications where each of them is better than the other one.

2.2 Overview of the EthNA protocol

After presenting the NAPS definition, let us now explain the main ideas behind the EthNA protocol that realizes it. An essential feature of EthNA is that it permits “subreceipt aggregation”, by which we mean the following. Consider some payment $\mu$. Once $P_n$ receives some subpayment $\nu$ that reached it via some path $\pi = P_1 \rightarrow P_{i_1} \rightarrow \cdots \rightarrow P_{i_k} \rightarrow P_n$ she issues a subreceipt for this payment, and sends it to $P_{i_k}$. Each intermediary that receives more than one subreceipt can aggregate them into one short subreceipt that she sends further in the direction of $P_1$. Finally, $P_1$ also produces one short receipt for the entire payment. This results in small communication complexity, and in particular, the pessimistic gas costs are low (we discuss this in more detail in Sec. 3.3). One option would be to let the subreceipt be signed using a homomorphic signature scheme and then exploit this homomorphism to aggregate the subreceipts. In this paper, we use a simpler solution that can be efficiently and easily implemented in the current smart contract platforms.

Very informally speaking, we ask $P_n$ to perform the “subpayment aggregation herself” (this is done when signing a subreceipt and does not require any further interaction with $P_n$). Then, we just let the other parties verify that this aggregation was performed correctly. If any “cheating by $P_n$” is detected (i.e. some party discovers that $P_n$ did not behave honestly), then a proof of this fact (called a “fraud proof”) will count as a receipt that a full amount has been transferred to $P_n$. From the security point of view, this is ok, since an honest $P_n$ will never cheat (and hence, no fraud proof against him will ever be produced). Thanks to this approach, we completely avoid using any expensive advanced cryptographic techniques (such as homomorphic signatures, or noninteractive proofs). Below we explain the main idea of EthNA by considering the example from Fig. 1. Again, we start with describing how the protocol works when everybody is honest, and then (in Sec. 2.2.1) we show how the malicious behavior is prevented.

Invoice sending. The protocol starts with the receiver $P_n$ sending to $P_1$ an “invoice” that specifies (among other things) the identifier $\mu$ of the payment, and the maximal amount $u$ of coins that $P_n$ is willing to accept. As we explain below, this invoice may be later used together with fraud proofs to produce a proof that all $u$ coins were transferred to $P_n$ (if she turns out to be malicious).

Pushing subpayments. Pushing subpayments is done by sending messages containing information about the path that the subpayment “traveled” so far (together with the number of coins to be pushed and timeout information) and simultaneously blocking coins in the underlying channels. The messages sent between $P_1$, $P_3$ and $P_5$ on Fig. 1 (a)) are presented on the picture below.

Whenever a message (push, $\pi, v, t$) is sent from $P$ to $P'$, the party $P$ blocks $v$ coins in channel $P \rightsquigarrow P'$ for time $t$. These coins are claimed by $P'$ if she provides a corresponding subreceipt within time $t$. Otherwise, they are claimed back by $P$.

Acknowledging subpayments by the receiver. The receiver $P_n$ acknowledges the subpayments by replying with a signed subreceipt and claiming the coins blocked in the corresponding channels. At the same time, the receiver $P_n$ constructs a labeled graph called the “payment tree” that is stored locally by $P_n$ and grows with each acknowledged subpayment.

Let us now explain how the payment tree is constructed. Consider again Fig. 1 (c). As explained before, the order of message acknowledgment can be arbitrary. In what follows, we assume that the receiver $P_6$ first acknowledges the subpayment that came along the path $P_1 \rightarrow P_3 \rightarrow P_6$. This means that $P_6$ “accepts” that 1¢ will be transferred to her from $P_1$ via path $P_1 \rightarrow P_3 \rightarrow P_6$, or, in other words: 1¢ will be “passed” through each of $P_1$, $P_3$, and $P_6$ (note that we included here the sender $P_1$ and the receiver $P_6$). This can be depicted as the following graph that consists of a single path that we denote $\alpha$:
To acknowledge the subpayment that was pushed along the path \( P_1 \rightarrow P_3 \rightarrow P_6 \) party \( P_3 \) signs \( \alpha \) and sends it to \( P_3 \). Such signed information will be called a "subreceipt" and denoted \([\alpha]_{P_3}\). By providing this subreceipt, party \( P_6 \) also gets \( 1c \) in the \( P_3 \iff P_6 \) (these coins were blocked by \( P_3 \) in this channel when the "push" message was sent). The graph from Eq. (1) is the first version of the payment tree that, as mentioned above, the receiver \( P_6 \) stores locally.

Now, suppose the next subpayment that \( P_6 \) wants to acknowledge is the one that came along the path \( P_1 \rightarrow P_2 \rightarrow P_4 \rightarrow P_6 \), i.e., \( P_6 \) accepts that \( 3c \) will be transferred to her from \( P_1 \) via path \( P_1 \rightarrow P_2 \rightarrow P_4 \rightarrow P_6 \). The receiver \( P_6 \) now modifies the payment tree as follows:

\[
\begin{tikzpicture}
\end{tikzpicture}
\]

Analogously to what we saw before, this tree represents the total amount of coins that will be "passed" through different parties from \( P_1 \) to \( P_6 \) after acknowledging this subpayment is completed. In Eq. (2) the thick line (denoted \( \beta \)) corresponds to the "new" path, and the thin one is taken from Eq. (1), except that \( P_1 \) is labeled with "\( 4c \)". This is because the total amount of coins that will be passed through \( P_1 \) is equal to the sum of the coins passed before (1c) and now (3c). Party \( P_6 \) now signs path \( \beta \) to create a subreceipt that she sends to \( P_4 \) in order to claim \( 3c \) in the channel \( P_0 \iff P_6 \).

Finally, \( P_5 \) acknowledges the subpayment that came along the path \( P_1 \rightarrow P_2 \rightarrow P_5 \rightarrow P_6 \). This is done similarly to what we did before. The resulting tree is now as follows:

\[
\begin{tikzpicture}
\end{tikzpicture}
\]

Note that we performed "summing" in two places on Eq. (3): at the node \( P_1 \) (where we computed \( 6c \) as \( 4c + 2c \)) and an \( P_2 \) (where \( 5c = 2c + 3c \)). Labeled path \( y \) is now signed by \( P_5 \) and sent to \( P_5 \) as subreceipt in order to claim \( 2c \).

The payment trees whose examples we saw in Eqs. (1)–(3) are defined formally (in a slightly more general version) in Sec. 3.2 on p. 9. Their main feature is that the value of coins in the label of each node \( P \) is equal to the sum of the labels of the children of \( P \).

Acknowledging subreceipts by the intermediaries. We now show how the intermediaries \( P_2, \ldots, P_{n-1} \) acknowledge the subpayments. On a high level, this is done by propagating the subreceipts (issued by \( P_n \)) from right to left. Each party may receive several such subreceipts (if she decides to split a given subpayment). Let \( \mathcal{W} \) be the set of such subreceipts (such sets will be called "payment reports", see Sec. 3.2 for their formal definition). When a party \( P \) wants to acknowledge the subpayment she chooses (in a way that we explain below) one of the subreceipts \( \zeta \) from her set \( \mathcal{W} \). She then forwards it back in the left direction to the party \( P' \) that pushed the given subpayment to her. As a result \( P \) gets \( v \c \) in the channel \( P' \iff P \). To determine the value of \( v \c \) the following rule is used: it is defined as the label of \( P \) on the path \( \zeta \). Given this, the rule for choosing \( \zeta \in \mathcal{W} \) is pretty natural: \( P \) simply chooses such \( \zeta \) that maximizes \( v \). Such \( \zeta \) will be called a "leader" of \( \mathcal{W} \) (at node \( P \)). See Sec. 3.2 for the formal definition of this notion. To illustrate it, let us look again at our example from Fig. 1.

First, observe that \( P_3 \) holds only one subreceipt (i.e.: the signed path \( \alpha \)). She simply forwards it to \( P_1 \) and receives \( 1c \) in the channel \( P_1 \iff P_3 \). Note that this is exactly equal to the value that she "lost" in the channel \( P_3 \iff P_6 \), and hence the balance neutrality property holds. The situation is a bit more complicated for \( P_2 \) since she holds two paths signed by the receiver: \( \beta \) (defined on Eq. (2)) and \( \gamma \) (from Eq. (3)). By applying the rule described above, \( P_2 \) chooses the leader \( \zeta \) at \( P_2 \) to be equal to \( \gamma \) (since \( 5c > 3c \)). This is depicted below (the shaded area indicates the labels that are compared).

\[
\begin{tikzpicture}
\end{tikzpicture}
\]

What remains is to argue about balance neutrality for \( P_2 \), i.e. that number of coins received by \( P_2 \) in the channel \( P_1 \iff P_2 \) is equal to the sum of coins that she "lost on the right-hand side". In this particular example, it can be easily verified just by looking at Eq. (4) (\( 5c \) are "gained", and \( 2c + 3c \) are "lost"). In the general case, the formal proof is based on the property that the value of coins in the label of each node \( P \) in a payment tree is equal to the sum of the labels of the children of \( P \). See Sec. 3.2 for the details.

Final receipt produced by \( P_1 \). Once all subpayments are completed, \( P_1 \) decides to conclude the procedure and obtain the final receipt for the entire payment (see Sec. 2.1.1). Again, \( P_1 \) holds a "payment report" \( \mathcal{W} \), i.e. a set of paths signed by \( P_6 \). In the case of our example these paths are: \( \alpha \) (sent to \( P_1 \) by \( P_3 \)) and \( \gamma \) (sent by \( P_2 \)). Party \( P_1 \) chooses her "receipt" in a similar way as the intermediaries choose which subreceipt to forward. More precisely, let \( \zeta \) be the path that is the leader of \( \mathcal{W} \) at node \( P_1 \). This path becomes the final receipt.

The amount of coins that are transferred is equal to the label of \( P_1 \) in \( \zeta \). In our case, the leader \( \zeta \) is clearly \( \gamma \) (since its label at \( P \) is "\( 6c \)", while the label of \( \gamma \) at \( P \) is "\( 1c \)"), cf. Eqs (1) and (3)). Hence, \( \gamma \) becomes the final receipt for the payment of \( 6c \) coins.

"Fairness for the sender" follows the same argument as "balance neutrality for the intermediaries". For "fairness for the receiver" observe that \( \zeta \) is signed by the receiver and is taken from the payment tree (created and maintained by the receiver). To finish the argument, recall that: (a) as observed before, the label in the root of such a tree is always equal to the sum of the labels in its leaves, and (b) this sum is exactly equal to the total amount of coins that the receiver received from its neighbors during this payment procedure. For the details see Lemma 1 on page 11.

2.2.1 Dealing with malicious behavior. The main type of malicious behavior that we have to deal with is cheating by the receiver \( P_n \) whose goal could be to get more coins than appears on the final receipt held by the sender \( P_1 \). This could potentially be done.
at the cost of $P_1$ or some of the intermediaries. So far, we have not described how to guarantee that $P_n$ produces the subreceipts correctly. As already highlighted, our trick is to let a malicious $P_n$ arbitrarily produce the subreceipts and later let other parties verify $P_n$’s operation. This is based on the idea of fraud proofs: if an intermediary $P$ finds proof that $P_n$ is cheating, she can automatically claim all coins that were pushed to her by forwarding this proof “to the left”. In this way, the cheating proof reaches the sender $P_s$, who can now use it as the receipt for transferring the total amount that was requested (recall that $P_1$ holds an “invoice” from $P_n$). Suppose, e.g., that in our scenario $P_2$ cheats by sending to $P_3$, instead of $γ$ (see Eq. (3)), the following subreceipt:

$$\gamma := \bigcirc P_1 \rightarrow P_2 \rightarrow P_3 \rightarrow P_4$$  

(5)

The receiver does it to make $P_1$ hold a receipt for $5c$, while in fact receiving $6c$. Party $P_5$ has no way to discover this fraud attempt (since from her local perspective everything looks ok), so $2c$ get transferred to $P_5$ in the channel $P_5 \leftarrow P_4$. Party $P_2$ forwards $\gamma$ to $P_2$ and gets $2c$ in the channel $P_2 \rightarrow P_5$ (hence the ”balance neutrality” property for her holds). Now look at this situation from the point of view of $P_2$. In addition to $\gamma$ she got one more subreceipt, namely $β$ (see, e.g., Eq. (4)). Party $P_2$ preforms a “consistency check” by combining $γ$ and $β$. This is done by trying to locally reconstruct the part of the payment tree that concerns $P_2$. This is done as follows. First observe that the value on the label of $P_1$ in $β$ is $4c$, which is smaller than the label of $P_1$ in $γ$ (which is equal to $5c$). This means that $β$ had to be signed by $P_4$ before she signed $γ$. Hence $P_2$ first writes down $β$, and then on top of it she writes $γ$ (possibly overwriting some values). Normally (i.e. when $P_2$ is honest), this should result in a subtree of the tree from Eq. (3). However, since $P_5$ was cheating the resulting graph is different. Namely, $P_2$ reconstructs the following:

$$\bigcirc P_1 \rightarrow P_2 \rightarrow P_3 \rightarrow P_4 \rightarrow P_5$$  

(6)

It is now obvious that $P_5$ is cheating, since the labels on the children of $P_2$ sum up to $5c$, which is larger than $4c$ (the label of $P_2$). This “inconsistency” is marked as a shaded region on Eq. (6). Hence the set $\{β, γ\}$ is a fraud proof against $P_5$. As described above, once we get such proof, we are “done”: simply each intermediary can use it to claim all money that was blocked for her, and the receiver can use it as a receipt that all the coins were transferred. Let us stress that, of course, none of the parties assumes a priori that $P_5$ is honest, and hence the “consistency check” is always performed.

3 TECHNICAL DETAILS

We now proceed to the formal exposition of the ideas already presented informally in Sec. 2. We start with defining a generalization of the term “paths” that were informally introduced before. As already explained, to be as general as possible, the NAPS definition permits that several subpayment of the same payment $µ$ are routed via the same party independently. Consider, e.g., the following scenario: $2c$ is sent from $P_1$ to $P_4$ via a path $P_1 \rightarrow P_2 \rightarrow P_3 \rightarrow P_4$. This amount is first split by $P_2$ as: $1c + 1c$ and each $1c$ coin is pushed to $P_3$, who, in turn, pushes each of them further to $P_4$. Obviously both $1c$ coins traveled along $P_1 \rightarrow P_2 \rightarrow P_3 \rightarrow P_4$, but nevertheless they have to be considered as separate subpayments. In order to uniquely identify each of them, we augment the definition of “path” to include also “nonces” that will make them unique (in the situations as above). To distinguish such paths from the ones that we used in the informal part we denoted them as strings of pairs (party,nonce). A nonce is added in every hop. For example, in the above scenario: the (augmented) paths are as follows $\langle (P_1, µ_1), (P_2, µ_2), (P_3, µ_3), (P_4, µ_4) \rangle$ and $\langle (P_1, µ_1), (P_2, µ_2), (P_3, µ'_3), (P_4, µ'_4) \rangle$ (where for both $i = 3, 4$ we have that $µ_i$ and $µ'_i$ are distinct). Moreover, we assume that $µ_1$ (“contributed” by the sender $P_1$) is equal to the nonce that identifies the entire payment.

Formally, for a channel graph $G = (P, E, Γ)$, a string $π = ((P_1, µ_1), \ldots, (P_{i+ɛ}, µ_{i+ɛ}))$ is a path over $G$ (for payment $µ$) if each $µ_i ∈ N$ is a nonce, each $P_i \xrightarrow{σ} P_{i+ɛ}$ is an edge in $G$, and $P_{i+ɛ} = P_1$. We also assume that a path corresponding to a payment $µ$ always starts with $(P_1, µ)$. We say that $P$ appears on $π$ (at position $j$) if we have that $P = P_j$. We assume that every $P$ appears at most once on $π$, or, in other words: the paths have no loops. In the sequel, every party or functionality is modeled as poly-time interactive Turing machine. Throughout this section $P$ denotes a party, $a, u$ and $w$ are non-negative integers denoting the amounts of coins, $µ$ is a nonce, $π$ is a path over $G$, and $t$ is time. For reference, the notation used in this section is summarized on Fig. 10 in the appendix.

3.1 NAPS formal security definition

The protocol is parameterized with a security parameter $1^k$ that is known to all machines. The protocol is executed by parties $P_1, \ldots, P_n$, who know each other’s public keys (this is easy to achieve in real life using existing underlying blockchain infrastructure). The protocol also comes with an incorruptible party RVM called receipt verification machine. The role of this machine is to verify a receipt issued by $P_n$ for payment $µ$. If this machine outputs (i-sent, $µ, w$) to $Z$ then we consider payment $µ$ to be completed with total amount of $w$ coins transferred from $P_1$ to $P_n$. It models the fact that the receipts produced by $P_n$ need to be publicly verifiable, so, e.g., they can be used later in another smart contract, see Sec. 2.1.1. Following the tradition in formal cryptography, we first describe how network communication is organized. Then we introduce the notions of “adversary” and “environment”. Afterward, we specify the security requirements of the protocol by describing the “ideal” and “real” models. Finally, we define security by comparing these two models. Both the ideal and the real model come with a functionality Accounts$G$. This functionality (depicted on Figs. 2 and 3) is used to model the amounts of coins that the parties have in the channels. It is initialized with $G$ and accepts messages $(trans, P_i, P_j, v)$ that are used to transfer $v$ coins from $P_i$ to $P_j$ in channel $P_i \xrightarrow{σ} P_j$.

3.1.1 The network model. We assume a synchronous communication network, i.e., the execution of the protocol happens in rounds. The notion of rounds is just an abstraction that simplifies our model and was used frequently in this area in the past (see, e.g., [29, 3]). Whenever we say that some operation (e.g. sending a message or
simply staying in idle state) takes between \( r \) and \( r' \) rounds we mean that it is up to the adversary to decide how long this operation takes (as long as it takes between \( r \) and \( r' \) rounds). The same convention applies to statements like "it takes at most/at least \( r \) rounds". We assume that every machine is activated in each round. The communication between every two parties \( P \) and \( P' \) and between a party and an ideal functionality takes 1 round. The adversary can delay messages sent between machines by at most \( \Delta \) rounds. This will always be stated explicitly. The links between all the entities in the system are secure (encrypted and authenticated). To avoid replay attacks, we assume that every party (both in the ideal and real scenario) rejects a message \( m \) if she already received \( m \) before.

Messages are tuples starting with keywords written in sans-serif. We also use the following convention. When we say that a party waits to receive a "message \( m \) of a form \( F' \)" we mean that all messages of a different form are ignored. For example, if form \( F \) is \((i\text{-push}, (\pi)((P,\mu),(P',\mu'))), n, t)\) this means that \( m \) has to start with an "i-push" keyword, followed by a parameter denoting a path that ends with two elements (denoted \((P,\mu)\) and \((P',\mu')\) for future reference), parameter \( n \) denoting an amount of coins, and \( t \) denoting time.

### 3.1.2 The adversary and the environment.

The protocol is attacked by a poly-time rushing adversary \( \mathcal{A} \) who can corrupt some parties (when a party is corrupt, \( \mathcal{A} \) learns all its secrets and takes full control over it). A party that has not been corrupt is called honest. To model the fact that honest parties can make internal decisions about the protocol actions, we use the concept of an environment. This notion is taken from the UC framework; however, to keep things simple, we do not provide a full UC-composable analysis of our protocol. The environment and the adversary take as input \( G \) and the security parameter. The environment and the adversary can freely read the state of the Accounts\( G \) functionality. Additionally, we allow the ideal-model adversary to transfer coins from a dishonest party to an honest one. This corresponds to the fact that we allow the corrupt parties to behave irrationally and lose coins. \( \mathcal{A} \) and \( Z \) can communicate. At the end of its execution, \( Z \) produces an output.

The ideal model.

Following the conventions of the UC framework, we assume that in the ideal model, the parties simply forward the ideal functionality the messages that they receive from \( Z \). For a NAPS protocol with arity \( \delta \) executed over graph \( G \) the corresponding ideal functionality is denoted NAPS\( G^\delta \) and presented on Figs. 2 and 3. The messages exchanged in the ideal model are indicated with a prefix "i-". Let us now discuss the messages exchanged between the parties and the ideal functionality parties (for reference, these messages and their syntax are summarized on a cheat sheet on Fig. 8, see p. 16). To initiate a new payment \( \mu \) parties \( P_1 \) and \( P_n \) send respectively a message \( i\text{-send}(\mu, v, t) \) to \( P_1 \) and \( i\text{-receive}(\mu, v, t) \) to \( P_n \). We require that these messages have to be sent simultaneously by \( P_1 \) and \( P_n \). This corresponds to an assumption that the parties \( P_1 \) and \( P_n \) agreed on transferring the coins beforehand. Once the transfer is finished, party \( RVM \) receives a message \( i\text{-acknowledged}((P,\mu)), s \) from the ideal functionality. The functionality NAPS\( G^\delta \) maintains a set \( \Psi \) that contains all the push requests that have not been yet acknowledged. By push requests we mean tuples \((\pi, v, t)\) such that some party sent \((i\text{-push}, \pi, v, t)\) to the functionality. If such a push request is in \( \Psi \) then we say that it is open. This indicates the fact the functionality is currently working on pushing \( v \) coins that already "traveled" along the path \( \pi \) and the deadline for this is \( t \). The amount of coins that are still waiting to be delivered is maintained using the function remaining.

The push requests are created in a recursive way. Suppose there is an open push request \((\pi)|((P,\mu),(\nu, t))\). To push it to a party \( P' \) party \( P \) sends a message \((i\text{-push}, (\pi)|((P,\mu),(P',\mu'))), v', t'\) to NAPS\( G^\delta \). Once the transfer is finished party \( P \) is informed about how many coins were transferred within this push request. This is done via a message \( i\text{-acknowledged}((P,\mu),(P',\mu'))), v''\), where \( v'' \) specifies the amount of coins that were transferred. If there are no open push request of a form \((\pi)|((P,\mu),(P',\mu'))\), \( v, t \) then a party \( P \) can decide to close a given push request by sending a message \( i\text{-acknowledged}((\pi)|((P,\mu),(P',\mu'))), v, t) \) to NAPS\( G^\delta \). The function remaining and the accounts in the \( P \leftarrow P' \) channels and are updated accordingly (by sending messages to the Accounts\( G \) functionality). If \( P \) wants to finish processing given payment \( \mu \) (this is possible only if there no open push requests corresponding to \( \mu \) other than the request \((((P,\mu),(v, t))\) then she sends an acknowledge message to NAPS\( G^\delta \). The "ideal model" adversary will also be called the simulator and denoted \( S \). We assume that \( S \) has access to the ideal functionality. The output of the ideal execution of NAPS\( G^\delta \) against \( S \) and \( Z \) with security parameter \( 1^k \) is a random variable Ideal(NAPS\( G^\delta, S, Z, 1^k \)) denoting the output of \( Z \).

It is easy to see that the informal properties from Sec. 2.1.1 are implied by this ideal functionality. To see why, look at the "Upon receiving a message of a form \((i\text{-acknowledge})\)" part of Figs 2 and 3. Recall that \( s \) denotes the sum of all the coins that a given party "lost" in the channels. From the construction of the ideal functionality, \( P_1 \) sends to RVM a receipt for exactly \( s \) coins (hence the "fairness for the sender" holds). Moreover, every intermediary \( P_i \) gets back exactly \( s \) coins in the channel that she has with \( P_k \) (this implies "balance neutrality for the intermediaries"). Finally, to see why "fairness for the receiver" holds, observe, by looking recursively at the flow of the financial transfers, that \( P_1 \) will never get a receipt for a value higher than the sum of the amounts of coins that the receiver "gained" in her channels.

The real model.

In the real model, the parties communicate with the environment and interact with each other directly. Before the protocol starts, we generate a (public key, secret key) pair for each \( P_i \) and \( P_j \) to its secret key as input. Moreover, all parties (including RVM and \( A \)) get the public keys of the other parties. For each pair \( \{P_i, P_j\} \) such that \( P_i \leftarrow P_j \in E \) the parties \( P_i \) and \( P_j \) also have access to an uncorruptable state channel machine \( C^{P_i \leftarrow P_j} \), which in turn, has access to Accounts\( G \) (the parties do not have a direct access to Accounts\( G \)). Sending messages to Accounts\( G \) takes time at most \( \Delta \). The state channel machines and the parties know the public keys of all the parties. Altogether, a NAPS protocol for a channel graph \( G \) with arity \( \delta \) is a tuple of machines \( \Pi^\delta_{G^\delta} := \bigg( RVM, P_1, \ldots, P_n, (C^{P_i \leftarrow P_j})_{P_i \leftarrow P_j \in E} \bigg) \). The output of the real execution of \( \Pi \) with security parameter \( 1^k \) is a random variable Real(\( \Pi^\delta_{G^\delta}, A, Z, 1^k \)) denoting the output of \( Z \).
The definition. We define security by requiring that no environment can distinguish between the ideal and the real model. In the definition, we use a concept of computational indistinguishability (see, e.g., [34]).

Definition 1. A tuple $\Pi^\delta_G$ is a secure Non-Atomic Payment Splitting (NAPS) protocol for $G$ and $\delta$ if for every adversary $A$ there exists a simulator $S$ such that and every $Z$ the families of random variables $(\text{Ideal}(\Pi^\delta_G, S, Z, 1^k))_k$ and $(\text{Real}(\Pi^\delta_G, A, Z, 1^k))_k$ are computationally indistinguishable.

From the construction of the ideal functionality, it is easy to see that all the informal security properties (fairness to sender and the receiver, and the balance neutrality) hold for EthNA.

Modification to atomic payments. As already highlighted in the introduction, it is easy to modify the ideal functionality $\Pi^\delta_G$ to allow only atomic payments. This can be done by simply requiring that for every payment $\mu$ (a) all the (i-acknowledge, $(\pi, (\nu, \mu'))$) messages are sent at once, and (b) it is only done if the some of all the coins that were pushed to $P_n$ is equal to $u$ (where $u$ comes from the (i-receive, $\mu, t$) message.

3.2 Formal description of EthNA

Let us start with providing formal definitions of some of the terms that were already informally introduced in Sec. 3.2. For a graph $G$ and a nonce $\mu$, a subreceipt (over $G$, for payment $\mu$) is a pair $[\pi, \lambda]_{P_n}$ such that $\pi$ is a path over $G$ (for payment $\mu$) with $P_n$ appearing on the last position of $\pi$, and $\lambda$ is a non-increasing sequence of positive integers, such that $|\lambda| = |\pi|$. A payment report for $\mu$ is a set $\mathcal{W}$ of subreceipts for $\mu$ such that $\pi$ identifies a member of $\mathcal{W}$ uniquely, i.e., $[\pi, \lambda]_{P_n} \in \mathcal{W}$ and $[\pi, \lambda']_{P_n} \in \mathcal{W}$ implies $\lambda = \lambda'$. For example, $\alpha, \beta,$ and $\gamma$ in Sec. 3.2 are subreceipts, and the set $\{\beta, \gamma\}$ (see Eq. (4)) is a payment report (except that in that formal description we omitted the nonces). For a payment report $\mathcal{W}$ a subreceipt $[\pi, \lambda]_{P_n}$ is a leader of $\mathcal{W}$ at node $P$ if $\mathcal{W}$ appears on some position $i$, and for every $[\pi', \lambda']_{P_n} \in \mathcal{W}$ we have that $|\lambda| \geq |\lambda'|$. This notion was already discussed in Sec. 3.2, where in particular we said that the leader of a payment report $[\alpha', \gamma]$ (Eq. (4)) is $\gamma$. In normal cases (i.e. if $P_n$ is honest) the leader is always unique, and is equal to the last subreceipt of a from $[\pi, \lambda']_{P_n}$ signed by $P_n$, however in general this does not need to be the case. When we talk about the leader of $\mathcal{W}$ at $P$ we mean the leader that is the smallest according to some fixed linear ordering.

As already mentioned in Sec. 3.2, EthNA is constructed using fraud proofs. Formally, a fraud proof (for $\mu$) is a payment report $\mathcal{Q}$ for $\mu$ of a form $\mathcal{Q} = \{([\sigma, \pi_1], \lambda_1)\}_{i=1}^m$, where all the $\pi_i [1]'s are pairwise distinct, such that the following condition holds: $\max_{i=1,\ldots,m} \lambda_i (|\sigma| + 1) < \sum_{i=1}^m |\lambda_i|$. For an example of a fraud proof (with nonce missing from the picture) see Eq. (6). If EthNA has arity at most $\delta$ (see Sec. 2.1) then we require that $m \leq \delta$. Informally speaking, these conditions mean simply that in $Q$ the largest label of $\sigma$ is smaller than the sum of all labels of $\sigma$'s children. If none of the subsets of a payment report $\mathcal{W}$ is a fraud proof then we say that $\mathcal{W}$ is consistent. As we show later, if $P_n$ is honest, then $\mathcal{W}$ is always consistent. Note that the description of set $Q$ as defined above can be quite large (it is of size $O(\delta \cdot (t + \kappa)$), where $\delta$ is EthNA’s arity, $t$ is the maximal length of paths, and $\kappa$ is the security parameter (we need

The ideal functionality $\Pi^\delta_G$ is parametrized by a channel graph $G = (\mathcal{P}, \mathcal{E}, \Gamma)$ and an arity parameter $\delta$. It maintains a cash function $\Gamma$ initially equal to $\Gamma$ and a set $\Psi$ initial equal to $\emptyset$. Function $\Gamma$ is used to denote the current amount of coins available in the channels and set $\Psi$ contains all open push requests. Moreover, the ideal functionality maintains a function remaining: $\Psi \rightarrow \mathcal{Z}_{\geq 0}$. It proceeds as follows.

Upon receiving a message of a form (i-send, $\mu, u, t$) from $P_I$ and (i-receive, $\mu, u, t$) from $P_n$ (in the same round) – check if the following holds:

- **Correctness condition:** (a) you have not received an "i-send" or an "i-receive" message with this $\mu$ before and (b) the current time is greater than $t - \Delta$.

If it does not hold then ignore this message. Otherwise (a) add $((\nu, \mu), u, t)$ to $\Psi$ and (b) let remaining$((\nu, \mu), u, t) := u$, t.

Upon receiving a message of a form (i-push, $(\pi, (\nu, \mu', \mu''))$, v, t) from $P$ – check if the following holds:

- **Correctness condition:** (a) you have not received an "i-push" message with this $(\nu, \mu', \mu'')$ before, (b) $P' \leadsto P \in \mathcal{E}$, (c) $v \leq \Gamma_P^{\nu, \mu'}(P)$, (d) the number of elements $(\pi, (\nu, \mu', \mu''), v', t')$ in $\Psi$ (for any $\mu', \mu'', v'$) is less than $\delta$, (e) the current time is greater than $t - \Delta$, and (f) if $P$ is honest then $(\pi, (\nu, \mu')) \in \Psi$ and remaining$((\pi, (\nu, \mu'))) \geq v$.

If it does not hold then ignore this message. Otherwise: (a) add $(\pi, (\nu, \mu', \mu''))$, v, t) to $\Psi$, (b) decrement remaining$(\pi, (\nu, \mu', \mu''))$, v, t) by $v$, (c) let remaining$((\pi, (\nu, \mu', \mu''))$, v, t) := v, (d) decrement $\Gamma_P^{\nu, \mu'}(P)$ by $v$, and (e) in the next round send a message (i-push, $(\pi, (\nu, \mu', \mu''))$, v, t) to $P'$.

If time $t + \Delta$ comes and $(\pi, (\nu, \mu', \mu''))$, v, t) is still in $\Psi$ then behave as if you received a message (i-acknowledge, $(\pi, (\nu, \mu', \mu''))$) from $P'$ (see below).

Upon receiving a message of a form (i-receive, $(\pi, (\nu, \mu, \mu'))$) from $P$ – check if the following holds:

- **Correctness condition:** (a) $(\pi, (\nu, \mu, \mu'), v, t) \in \Psi$ (for some $v$ and $t$), and (b) there does not exist a push request $(\pi, (\nu, \mu', \mu''))$, $v', t'$) in $\Psi$ (for any $\mu', \mu'', v'$).

If it does not hold then ignore this message. Otherwise let $v$ be the value from the "Correctness condition" and let $s$ be the sum of the $v'$ values in all the messages i-acknowledged $(\pi, (\nu, \mu', \mu''))$, $v', t'$) in $\Psi$ (for any $\mu', \mu''$) that were ever sent to $P$. If $P_n$ is corrupt then allow the simulator to increase the value of $s$ to any amount that is at most $v$.

Consider the following cases:

- $P = P_I$ (note that in this case $\pi$ is empty) – then in the next round send i-sent($(\nu, \mu))$, $s$) to RVM.

Figure 2: The ideal functionalities [1/2]
The parties receive the "ideal model" messages (starting with a prefix "i-"") from $\mathcal{Z}$. By saying that a message (received from $\mathcal{Z}$) is *admissible*, we mean that it satisfies the "correctness conditions" from Figs. 2 and 3. The push requests are executed by direct communication between the parties, and the payment acknowledgment is done via the state machine channels. Let us comment on the types of messages that are sent within the protocol (see also the cheat sheet on Fig. 9 on p. 17 in the appendix). The messages that are used are: "push" to push a subpayment (the corresponding message sent by the channel to the other party is "pushed"), "acknowledge" to acknowledge a subpayment (the corresponding message is "acknowledged"). The value $R$ contains either a subreceipt (this is the most common case), or a fraud proof, or an information "empty" denoting the fact that no subpayments have been acknowledged by $P_n$.

As described above, the main tasks of each party $P_i$ (for $i = 2,\ldots,n-1$) are: (a) receive push requests from some $P_j$, (b) forward corresponding push request in the direction of $P_n$, (c) receive information about how many coins were transferred, and (d) once you are done with handling all push requests: check if you received or you can find a fraud proof – if yes, then forward this information back to $P$ via the state channel, and if not, then choose the leader of the set of receipts and forward it back to $P$ (via the state channel). The procedure for $P_1$ is similar, except that $P_1$ is activated by a "send" message from $\mathcal{Z}$, and waits of the invoice from $P_n$. Then it communicates with the receipt verification machine defined as follows:

Probably the most interesting part are the instructions for $P_n$. First, $P_n$ (upon receiving an i-receive($\mu, u, t$) message from $\mathcal{Z}$) sends an invoice to $P_1$. For every payment $\mu$ party $P_n$ maintains a payment tree $\Phi^\mu$ that is initially empty. Payment trees were already discussed in Sec. 2.2 (in particular: Eqs. (1)–(3) on p. 6 contain examples of such trees). For a formal definition, consider some fixed $\mu$ and $\mathcal{G}$.

The formal description of ErtiNA appears on Figs. 5 and 6. It uses a subroutine algorithm Add$_\Phi$ that we describe in a moment. To avoid repeating the same instructions, we also outsource some part of the protocol to a procedure handle-path (depicted in the same figure). The receipt verification machine $RVM$ is presented below in Fig. 4.

### The functionality $\text{Accounts}_\mathcal{G}$

The functionality $\text{Accounts}_\mathcal{G}$ is initialized with a channel graph $\mathcal{G} = (P, E, \Gamma)$.

Upon receiving a message of a form (trans, $P_i, P_j, v$) with $v \leq \Gamma^{P_i \rightarrow \Gamma(P_j)}$ from an ideal functionality $\text{NAPS}_\mathcal{G}^{\delta, \nu}$ or from a state channel machine $\Gamma^{P_i \rightarrow \Gamma(P_j)} = \Gamma^{P_i \rightarrow \Gamma(P_j)}$ by $v$ and increase $\Gamma^{P_i \rightarrow \Gamma(P_j)}$ by $v$.

We assume that if $P$ is corrupt then for every channel $P \Rightarrow P^\nu$ and every $v \geq \Gamma^{P \rightarrow P^\nu}$ by $v$ then at any moment $\Gamma^{P \rightarrow P^\nu}$ can at any moment decrease $\Gamma^{P \rightarrow P^\nu}$ by $v$ and increase some other $\Gamma^{P \rightarrow P^\nu}$ by $v$. The state of $\Gamma$ is visible to $\mathcal{Z}$.

### Receipt Verification Machine $RVM$

Upon receiving a message (acknowledged, $\mu$, $(u, \mu', t, \pi_{P_n}, R)$) from $P_1$ (such that $\mu = \mu'$ and you have not received an "acknowledged" message with this $\mu$ from $P_1$ before) – let

$$w := \begin{cases} u & \text{if } R = \text{fraud-proof, } w, \\ 0 & \text{if } R = \text{empty,} \\ \lambda[1] & \text{if } R = \text{acknowledge, } \psi, \lambda, \pi_{P_n}, \\ \end{cases}$$

where $w$ is a fraud proof. Send (i-sent, $\mu, w$) to $\mathcal{Z}$.

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**Figure 3:** The ideal functionalities [2/2] this to account for the signature size. Luckily, there is a simple way to "compress" it to $O(\delta \cdot \kappa)$ (where $\kappa$ is the security parameter) by exploiting the fact that the only values that are needed to prove cheating are the positions on the indices $|\sigma|$ and $|\sigma| + 1$ of the $\lambda$'s. We describe the compression ideas in Appx. E.

The formal description of ErtiNA appears on Figs. 5 and 6. It uses a subroutine algorithm Add$_\Phi$ that we describe in a moment. To avoid repeating the same instructions, we also outsource some part of the protocol to a procedure handle-path (depicted in the same figure). The receipt verification machine $RVM$ is presented below in Fig. 4.

- $P \in \{P_2, \ldots, P_{n-1}\}$ — then let $(P_k, \mu_k)$ be the last element of $\pi$ and then within time $\Delta$ (a) send a message (trans, $P_k, P, s$) to $\text{Accounts}_\mathcal{G}$, (b) increment $\Gamma^{P_k \rightarrow \Gamma(P)}$ by $v - s$, (c) increment $\Gamma^{P_k \rightarrow \Gamma(P)}$ by $v$, (d) decrement remaining($\pi, v, t$) by $v - s$, (e) remove ($\pi||\langle(P, \mu)\rangle$) from $\Psi$, and (f) send i-acknowledged($\pi||\langle(P, \mu)\rangle$), $s$ to $P_k$.
- $P = P_n$ — then let $(P_k, \mu_k)$ be the last element of $\pi$ and then within time $\Delta$ (a) send a message (trans, $P_k, P, s$) to $\text{Accounts}_\mathcal{G}$, (b) increment $\Gamma^{P_k \rightarrow \Gamma(P)}$ by $v$, (c) remove ($\pi||\langle(P, \mu)\rangle$) from $\Psi$, and (d) send i-acknowledged($\pi||\langle(P, \mu)\rangle$), $s$ to $P_k$.
on Eqs. (1)–(3). It is easy to see that if \( P_n \) applies the \( \text{Add}_q \) algorithm correctly, then the resulting sets \( \mathcal{W} \) are never inconsistent (and hence no fraud proof will ever be produced against an honest \( P_n \)). Formally this fact is proven in Lemma 2 on page 14 in the Appendix.

### 3.3 Analysis

We already argued informally about \( \text{EthNA} \)’s security while presenting it. Formal security analysis of this protocol is given in the proof of the following lemma.

**Lemma 1.** Assuming that the underlying signature scheme is existentially unforgeable under a chosen-message attack, \( \text{EthNA} \) is a secure NAPS protocol for every \( \mathcal{G} \) and \( \mathcal{D} \).

Due to the space restrictions, the proof appears in Appx. A. In the efficiency analysis in which we consider separately the optimistic scenario (when the parties are cooperating) and the pessimistic one when the malicious parties slow down the execution. In the optimistic case, the payments are almost immediate. It takes 1 round for a payment to be pushed and 2 rounds to be acknowledged (due to the communication with the state channel machine). Hence, in the most optimistic case, the time for executing a payment is \( 3 \cdot t \) (where \( t \) is the depth of the payment tree). During the acknowledgment, every malicious party can delay the process by at most \( \Delta \). Hence, the maximal pessimistic time is \((1 + \Delta) \cdot t \). The second important measure are the blockchain costs, i.e., the fees that the parties need to pay. Below we provide a “theoretical” analysis of such costs For the results of concrete experiments, see Sec. 3.3.1. Note that in the optimistic case, the only costs are channel opening and closing, and hence they are independent of the tree depth and of its arity. In the pessimistic case, all messages in state channels need to be sent “via the blockchain”. Let us consider two cases. In the first case, there is no fraud proof. Then, the only message that is sent via the blockchain is \( \text{acknowledge}(\{\phi, \lambda\}, p_n) \), which has size linear \( O(t + \kappa) \) (where \( t \) is as above, and \( \kappa \) is the security parameter and corresponds to space needed to store a signature). The situation is a bit different if a fraud proof appears. As remarked in Sec. 3.2 the size of a fraud proof is \( O(\delta \cdot (t + \kappa)) \), where \( \delta \) is \( \text{EthNA} \)’s arity, \( t \) is the maximal length of paths, and \( \kappa \) is the security parameter. Note that the fraud proof is “propagated”, i.e., even if a given intermediary decided to keep its arity small (i.e., not to split her subpayments into too many subpayments), she may be forced to pay fees that depend on (potentially larger) arity. This could result in grieving attacks, and it is the reason we introduced a global bound on the
• (acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), empty) from \(\mathcal{C}_{\pi'=\pi'}\) — then let \(\alpha^\pi := \alpha^\pi + \nu\) and send a message (i-acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), 0) to \(\mathcal{Z}\).

• (acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), \(\{\nu, \lambda\}_P\), where \(\nu\) is such that (\(\pi\)|((\(P'), \(\mu'\)))) is a prefix of \(\nu\) — then store \(\nu, \lambda\)_P in \(\mathcal{W}^\pi\) by letting \(\mathcal{W}^\pi := \mathcal{W}^\pi \cup \{\nu, \lambda\}_P\). Let \(\delta := \lambda[|\pi| + 1]\). Let \(\alpha^\pi := \alpha^\pi + \nu - \delta\) and send (i-acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), \(\delta\)) to \(\mathcal{Z}\), or

• (acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), (fraud-proof, \(w\)) — then store (fraud-proof, \(w\)) and send a message (i-acknowledged, (\(\pi\)|((\(P'), \(\mu'\)))), \(\nu\)) to \(\mathcal{Z}\).

Message (i-acknowledged, \(\pi\)) (or time \(t\) comes) — if you are still waiting in the procedure of handling some “i-push” message (see above), then ignore this message. Otherwise, do the following:

• If you stored (fraud-proof, \(w\)) for some ((\(P'), \(\mu'\))) or if \(\mathcal{W}^\pi\) is inconsistent and \(w\) is the fraud proof — then output (i-fraud-proof, \(w\)), \(\nu\).

• Otherwise: if \(\mathcal{W}^\pi\) is empty then output empty.

• Otherwise let (\(\nu, \lambda\)_P, \(\lambda[|\pi|]\)) — then store (\(\nu, \lambda\)_P, \(\lambda[|\pi|]\)) to \(\mathcal{Z}\).

State channel machine \(\mathcal{C}_{\pi'=\pi'}\)

Recall that the values of registers \(\Gamma_{\pi'=\pi'}(P_i)\) and \(\Gamma_{\pi'=\pi'}(P_j)\) are pre-loaded before the execution started. Wait for messages from \(P_i\) and \(P_j\).

Upon receiving a message of a form (acknowledge, (\(\pi, \nu, t\), \(P_k\)), empty) from a party \(P\) (such that \(\{P_k, P\} = \{P_i, P_j\}\)) — send (acknowledged, \(\pi\), empty) to \(P_k\).

Upon receiving a message of a form (acknowledge, (\(\pi, \nu, t\), \(P_k\)), \(\{\nu, \lambda\}_P\)) from a party \(P\) where (a) current time is at most \(t\), (b) \(\pi\) is a path with a suffix ((\(P_k, \mu\)), ((\(P', \mu'\))) (for some \(\mu\) and \(\mu'\)), (c) \(\pi\) is a prefix of \(\nu\), (d) \(\lambda[|\pi|]\) \(\leq \Gamma_{\pi'=\pi'}(P_k)\), and (e) \(\{P_k, P\} = \{P_i, P_j\}\) — then send a message of a form (trans, \(P_k, P, \lambda[|\pi|]\)) to Accounts\(\mathcal{G}\) and a message (acknowledged, \(\pi\), \(\{\nu, \lambda\}_P\)) to \(P_k\).

Upon receiving a message of a form (acknowledge, (\(\pi, \nu, t\), \(P_k\)), (fraud-proof, \(w\)) from a party \(P\) where (a) current time is at most \(t\), (b) \(\pi\) is a path with a suffix ((\(P_k, \mu\)), ((\(P', \mu'\))) (for some \(\mu\) and \(\mu'\) and \(P_k\)), (c) \(\nu\) \(\leq \Gamma_{\pi'=\pi'}(P_k)\), and (d) \(w\) is a fraud proof — then send a message (trans, \(P_k, P, \nu\)) to Accounts\(\mathcal{G}\) and send a message (acknowledged, \(\pi\), (fraud-proof, \(w\))) to \(P_k\).

Figure 6: The EthNA protocol [2/2].

Figure 7: Experimental results.

3.3.1 Practical aspects. Let us now provide information about practical experiments of EthNA implementation. We implemented a simple version of EthNA in Solidity. The source code is available at github.com/Sam16450/NAPS-EthNA. Table in Fig. 7(a) summarizes the execution costs in terms of thousands of gas, and depending on the arity \(\delta\) and the maximal path length. The constructor denotes the procedure for deploying a channel, close corresponds to closing a channel without disagreement, addState is used to register the balance in case of disagreement, addCheatingProof is used to add a fraud proof, addCompletedTransaction — to add a subreceipt when no cheating was discovered, and closeDisagreement — to finally close a channel after disagreement. Although routing algorithms are not the main topic of this work, we also performed some experiments with a routing algorithm built on top of EthNA.
We took the network graph in our experiments from the Lightning network (from the website gitlab.tu-berlin.de/rohrer/discharged-pc-data) with approx. 6k nodes and 30K channels. Channel’s capacities are chosen according to the normal distribution $\mathcal{N}(200, 50)$. Each transaction was split by applying the following rules. The sender and the intermediaries look at the channel graph and search for the set $X$ of shortest paths that lead to the receiver (and have different first elements). Then they split the payment into values proportional to the capacity of the first channel in the path. In our simulations, we performed 100K transaction. The results appear in Fig. 7. The “success ratio’ denotes the probability of full success of an average payment. Each transaction had to be completed in a maximum of 50 rounds. “Lightning” refers to standard Lightning routing, and “Lightning^e” refers to the Lightning algorithm that attempts to push payments multiple times. Transaction values are chosen uniformly from set $(x_0, x_1)$, while in (b) we have $(x_0, x_1) = (10, 500)$ and in (c) we have $x_0 = 150, 200, 300, 400$ and $x_1 = 500$. Our experiments show that even this simple routing algorithm for EthNA works much better than Lightning.

4 CONCLUSIONS AND FUTURE WORK

We have introduced a Non-Atomic Payment Splitting (NAPS) technique for the payment networks, constructed the EthNA protocol that uses it, and proven its security. Due to the limited space, we focused only on introducing the payment splitting technique. This paper opens several exciting questions for future research. First of all, it would be interesting to develop routing algorithms that use this feature. Secondly, we did not address privacy and anonymity in this setting, and it would be interesting to explore this topic. Our solution strongly relies on the Turing-completeness of the underlying blockchain platform. It would be interesting to examine if NAPS schemes can be implemented Non-Atomic also over legacy blockchains such as Bitcoin (possibly using techniques such as “scriptless scripts” [35, 36], see also [37], or those of [38]). Another important question is to examine if one can reduce the pessimistic payment acknowledgment time from linear to constant analogously to the “Sprites” method [10].

REFERENCES

A PROOF OF LEMMA 1

To prove that ETHNA is a secure NAPS scheme, fix a channel graph $\mathcal{G} = (\{P_1, \ldots, P_n\}, \mathcal{E}, \mathcal{V} \mathcal{I})$ and an adversary $\mathcal{A}$. We need to construct a simulator $\mathcal{S}$ such that the real and ideal executions are indistinguishable for every environment $\mathcal{Z}$.

Construction of the simulator. The simulator gets as input the security parameter $i^e$ and starts simulating the adversary $\mathcal{A}$ with this input. It also generates (public key, secret key) pairs for all $P_i$'s and sends the public keys to the adversary. The simulator $\mathcal{S}$ checks which parties are corrupt by $\mathcal{A}$ and corrupt the same parties in the ideal model. It also passes to $\mathcal{A}$ all the secret keys of the corrupt parties. Recall the honest parties are executed according to the ETHNA protocol. The simulator maintains a “simulated copy” of each $P_i$, denoted $\hat{P}_i$. It passes $i^e$ and the secret keys and the public keys to the $\hat{P}_i$'s. It also maintains a “simulated copy” of each state channel machine $CP_{i^e \rightarrow P_j}$ (denoted $CP_{i^e \rightarrow P_j}^*$) and a simulated copy of the receipt verification machine (denoted $RVM$).

Then the simulator performs the execution of simulated $\mathcal{A}$ against the honest parties. This simulation proceeds in rounds.

Whenever the adversary $\mathcal{A}$ sends (in the name of some corrupt $P_i$) a message $m$ to an honest $P_j$, the simulator forwards this message to $\hat{P}_j$. If $\hat{P}_j$ ignores this message, then the simulator does nothing. Otherwise, consider the following cases:

- $m = (\text{invoke}, \langle u, \mu, t \rangle \mid P_j)$ (this happens only if $P_i = P_n$ and $P_j = P_1$) and in the same round $P_i$ sent a message $i$-send($\mu, u, t$) to the ideal functionality (in the name of $P_i$).
- $m = (\text{push}, \langle \mu \mid (P_j, \mu), (P_j, \mu') \rangle, n, t \mid P_j)$ — then send a message ($i$-push, $\langle \mu \mid (P_j, \mu), (P_j, \mu') \rangle, n, t$) to the ideal functionality (in the name of $P_i$).

Now consider the state channel machine $CP_{i^e \rightarrow P_j}$ (recall that we assumed that it is uncorruptible) and suppose the adversary $\mathcal{A}$ sends to it (in the name of a corrupt $P_i$) a message (acknowledge, $[\pi, v, t, R]$). Then forward this message to $CP_{i^e \rightarrow P_j}$ and observe its reaction. It is easy to see that the only interesting case is when the other user $P_j'$ also sends a message to $P_j$.

Recall that the execution of $CP_{i^e \rightarrow P_j}$ can result both in the change of the accounts functionality (via the trans messages) and in sending acknowledged messages to $P_j$. Here we shall follow the trans messages. The trans messages are simply forwarded to $CP_{i^e \rightarrow P_j}$ for each (acknowledged, $[\pi, R]$) message sent first a message ($i$-acknowledge, $\pi$) to the ideal functionality (in the name of $P_i$), and then consider the following cases:

- if $R = \emptyset$ then send a message (acknowledged, $\pi, 0$) to $P_j$,
- if $R = (\text{acknowledged}, \pi, \langle \psi, \lambda \mid P_j \rangle)$ then send a message (acknowledged, $\pi, \lambda[1]$) to $P_j$.
- if $R = (\text{acknowledged}, \pi, \langle \mu \mid P_j \rangle)$ then send a message (acknowledged, $\pi, \psi$) to $P_j$, where $\psi$ is taken from the signed tuple $\langle \mu, v, t \rangle \mid P_j$ in the code of $CP_{i^e \rightarrow P_j}$.

Recall that all messages sent by $CP_{i^e \rightarrow P_j}$ can be delayed by some time $\Delta' \leq \Delta$. The simulator delays the messages that she sends by the same amount of time.

Finally, consider the $RVM$ machine (again: we assumed that it is uncorruptible). In this case the simulator simply forwards to $RVM$ every message (acknowledge, $[\pi, v, t, R]$) that it receives from the adversary $\mathcal{A}$ (in the name of some corrupt party).

Analysis of the simulator — the honest $P_n$ case. We now proceed to the analysis of the simulator $\mathcal{S}$ constructed above. We start with the case when $P_n$ is honest. We first show a lemma that essentially states that if $P_n$ is honest, no fraud proof will ever be produced.

LEMMA 2. Suppose a party $P_n$ executes AddK multiple times (for some payment $\mu$, and starting from $\Phi = 0$) and signs every output. Let $W$ be the set of subreceipts signed by party $P_n$ during the execution of the AddK algorithm. Then $W$ is consistent.

PROOF. Take an arbitrary path $\sigma$ and an arbitrary set $Q \subseteq W$ that has a form $Q = \{(s|\pi), \lambda_i \mid P_n \}_{i=1}^m$. Without loss of generality, assume paths in $Q$ are sorted according to the time the paths in this set were signed (starting from the first). From the fact that in the AddK algorithm, the values in the labels can only increase, we get that

$$\max_{i=1}^m \lambda_i[|\sigma[|] = \lambda_m[|\sigma[|].$$

From the fact that $L(\sigma) = \sum_{\pi \in \pi}$ is a child of $\sigma \in L(\pi)$ (see Sec. 3.2) we know that the time when path $(s|\sigma)_{|\sigma[|}, \lambda_m \mid P_n$ was signed all the
children on \( \sigma \) in the tree \( T \) were labeled by values that sum up to \( \lambda_m[|\sigma|] \). The sum \( \sum_{i=1}^{m} \lambda_i[|\sigma| + 1] \) is at most equal to this value. This is because (a) it is a subset of the set all children of \( \sigma \), and (b) these paths were signed earlier than when \( \lambda_m[|\sigma|] \). \( \lambda_m[|\sigma|] \) is signed (here we again use the fact that in the Add algorithm the values in the labels can only increase). Altogether we get that

\[
\max_{i=1,\ldots,m} \lambda_i[|\sigma|] \geq \sum_{i=1}^{m} \lambda_i[|\sigma| + 1],
\]

and hence \( Q \) cannot be a fraud proof (see Sec. 3.2 for the definition of fraud proofs). Therefore \( W \) does not have fraud proofs, and hence it is consistent.

Hence, no valid (acknowledge, \(|\pi, a, t\rangle P_n\) (fraud-proof, \(w\)) message will be very sent to any state channel machine. The only things that a corrupt party \( P \) can do are:

(a) send a message (acknowledge, \(|\pi, a, t\rangle\), empty) to the state channel machine while in fact your set \( W^\pi \) was not empty, or

(b) send a message (acknowledge, \(|\pi, a, t\rangle, |\psi, \lambda\rangle P_n\), where \(|\psi, \lambda\rangle P_n\) is chosen in some other way than described in the protocol.

It is easy to see that in both cases, \( P \) acts “against her own financial interest”. First, in case of (a) party \( P \) claims \( 0 \) coins in the corresponding channel, while she might have lost some coins (corresponding to the same payment \( \mu \)) in other channels. Second, in case of (b) the only thing that \( P \) can do is to send some other \(|\psi, \lambda\rangle P_n \in W^\pi\). However, since we assumed that \( P_n \) is honest and that an honest \( P \) chooses \(|\psi, \lambda\rangle P_n\) that maximizes her gain, this can only lead to losing coins by \( P \). Observe that this may lead to the situation in which the honest parties gain some more coins in the real model than in the ideal model, which would mean that \( Z \) can distinguish between bot models. To remedy this, we use the feature of the Accounts \( G \) functionality that the simulator (in the ideal model) can always transfer some coins from a corrupt party to an honest one. Thanks to this, we can “correct” balances in Accounts \( G \) (in the ideal model) so that they are the same in both models.

**Analysis of the simulator – the corrupt \( P_n \) case.** Now consider the case when \( P_n \) is corrupt. Let \( \tilde{\Phi}^\mu \) be the set of all signed tuples \(|\psi, \lambda\rangle P_n\) that \( P_n \) ever sent to other parties (for payment \( \mu \)). Clearly, the only interesting case is when \( \tilde{\Phi}^\mu \) is inconsistent otherwise (we can use the same reasoning as in the “honest \( P_n \) case”). Suppose some honest intermediary \( P \) finds inconsistency proof. Then she can claim the full amount \( v \) of coins that she was suppose to push. Since she never pushes further a total amount higher than \( v \) she can only gain coins from this. Again, we handle this in the ideal model by transferring coins from corrupt \( P_n \) to \( P \). If \( P \) receives an inconsistency proof due to one of her push requests, then by similar argument, \( P \) can only “gain” coins (which we can handle by transferring coins from corrupt \( P_n \) to \( P \)). It is also easy to see that honest \( P_i \) cannot lose coins if she finds or receives fraud proof for similar reasons. The complete security proof will be provided in the extended version of this paper.

**B STANDARD FUNCTION AND STRING NOTATION**

By \( [a_i \mapsto x_1, \ldots, a_m \mapsto x_m] \) we mean a function \( f : \{a_1, \ldots, a_m\} \rightarrow \{x_1, \ldots, x_m\} \) such that for every \( i \) we have \( f(a_i) := x_i \). Let \( A \) be a finite alphabet. Strings \( \delta \in A^* \) are frequently denoted using angle brackets: \( \delta = (\delta_1, \ldots, \delta_n) \). Let \( \delta \) be a string \( (\delta_1, \ldots, \delta_n) \). For \( i = 1, \ldots, n \) let \( \delta[i] \) denote \( \delta_i \). Let \( v \) denote an empty string, and “\( |\cdot| \)” denote the concatenation of strings. We overload this symbol, and write \( |\cdot| \) to denote \( |\cdot| \) (\( \delta \) and \( \langle a \rangle \))\( |\delta|\), respectively (for \( \delta \in A^* \) and \( a \in A \)). For \( k \leq n \) let \( \delta[k] \) denote \( \delta \)’s prefix of length \( k \). A set of prefixes of \( \delta \) is denoted prefix(\( \delta \)) (note that it includes \( \emptyset \).

We define trees as prefix-closed sets of words over some alphabet \( A \). Formally, a tree is a subset \( T \) of \( A^* \) such that for every \( \delta \in T \) we have that any prefix of \( \delta \) is also in \( T \). Any element of \( T \) is called a node of this tree. For two nodes \( \delta, \beta \in T \) such that \( \beta = \delta[a \forall (\text{some a})] \) we say that \( \delta \) is the parent of \( \beta \), and \( \beta \) is a child of \( \delta \). A labeled tree over \( A \) is a pair \((T, \mathcal{L})\), where \( T \) is a tree over \( A \), and \( \mathcal{L} \) is a function from \( T \) to some set of labels. For \( \delta \in T \) we say that \( \mathcal{L}(\delta) \) is the label of \( \delta \).

**C EXTENSIONS**

In this section, we show some extensions of Erna. Formal proof that such “extended Erna”s satisfy NAPS definition will be presented in the full version of this paper.

**D OBTAINING ATOMICITY AND PARTIAL ATOMICITY IN ETHNA**

Erna can be easily converted into a payment system for atomic payments in the following way. Consider some payment \( \mu \) for \( v \). We simply let any subreceipt for a subpayment count as the receipt for the entire payment \( \mu \), and at the same time, we instruct the receiver \( P_n \) to start acknowledging payments, i.e., signing such receipts only if she receives all the subpayments (for the full amount \( v \)). This works since (a) as long as \( P_n \) did not receive the full amount, there is no receipt that she received any coins, and (b) once she does it, it is in her own best interest to acknowledge all subpayments (and claim all coins). This can be naturally generalized further to obtain “partial atomicity” where, e.g., the receiver can either receive \( v/2 \) or \( v \), or the full amount of \( v \). This way of obtaining atomicity may be used in the applications like the one described very recently in [19], where, in Sec. 3.1 we describe a way to obtain “unlinkability” in atomic payment splitting. The main idea here is to hide the fact that a given payment has already been split. The “atomic Erna” satisfies this property while avoiding using homomorphic hash functions (used in [19]). We leave a full comparison of these two approaches as a direction for future work.

**E REDUCING THE SIZE OF THE FRAUD PROOFS**

Recall that a fraud proof is a payment report \( Q \) of a form. \( Q = \{\langle |\sigma|\rangle \pi, \lambda_i P_n \}_{i=1}^{m} \), all the \( \pi_i \)’s are pairwise distinct, such that the following condition holds:

\[
\max_{i=1,\ldots,m} \lambda_i[|\sigma|] < \sum_{i=1}^{m} \lambda_i[|\sigma| + 1].
\]
Hence, in the most straightforward implementation it is of length
\( \Omega(\delta \cdot (t + \kappa)) \), where \( \delta \) is EthNA’s arity, \( t \) is the maximal length of
paths, and \( \kappa \) is the security parameter.

We now show how to reduce this to \( O(\delta \cdot \kappa) \). We do it by designing
an algorithm that signs the subreceipts \([\phi, \lambda, P_n]\) in a different way.

Let \( H \) be a collision-resistant hash function, and let \((\text{KGen, Sig, Vf})\) be a signature scheme. Suppose \((\text{sk, pk}) \leftarrow \text{KGen}(1^k)\) is the

key pair of \( P_n \). To sign \((\phi, \lambda)\) we define a new signature scheme
\((\text{KGen, Sig, Vf})\) (i.e. we later let \([\phi, \lambda, P_n] = ((\phi, \lambda), \sigma)\), where \( \sigma \) := \(\text{Sig}_{\text{sk}}((\phi, \lambda))\)). Let \(\text{KGen}' := \text{KGen}.\) To define \(\text{Sig}((\phi, \lambda))\) first define
\(\langle h^1, \ldots, h^{\|\phi\|} \rangle\) recursively as:

\[ h^1 := H(\phi[1]), \]
Types of variables

\( v, u \) — a positive integers denoting amounts of coins,

\( \mu \) — a nonce,

\( \pi, \psi \) — path over \( G \), and

\( t \) — time.

\( R \) has one of the following forms:

- \( R = \text{empty} \) (where “empty” is a keyword),
- \( R = \psi, \lambda \) (where \( (\psi, \lambda) \) is a subreceipt), or

Messages exchanged between the parties

Party \( P_n \) sends to party \( P_1 \) a messages of a from (invoice, \( [\mu, u, t]_{P_n} \)).

Each party \( P \) sends to other parties messages of a form (push, \( [\pi, v, t]_{ij} \)).

Party \( P_1 \) sends to \( RVM \) a message of a form (acknowledged, \( \mu, ([u, \mu, t]_{P_n}, R) \)).

Messages exchanged between the parties and the state channel machines

The parties send to the state channel machines messages of a form (acknowledge, \( [\psi, \lambda, t]_{P_n}, R \)).

The state channel machines send the parties messages of a form (acknowledge, \( \pi, \gamma \)).

Messages sent and received by \( Z \)

The environment \( Z \) sends to the parties messages of the following forms:

- (i-send, \( \mu, u, t \)) (such messages are sent only to \( P_1 \)),
- (i-receive, \( \mu, u, t \)) (such messages are sent only to \( P_n \)),
- (i-push, \( \pi, v, t \)), and
- (i-acknowledge, \( \pi \)).

The parties send to \( Z \) messages of the following forms:

- (i-sent, \( \mu, \text{receipt} \)) (such messages are sent only by \( P_1 \), in case of \( \text{EthNA} \) receipt has a form \( ([u, \mu, t]_{P_n}, R) \)),
- (i-pushed, \( \pi, v, t \)), and
- (i-acknowledged, \( \pi, v \)).

Figure 9: The messages exchanged in \( \text{EthNA} \) (assuming the payment path is \( P_1 \rightarrow \cdots \rightarrow P_n \)).
Then let $\text{Sig}(\phi, \lambda) := (\sigma_1^1, \ldots, \sigma_{|\phi|}^1)$, where for each $j$ we have:
\[ \sigma_j^j := \text{Sig}^k(h^j, \lambda[j]) \]

Verification of this signature is straightforward. It is also easy to see that if (KGen, Sig, Vf) is existentially unforgeable under chosen message attack, then so is (KGen’, Sig’, Vf’), assuming the signed messages are of a form $(\phi, \lambda)$, where $\phi$ is the path. For a message $M$ let $\{M\}_{P_h}$ denote $M$ signed with (KGen’, Sig’, Vf’). It is easy to see that now a fraud proof from Eq. (7) can be compressed to a sequence
\[
\left\{ \left( h_i^{|\sigma|}, \lambda_i[|\sigma|] \right), \pi_i[1], \sum_{i=1}^{|\sigma|} \lambda_i[|\sigma| + 1] \right\}_{i=1}^m
\]
such that Eq. (7) holds (above $\pi_i[1]$ is needed to check correctness of $h_i^{|\sigma|+1}$). Since all signed values are of size linear in the security parameter, and $m \leq \delta$ we get that Eq. (8) is $O(\delta \cdot \kappa)$. Note that this requires the parties (and, pessimistically, the state channel contract) to verify $m$ signatures. This can be reduced to 1 signature by using signature aggregation techniques, the simplest one being the Merkle trees technique, where we hash all pairs $(h^j, \lambda[j])$ using Merkle hash and sign only the top of the tree. Note that this introduces additional data costs of size $O(\kappa \cdot \log \delta)$.

Further proof size reduction using "bisection". Finally, let us remark that the proof Eq. (8) can be further compressed by allowing interaction between the party that discovered cheating (denote it $P_h$) and $P_n$. This is similar to the bisection technique [24, 23]. Suppose $P$ realizes that Eq. 7 does not hold. She can then divide the set of paths in $Q$ into two halves. For convince suppose $m$ is even and let
\[ A := \frac{m}{2} \sum_{i=1}^{m/2} \lambda_i[|\sigma| + 1], \]
and
\[ B := \sum_{i=m/2+1}^m \lambda_i[|\sigma| + 1]. \]

$P$ can now challenge $P_h$ (on the blockchain) to provide her own calculations of the above sums$^3$. Let $A'$ and $B'$ be $P_h$ respective answers. Then one of the following has to hold:
- $\max_{i=1,\ldots,m} \lambda_i[|\sigma|] < A' + B'$ - then $P$ obtains the fraud proof and we are done.
- $A' < A$ or $B' < B$ - then we can apply this procedure recursively.

It is easy to see that in the logarithmic number of rounds, $P$ obtains a fraud proof. Note that this fraud proof is short, so it can be easily propagated to other parties (who do not need to repeat the above "game" with $P_h$).

$^1$This assumption is needed since paths have a clearly marked "ending", namely they have to finish with $(P_h, \mu_h)$, for some $\mu_h$. Otherwise it would be possible to attack this scheme by taking a prefix of a signed message and a prefix of its signature.

$^2$Since elements of $Q$ can be sorted, such a challenge is short.