

# PV204 Security technologies



Bitcoin II. – Bitcoin hardware wallets, multisig, (CoinJoin, PayJoin)



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CRCS

Centre for Research on  
Cryptography and Security

# Three main goals of bitcoin end-user security

1. Safety (against you loosing access to your funds)
  - Backup of mnemonic phrase (paper, steel plate, Shamir)
  - Native bitcoin script multisignature (2-of-3)
2. Security (against attacker trying to steal your funds)
  - Hardware wallet to generate seed and manage secret keys
  - Secure confirmation of transaction details (address, value, fee) on display
3. Privacy (against third party observing your actions)
  - Use your own fullnode
  - Practice labeling and coin control
  - Use Coinjoin mixing (Wallet Wasabi 2, Trezor Suite)



## Masterplan for this seminar

1. OP\_RETURN use for TimeStamping (short example)
2. Hardware wallet use (Sparrow + ColdCard)
3. Multisignature wallet use (Sparrow wallet as coordinator)
4. (If interested)
  - Recovery of wallet into different client (Sparrow → Electrum)
  - CoinJoin mixing (Whirlpool)

# STORING ARBITRARY DATA ON BLOCKCHAIN

Electrum Testnet 4.1.5 - default\_wallet [standard]

File Wallet View Tools Help

History Send Receive Channels Coins Console

Pay to **OP\_RETURN 7076323034206973206b69636b696e67**

Description test opreturn

Amount **0** BTC

Max

Clear Save Pay...

Confirm Transaction

Amount to be sent: 0. BTC

Mining fee: 0.0000014 BTC

Fee rate: [Slider] ETA

Warning: The fee for this transaction seems unusually high. (100.00% of amount)

Cancel Send

Output #1  
0.00000000 tBTC  
OP\_RETURN

### Inputs & Outputs

tb1qn6nnzj99dcccylfvv6f0s9keyk... 6ate5ze3	0.00100000 tBTC	<b>OP_RETURN pv204 is kicking</b>	0.00000000 tBTC
		tb1q015kvpen04wvtunpw6v24eh5f0... x31e6g3t	0.00099860 tBTC
			0.00099860 tBTC

## Storing arbitrary data on blockchain



Getty | Iryna Yeroshko

- Your data has to be stored by all full-nodes forever!
  - Writing nonsense messages / spam etc. is like carving into tree bark
  - Always ask yourself what is the value of such storage and if it is fair to others!
- Bitcoin P2P protocol has some additional limitation rules about transaction data allowing to propagate
  - More stricter rules than Bitcoin consensus rules (what can be in block mined)
  - E.g., 4MB NFT picture in segwit-discounted data is valid transaction and is accepted once mined, yet nodes will not propagate such transaction into mempools
  - These P2P rules are indication what network considers “good” behavior

# OpenTimestamps protocol (<https://opentimestamps.org/>)

- Prove that document existed at date X (at latest)
- Merkle tree of all submitted document hashes within given period committed to Bitcoin blockchain (OP\_RETURN, every ~10 hours)
  - <https://peter todd.org/2016/opentimestamps-announcement>
- Currently free to use (only one OP\_RETURN embed for all files)
  - Client needs to remember own Merkle tree path + file => \*.ots file

```
$ pip3 install opentimestamps-client
$ ots stamp secret.txt
```

```
$ ots info secret.txt.ots
```

```
$ ots verify secret.txt.ots
```

```
Assuming target filename is 'secret.txt'
```

```
Calendar https://alice.btc.calendar.opentimestamps.org: Pending confirmation in Bitcoin blockchain
```

```
https://github.com/opentimestamps/opentimestamps-client
```

```
https://mempool.space/tx/5cfb6d1eee37cfd3dc51d01f
```

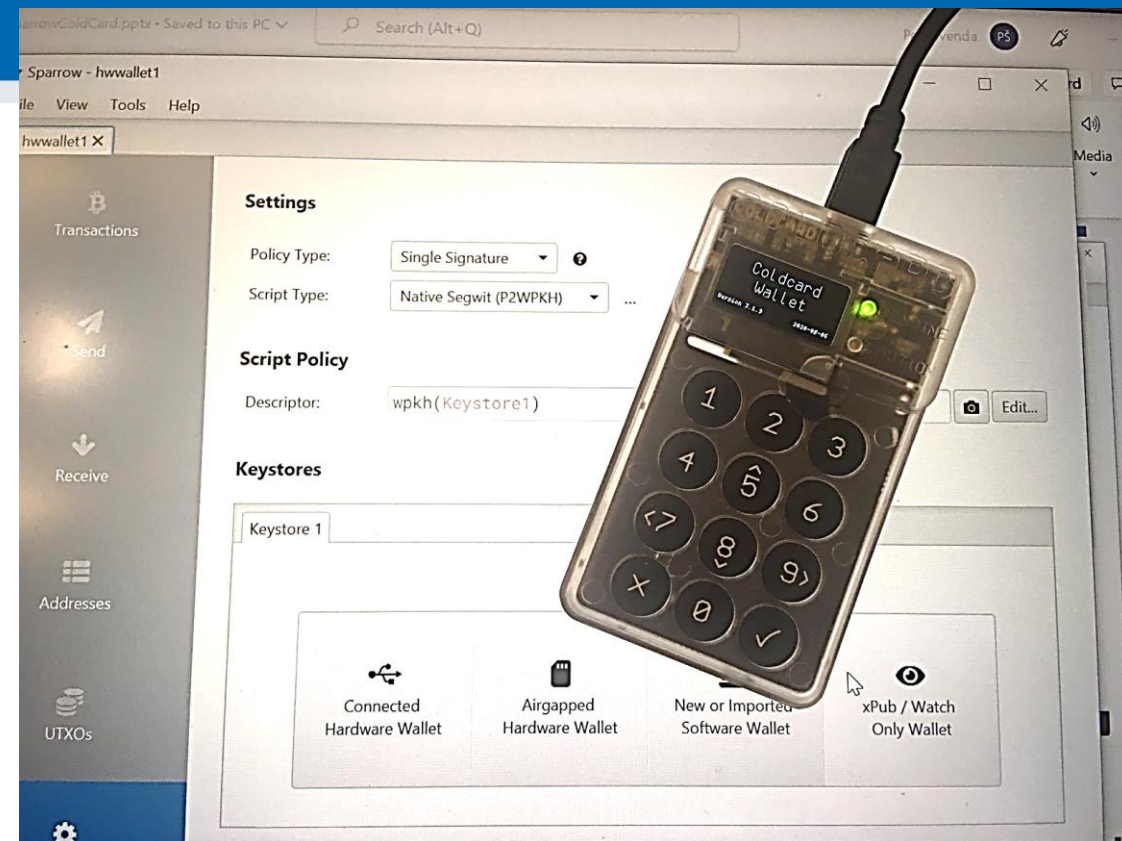
```
$ ots verify secret.txt.ots
```

```
Assuming target filename is 'secret.txt'
```

```
Calendar https://alice.btc.calendar.opentimestamps.org
```

```
Calendar https://finney.calendar.eternitywall.com: Tim
```





# SINGLE-SIGNATURE HARDWARE WALLET

## Steps today

1. Generate secret seed in hardware wallet
2. Backup it (mnemonics on paper)
3. Connect wallet with PC software wallet (receive and spend wallet)
4. Erase wallet, test recovery of mnemonics
5. Create receive-only mobile wallet (stack additional sats)

## Before we start...

- You have one hardware wallet per person, erase it afterwards
- Do not walk around with phones, cover mnemonic words by hand
- Hide your mnemonic words against any exposure
- **VERY IMPORTANT!!!**
  - ColdCard is real hardware wallet (~\$100)
  - “Bricked” if correct PIN is forgotten unknown (no “reset” button)
  - **For this tutorial, always set PIN to 12 34 !!!**
    - (for real use with ColdCard you bought, always set to PIN **only you** know)



## Steps of hardware wallet usage

1. Prepare ColdCard hardware, generate and backup new wallet
  - No computer required, everything happens on ColdCard device
2. Prepare Sparrow on PC with private keys stored on ColdCard
  - Public information from ColdCard wallet is exported to Sparrow
3. Receive tBTC to ColdCard wallet (via Sparrow)
  - No ColdCard required, only public keys are required
4. Erase ColdCard, perform recovery
  - Real verification that your backup works
5. Send tBTC from ColdCard wallet (via Sparrow)
  - Private keys on ColdCard required, checks and signing happens on ColdCard

# 1. PREPARE COLDCARD HARDWARE, GENERATE AND BACKUP NEW WALLET

# Login into your ColdCard device

1. Connect via USB cable
2. Enter PIN Prefix: **USE `12`!!!**, press OK
  - Write on paper shown words (what they are for?)
3. Enter rest of PIN: **USE `34`!!!**, press OK
4. Generate New Wallet, write on paper 24 words, verify 24 words
5. State: 'Ready to Sign' option shall be displayed

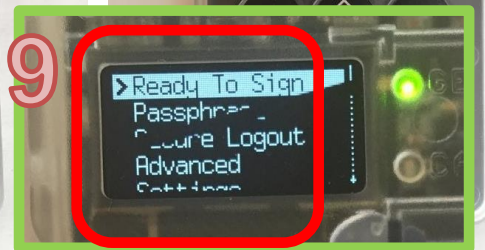
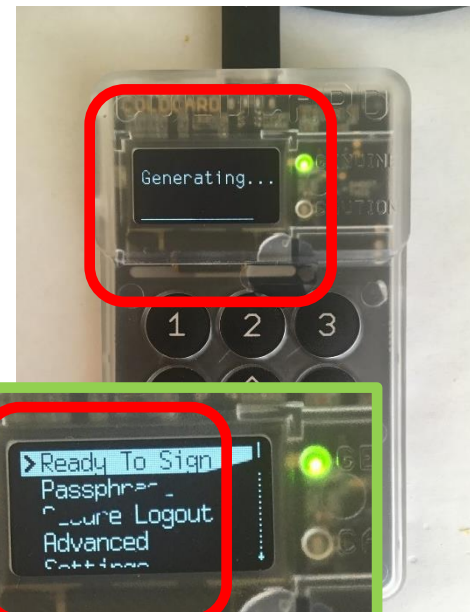
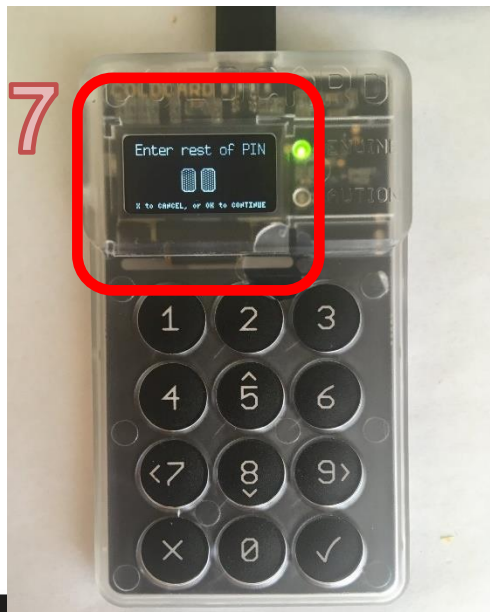
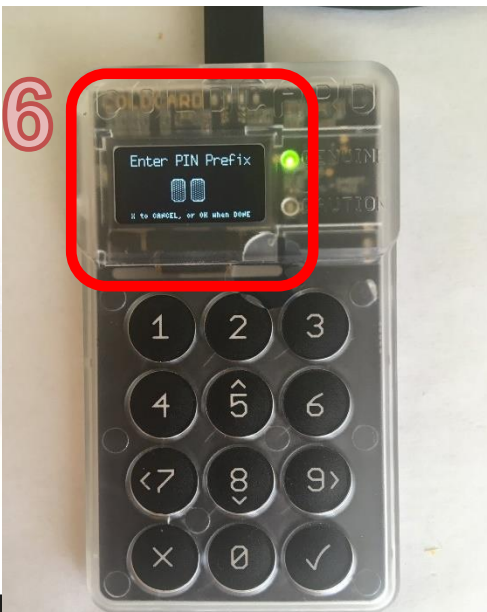
(later after wallet generation)

- Move to Advanced → Danger Zone → Testnet mode
- Change to 'Testnet: BTC'

We will work with testnet BTC => need to tell wallet to use testnet addresses





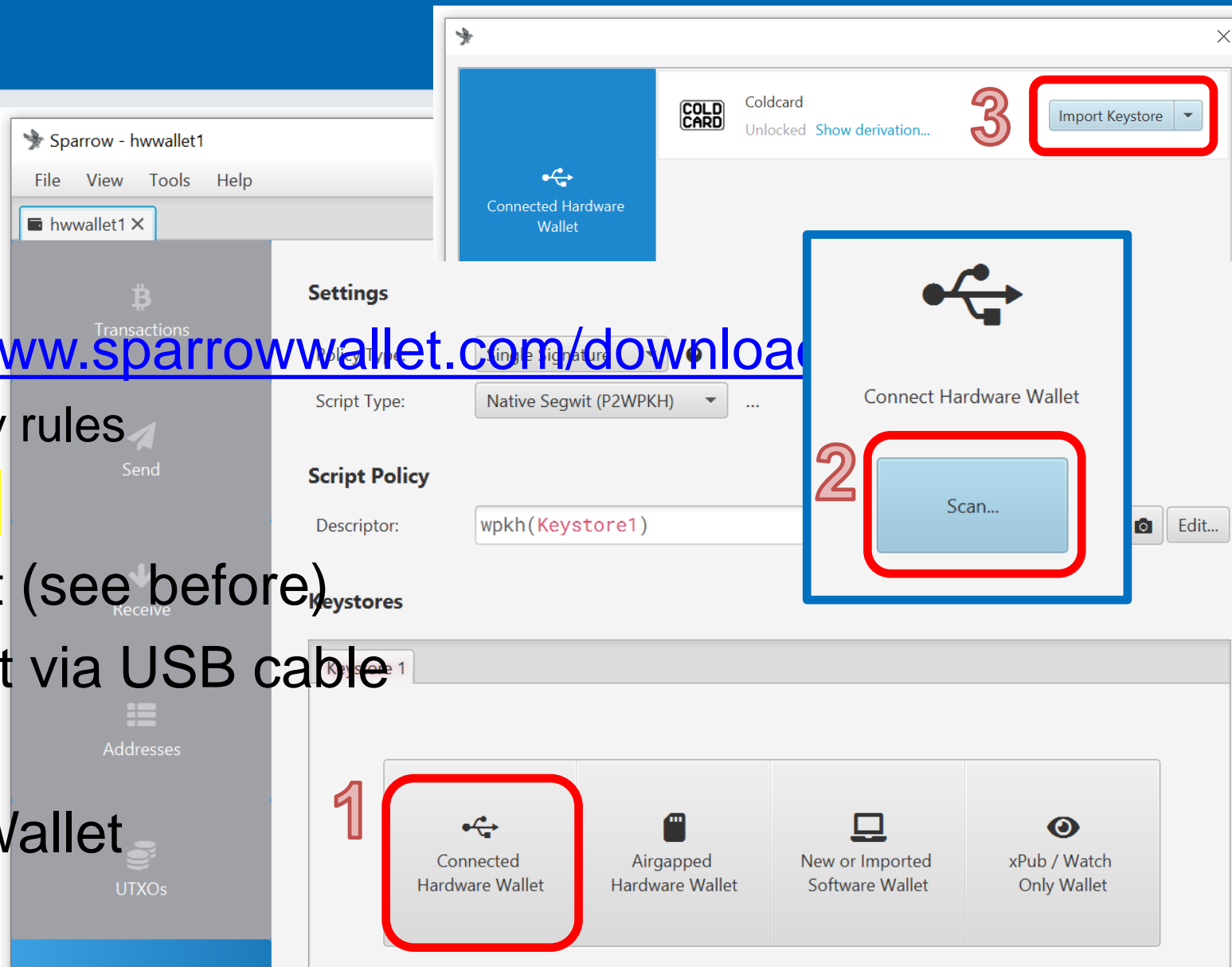


## **2. PREPARE SPARROW ON PC WITH PRIVATE KEYS STORED ON COLDCARD**



# Create wallet

- Sparrow Wallet <https://www.sparrowwallet.com/download>
    - Linux: Tools → Install udev rules
  - **sparrow -n testnet**
  - Prepare ColdCard wallet (see before)
  - Connect ColdCard wallet via USB cable
  - File → New wallet
1. Connected Hardware Wallet
  2. Scan
  3. Import Keystore



# Create wallet

4. Apply

5. Set password or leave empty

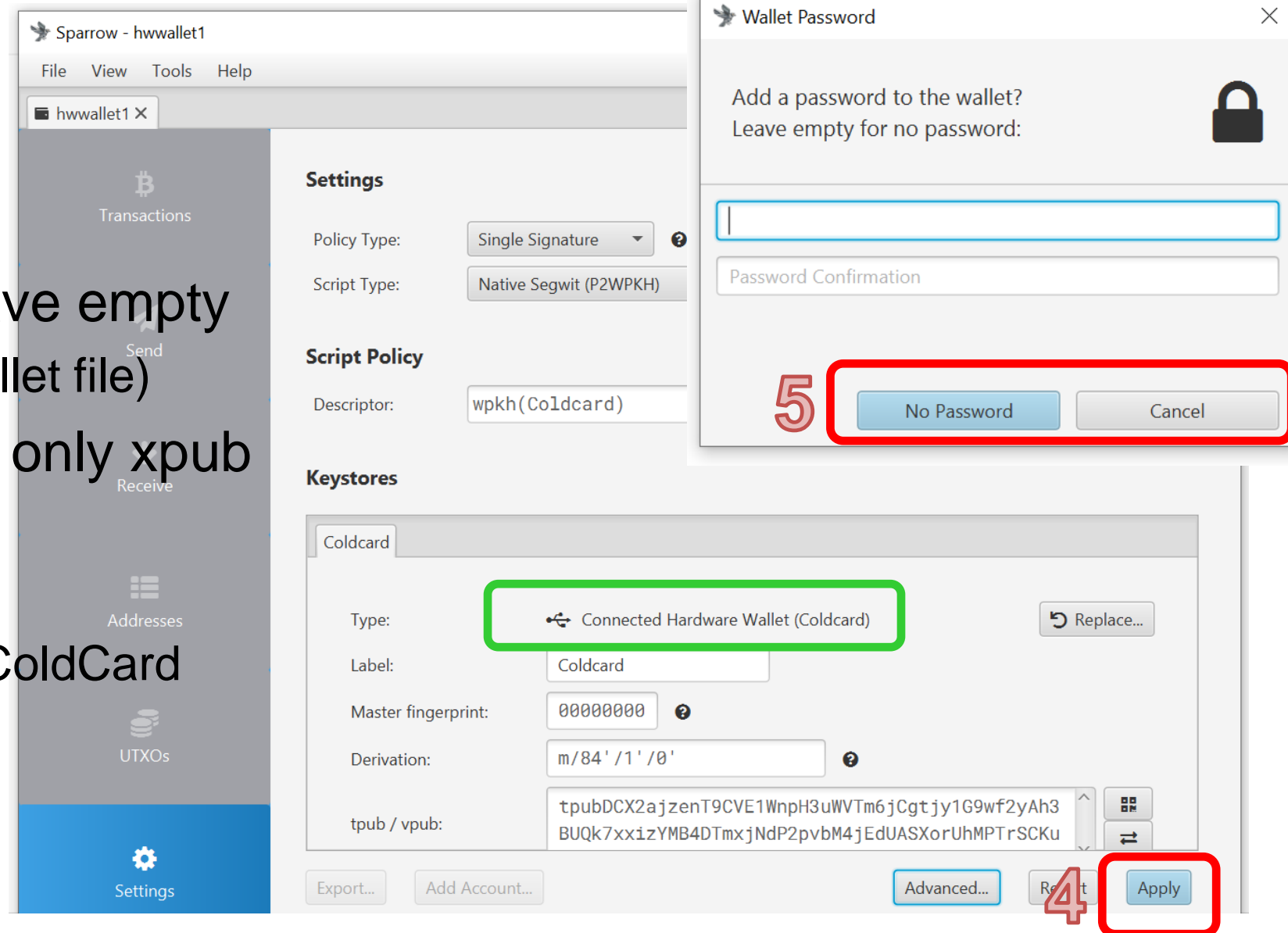
– (encryption of local wallet file)

• Local wallet contains only xpub

– \*.mv.db file

– File→Open wallet

– Private key(s) are on ColdCard



## 3. RECEIVE TBTC TO COLDCARD WALLET (VIA SPARROW)



## Task: send some tBTC from software to hardware wallet

- Exactly same procedure as for sending between software-only wallets
  - Hardware wallet's private key is not required for receiving
- Person with ColdCard shall receive one transaction from every other person (PC1 and CC)
- Obtain his/her receive address
  - Via messenger: CC → Receive tab → Copy address → send via Signal → PC1
  - Via QR: CC → Receive tab ; PC1 → Send → camera icon → scan address QR
- Enter some sats into Amount box
  - Observe visualized transaction below (more inputs may be added)

# PC1

Sparrow - wallet1

File View Tools Help

wallet1 X to coldcard wallet

**Send**

Pay to:

Label:

Amount:  sats

**Fee**

Range:

Rate: 1.01 sats/vB High Priority

Fee:  sats

Transaction diagram: internal send (cha...), Add Mix Partner?, Transaction, to coldcar..., tb1quj0t..., Fee

Optimize: Efficiency Privacy Analysis...

# CC

Sparrow - hwwallet1

File View Tools Help

hwwallet1 X

**Receive**

Address:

Label:

Derivation: m/84'/1'/0'/0/0

Last Used:  Never

**Required ScriptPubKey**

Script:

**Output Descriptor**

Descriptor: `wpkh(034bff5cbec46af1833f5e222bc66006ffcd94e222e67f5160c35d0cddb4df6b)`

## 4. SEND TBTC FROM COLDCARD WALLET (VIA SPARROW)



# Task: send some tBTC from hardware to software wallet

- Person with ColdCard sends to at least one other person (CC → PC1)

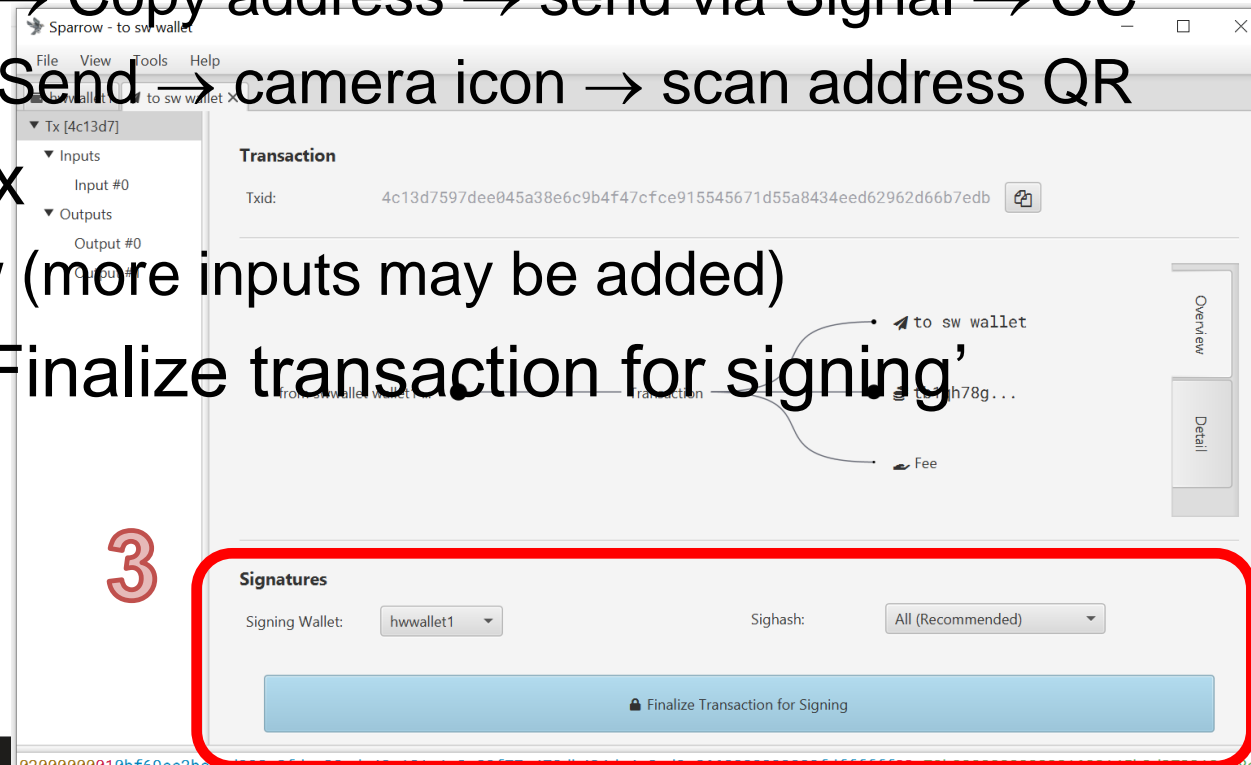
## 1. Obtain PC1's receive address

- Via messenger: PC1 → Receive tab → Copy address → send via Signal → CC
- Via QR: PC1 → Receive tab ; CC → Send → camera icon → scan address QR

## 2. Enter some sats into Amount box

- Observe visualized transaction below (more inputs may be added)

## 3. Click 'Create transaction', click 'Finalize transaction for signing'



# Send some tBTC from hardware to software wallet

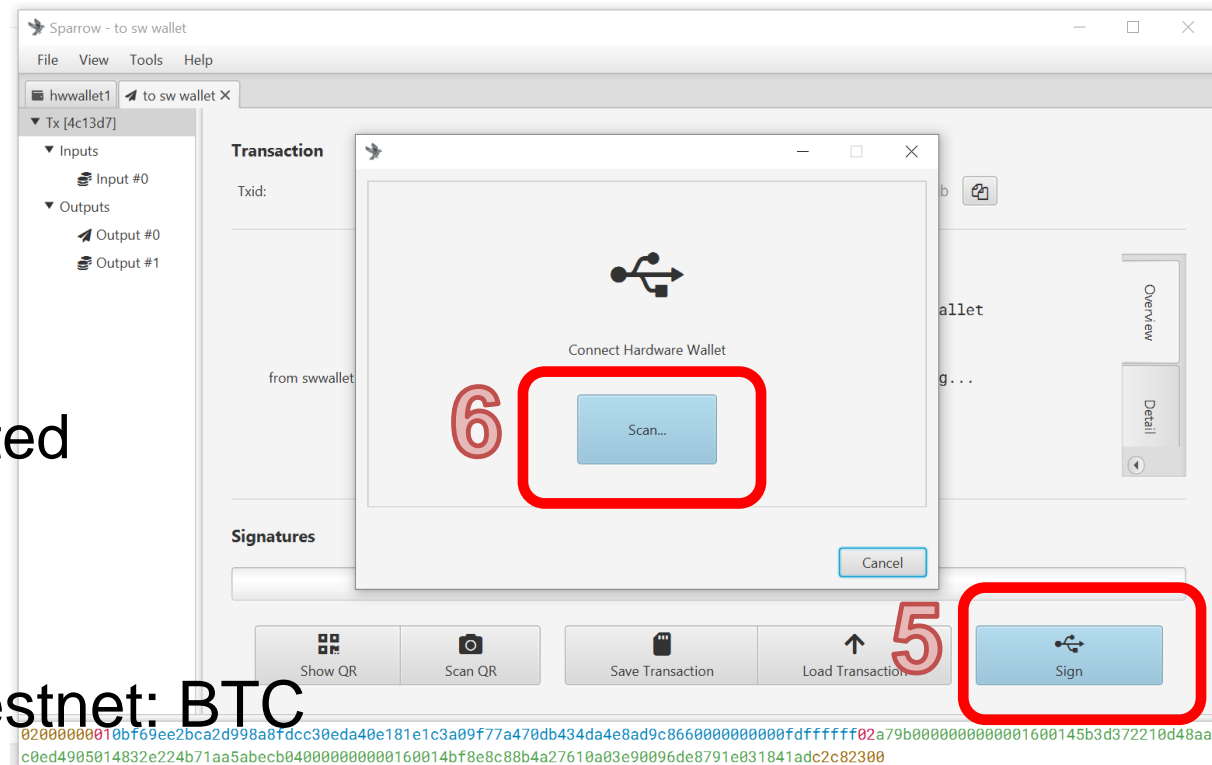
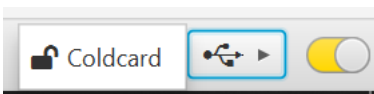
4. Connect ColdCard via USB
  - Enter PIN Prefix, press OK
  - Enter rest of PIN => 'Ready To Sign'

4



5. Click 'Sign' in Sparrow
6. Click 'Scan' in Sparrow

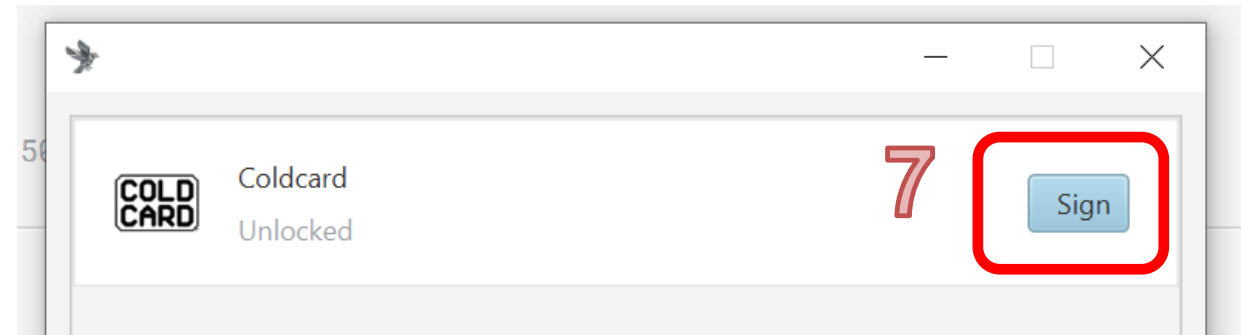
- Note:
  - Look for icon after is ColdCard connected
  - If icon is not visible, try to reconnect
  - If icon is visible but Scan fails, check
    - ColdCard:Settings→Blockchain→Testnet: BTC





## Send some tBTC from hardware to software wallet

7. Select ColdCard and click 'Sign'

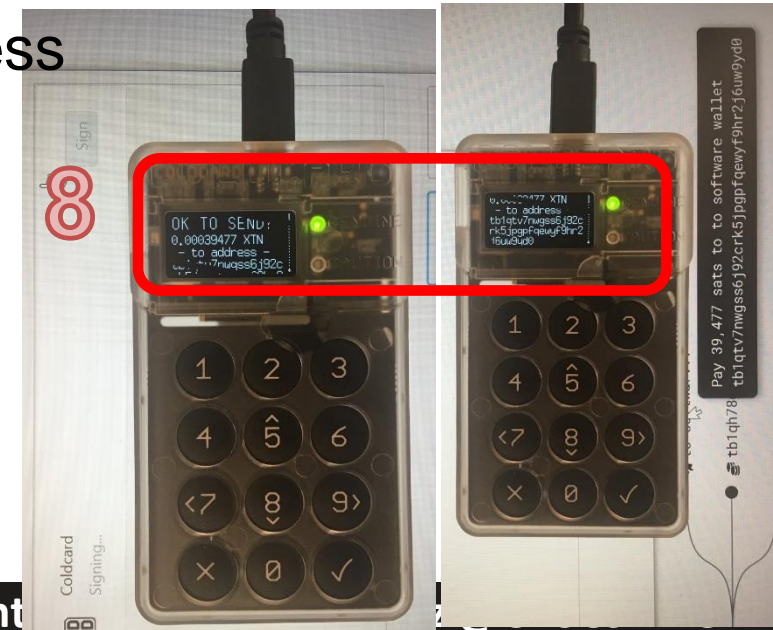


8. Verify on ColdCard's screen (compare with your Sparrow)

- Amount, address, fee, changeback, changeback address
- Press OK if match

9. Click 'Broadcast Transaction'

- Transaction is now complete, broadcast to network



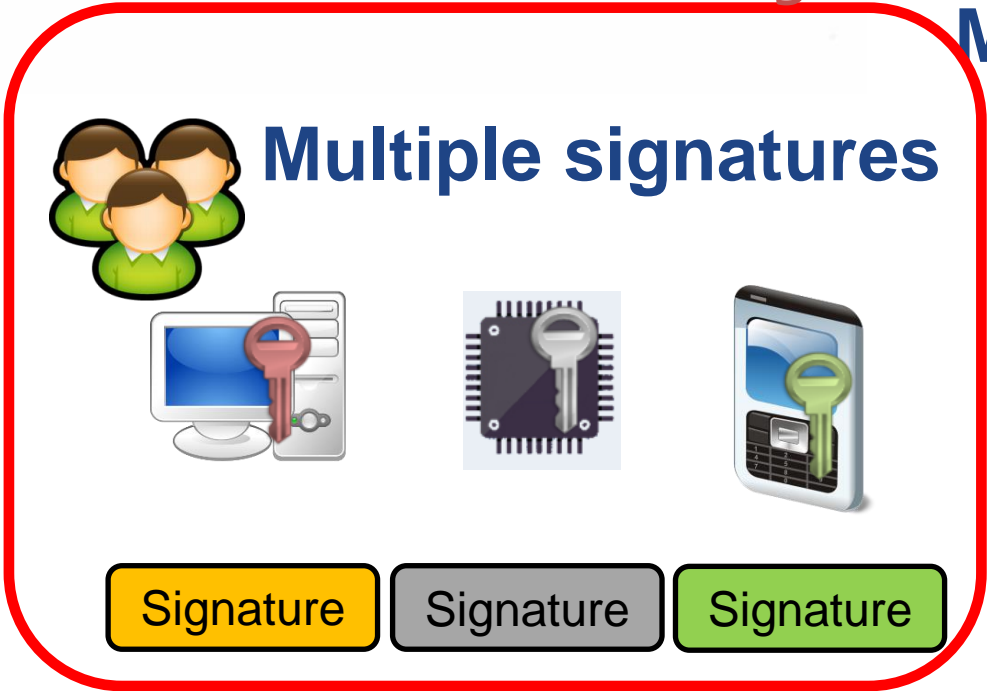
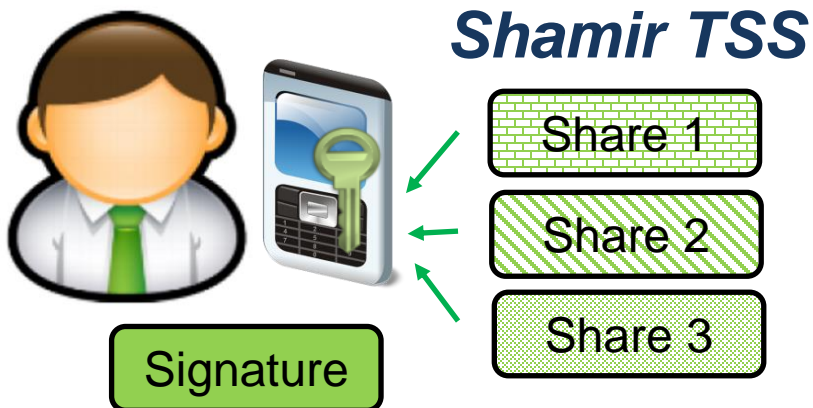
- 1. THRESHOLD SECRET SHARING**
- 2. MULTISIGNATURES**
- 3. MULTI-PARTY CRYPTO COMPUTATION**



Analogically for decryption  
(single person decrypts,  
multiple people, k-of-n)

## Our focus today

### Single signature

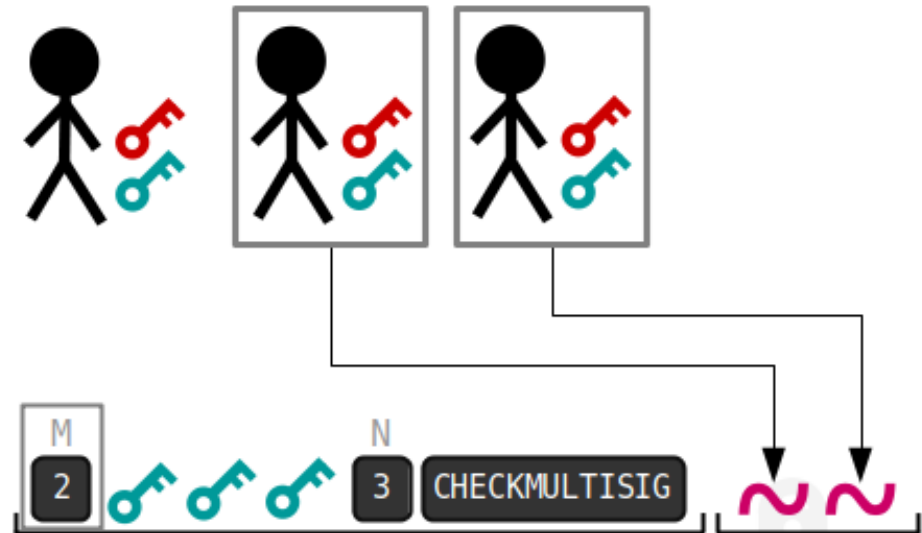


### MPC signature



## 2. Multisignatures

- Lock script constructed to require multiple signatures (OP\_CHECKMULTISIG)
  - transaction valid only if multiple signers provide signatures for unlock script
- n-out-of-n or m-out-of-n, <https://en.bitcoin.it/wiki/Multisignature>
- P2MS, P2MS wrapped in P2SH
  - <https://learnmeabitcoin.com/technical/p2ms>





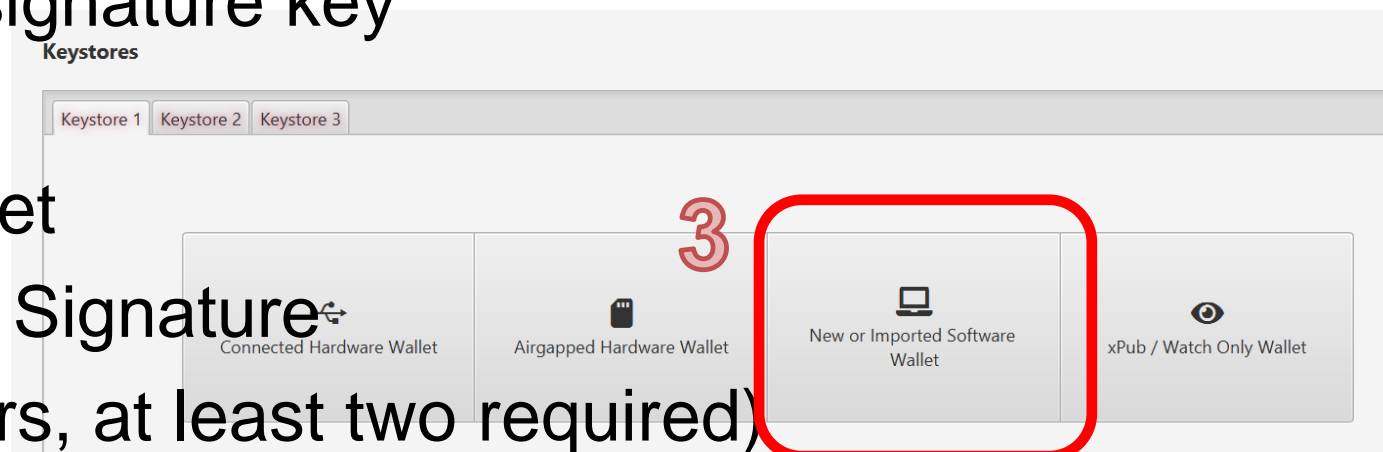
## Task: Create multisignature wallet

- Form groups of three members
  - (can be also done with three Sparrow instances on the same if you test alone)
  - Make sure you can send short messages to each other (Signal/WhatsApp) or have camera read QR codes
- **Run Sparrow wallet on testnet (-testnet)**
- Quorum 2-out-of-3 will be used (3 members, 2 enough to authorize)
- Every participant will create one keystore with knowledge of private key(s) and then import remaining two xpubs (tpubs on testnet) for other two signers
- Some tBTC will be send to multisig wallet
- Cooperation of two members will be used to create new transaction

# Create multisignature wallet I.

- Every participant creates one signature key
- File → New wallet
- New or Imported Software wallet

1. Change 'Policy Type:' to Multi Signature
2. Set M of N to 2/3 (three signers, at least two required)
3. Set Keystore 1 as 'New or Imported Software wallet'
4. Setup Keystore 1 as before (singlesig wallet, 12 words, Import keystore)






# Keystore 1 now created


4


## Keystores



BIP39 Keystore 2 Keystore 3

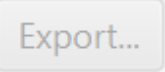
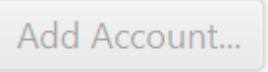
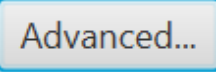
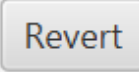
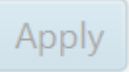
Type:  Software Wallet  

Label:

Master fingerprint:  

Derivation:  

tpub / Vpub:   

## Create multisignature wallet II.

- Insert xpubs/pubs for other two signers (your group members)
- 5. Transfer tpub from your Keystore 1 to other two members (Signal/QR code)
  - Paste received tpubs into Keystore 2 and 3 (select 'xPub / Watch Only Wallet')
- 6. Set Derivation same as for Keystore 1 (m/48'/1'/0'/2')
  - For both Keystore 2 and Keystore 3
- 7. When all three keystores are filled, Apply button is enabled (click it)
- 8. Let one member to send some tBTC to multisig wallet
  - Receive, send from singlesig wallet (do not send all funds)
  - All members shall see new tBTC coming to multisig wallet



### Keystores

BIP39 Keystore 2 Keystore 3

Type: Software Wallet

Label:

Master fingerprint:  ?

Derivation:  ?

tpub / Vpub:

### Keystores

BIP39 Keystore 2 Keystore 3

Type: Watch Only Wallet

Label:

Master fingerprint:  ?

Derivation:  ?

tpub / Vpub:

### Keystores

BIP39 Keystore 2 Keystore 3

Type: Watch Only Wallet

Label:

Master fingerprint:  ?

Derivation:  ?

tpub / Vpub:

# Singlesig wallet

# Multisig wallet

Transactions **8b**

**Send**

Receive

Addresses

UTXOs

Settings

### Send

Pay to:

Label:

Amount:  sats \$ 294.28

### Fee

Range:

Rate: 1.00 sats/vB CPFP High Priority

Fee:  sats \$ 0.05

Transaction

to european base ...

to multisig

tb1qkte...

Optimize: Efficiency Privacy Analysis...

Clear Create Transaction

Transactions **8a**

**Send**

**Receive**

Addresses

UTXOs

Settings

### Receive

Address:

Label:

Derivation: m/48'/1'/0'/2'/0/0

Last Used:  Never

### Required ScriptPubKey

Script:

### Output Descriptor

Descriptor:

**8c**

**STATE: MULTISIG WALLET IS CREATED,  
SOME FUNDS ARE AVAILABLE  
CAN SEND TRANSACTION 2 OF 3**

## Send transaction from multisig wallet (to singlesig wallet)

- Open any singlesig wallet (e.g., one of your group members)
  - Generate new receive address Receive→Address:
- 1. PC1: One member goes to his/her multisig wallet and starts transaction
  - Send → Pay To: paste singlesig address, set label and amount
- 2. PC1: Create Transaction → Finalize Transaction for Signing → Sign
  - Partially Signed Bitcoin Transaction (PSBT) is now created
- 3. PC1→PC2: Transfer to one of group members (PC2)
  - Option a): Show QR → variable QR displayed, scan from another machine
    - 4. PC2: File → Open Transaction → From QR...
  - Option b): Save Transaction → file \*.psbt, load file from second machine
    - 4. PC2: File → Open Transaction → File...

Person 1

Person 2,3...

1

**Send**

Pay to:

Label:

Amount:  sats \$ 113.18 Max

**Fee**

Range:

Rate: 1.01 sats/vB High Priority

Fee:  sats \$ 0.06

Transaction diagram: a6061120...:0 → Transaction → [to singles..., tb1qlede..., Fee]

Optimize: Efficiency Privacy Analysis... Clear Create Transaction >>

multisig1 to singlesig wallet X

Tx [6c26b7]

Inputs

- Input #0

Outputs

- Output #0
- Output #1

**Transaction**

Txid: 6c26b792071103fec60e278dff31355bf9134d4839bc8796bb82a720e98e610c

Transaction graph showing input a6061120...:0 and outputs: tb1qlede..., to singles..., Fee

**Signatures**

multisig1

Show QR Scan QR Save Transaction Load Transaction Sign

020000000106dd4487826cbc02a9d7ea63f6dac17b282317374fa8a206806dcc18201106a6000000000fdfffff02f86509000000000220020f

Sparrow - multisig2

File View Tools Help

- New Wallet Ctrl+N
- Open Wallet... Ctrl+O
- Open Transaction... **4b**
- Save Transaction... Ctrl+S
- Import Wallet... **4a**
- Export Wallet...
- Close Tab Ctrl+W
- Quit Ctrl+Q

File... Ctrl+F

From QR... Ctrl+U

Receive

Listner - [h:\to singlesig wallet.psbtx]

File Edit Options Encoding Help

```
psbtü... . . . . . ŸD■1¼. @xécöÜÁ{ (#.70"ç
■÷0'yF■» .5.R-..-«ÿtk.â×'Ü... . . . . . Ÿ
ç%.tÉx@â. '■ēÉ. . [.K■. |■DÉ~E-çum. . . . . à.ē
ē. . . . . ē0. .5■ī. .) .%úē. . . . . "■@². . . . . ç■óó.
ç■i@1■> . . . . . ñ. ■Ÿ. . . . . 0. . . . . ē. . . . . ē. . . . . ē0
■iä' ■Zö. \; "v■p~ fâÉ{# 'à2. . . . . ŸiU■möpKapí
Ÿù■0"/ðJSu■9'■1@Túu0ZS9çu#±y. . . . . ŸŸŸŸŸ
gd. ÁÐ' C. . . . . . ?ðø: #0Ÿ' /ðA½É■U3@d!Ÿ
H)İB[İgd. ÁÐ" . ■-ñyŸÁ. ■İjG■Rw(z. . . . . '■É
)■ŸÜC■²#. dJŸé■#. =XH. . . . . ðİŸ. . . . . ē■ÁŸ. kþz
```

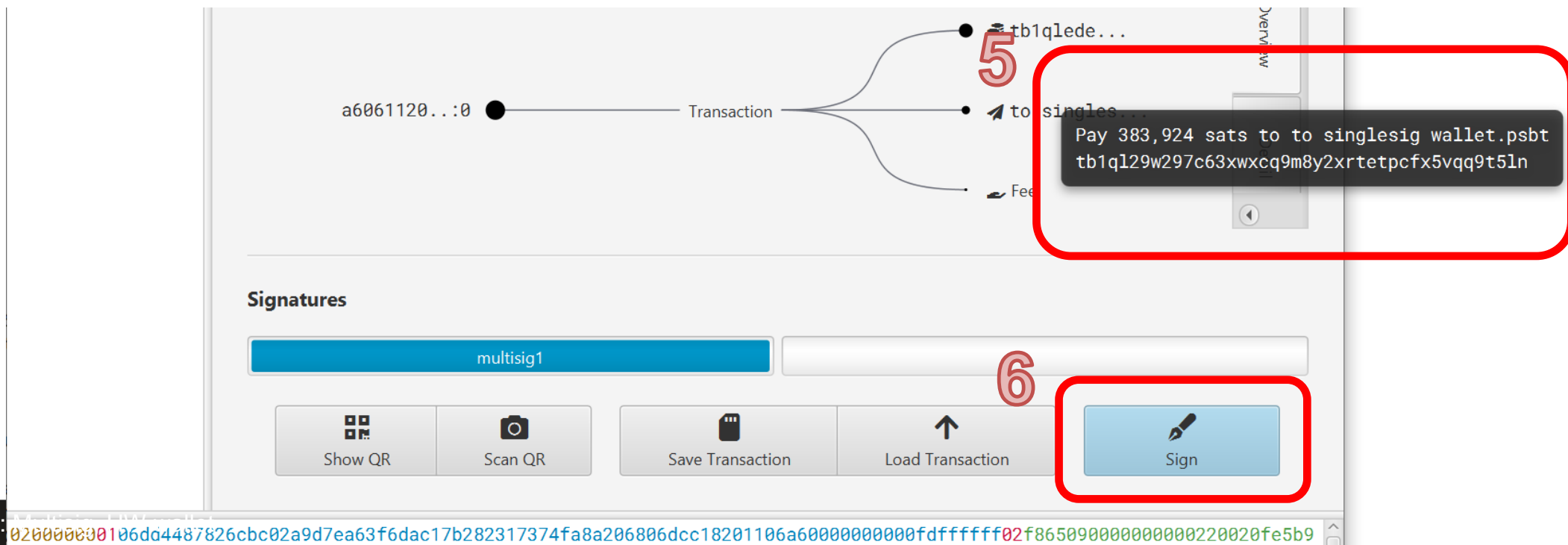
3a

3b

2

## Send transaction from multisig wallet (to singlesig wallet)

- (PSBT transaction is loaded in Sparrow wallet of second signer)
5. Check transaction parameters (address, amount, fee...)
  6. If happy, click Sign button and 7. Broadcast



# Send transaction from multisig wallet (to singlesig wallet)

- (Signatures from multisig1 and multisig2 signers are visible)

The screenshot displays a wallet interface with a transaction details view. The transaction ID is `6c26b792071103fec60e278dff31355bf9134d4839bc8796bb82a720e98e610c`. The transaction diagram shows an input `a6061120...:0` and three outputs: `tb1qlede...`, `to singles...`, and `Fee`. The 'Signatures' section shows two signers: `multisig1` (blue bar) and `multisig2` (green bar). Below the signatures are two buttons: `View Final Transaction` and `Broadcast Transaction`. The `Broadcast Transaction` button is highlighted with a red rectangle, and a red number '7' is placed next to it.



Tx [6c26b7]

Inputs

Input #0

Outputs

Output #0

Output #1

## Transaction

Txid: 6c26b792071103fec60e278dff31355bf9134d4839bc8796bb82a720e98e610c



# Analyze transaction via blockchain explorer

- <https://blockstream.info/testnet/tx/6c26b792071103fec60e278dff31355bf9134d4839bc8796bb82a720e98e610c>

- Paste Txid after transaction is mined

- P2WSH WITNESS SCRIPT

– OP\_CHECKMULTISIG

6c26b792071103fec60e278dff31355bf9134d4839bc8796bb82a720e98e610c

DETAILS

#0 a606112018cc6d8006a2a84f371723287bc1daf663ead7a902bc6c82874 0.01000042 tBTC

4 outputs

4 inputs

4 outputs

4 inputs

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

WITNESS

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WITNESS

WITNESS

## P2WSH WITNESS SCRIPT

```
<empty> 304402202f519276e023c5d3cca1
e27c9a3b363a3ace160d2049104f2987fad9
439fb2230220644afbe98b231a3d58482e8d
f249daa41a0fba9ec3ff0d6bde7afd547aaf
33bf01 304402207eb3c0d5d342e0f913871
be8465e3556027f83ad1c7d97a2dedd66d0
aac376102206b3aa76983f02ce97d4bee992
d5637c2b6ae63e97722c09a03cafe1dd9f98
4a001 5221029e2df179fbc2029fcc6a4783
805277287a2e109295ca60d6e954ba618f06
b45d210313ccf34791e4f3f94f145ae34f84
9c3481463b6a5fe64ac035c82b91f3c9dc1f
2103ec9ddac163c0296b5f2913633aeb4495
204800cc0c12f280c0c148002c00000000
```

```
OP_PUSHDUM_2 OP_PUSHBYTES_33 029e2df
179fbc2029fcc6a4783805277287a2e10929
5ca60d6e954ba618f06b45d OP_PUSHBYTES
_33 0313ccf34791e4f3f94f145ae34f849c
3481463b6a5fe64ac035c82b91f3c9dc1f 0
P_PUSHBYTES_33 03ec9ddac163c0296b5f2
913633aeb44952d4b805ec3e1212b0e5aef4
5b8c2c688 OP_PUSHDUM_3 OP_CHECKMULTI
SIG
```

#0 tb1qledelgj5s7hd3ryk7lfjw72xnwa36dg622kpxr9d40lhg6ewug4q4hm 0.00615928 tBTC

csf

csf

csf

csf

csf

csf

csf

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csf

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csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

csf

TYPE

VO\_P2WSH

SCRIPTPUBKEY (ASM)

```
OP_0 OP_PUSHBYTES_32 fe5b9fa25487aed
88c96f7d32779469bbb1d351a52ac130cada
bff746b2ee22a
```

SCRIPTPUBKEY (HEX)

```
0020fe5b9fa25487aed88c96f7d32779469b
bb1d351a52ac130cadabff746b2ee22a
```

SPENDING TX

Unspent

#1 tb1qL29w297c63xwxcq9m8y2xrtetpcfx5vqq9t5ln

0.00383924 tBTC

TYPE

VO\_P2WPKH

SCRIPTPUBKEY (ASM)

```
OP_0 OP_PUSHBYTES_20 fa8ae517d8d44ce
36005d9c8a30d795870935180
```

SCRIPTPUBKEY (HEX)

```
0014fa8ae517d8d44ce36005d9c8a30d7958
70935180
```

SPENDING TX

Unspent

# Questions

- Which option is better for backup (not losing possibility to spend)? 1-of-3 or 3-of-3?
- Which option is better against an attacker (prevent her to spend your coins)? 1-of-3 or 3-of-3?
- What are advantages and disadvantages of 2-of-3 vs. 3-of-5?
- Can you authorize transaction of one signer not available? Two?
- Can multisig participants see all funds locked to multisig wallet?
- What shall you do if one signer loses control of funds?
- What you need to do if you would like to add another signer into quorum?
- Why is multisig transaction bigger than the singlesig one?
- Can you say if funds are locked (UTXO) to multisig wallet?
- Can you say parameters of multisig before funds are spent? After?
- Is Taproot (P2TR) changing anything?



# ASSIGNMENT 4

## Assignment 4 – analysis of Bitcoin transactions

- Analyze one block and related transactions from Bitcoin blockchain
  - Every student will have different block equal to the UČO (e.g., block '4085' for P.S.)
- Preparation:
  - Download table from IS (hw04\_task1\_table.odt) and use it for **Task 1**
- Produce (2-3xA4) text solution for **Tasks 2, 3, 4 and 5**
  - Provide answers to questions asked, add annotated transactions graphs...
- Submit before **18.4.2024 23:59** into IS HW vault
  - Soft deadline: -1.5 points for every started 24 hours

# Assignment 4 – analysis of Bitcoin transactions

- **Task1: Basic info about “your” block**
  - Fill into hw04\_task1\_table.ods file from IS and submit (ideally included into the report file)
- **Task 2: Transaction with the largest WU size**
  - Find the biggest transaction by weight units, find its total size in bytes, discuss its purpose (inputs, outputs, any other info you can find)
- **Task 3: Multisignature transaction**
  - Find and discuss parameters of one multisignature transaction, annotate the lock and unlock script in details
- **Task 4: Chain analysis of coinbase transaction from “your” block**
  - Analyze the spending graph of coinbase transaction. Try to analyze the source of other bitcoins used as other input(s) with some of the coinbase tx output. Analyze at least 5 transaction hops (forward, backward for other inputs)
  - Draw graph, try to attribute entities, explain the likely meaning of transaction(s)...
- **Task 5: OP\_RETURN**
  - Find at least three examples of OP\_RETURN in your block. Try to figure out what is the use of it? (Readable string? OpenTimestamps?...)



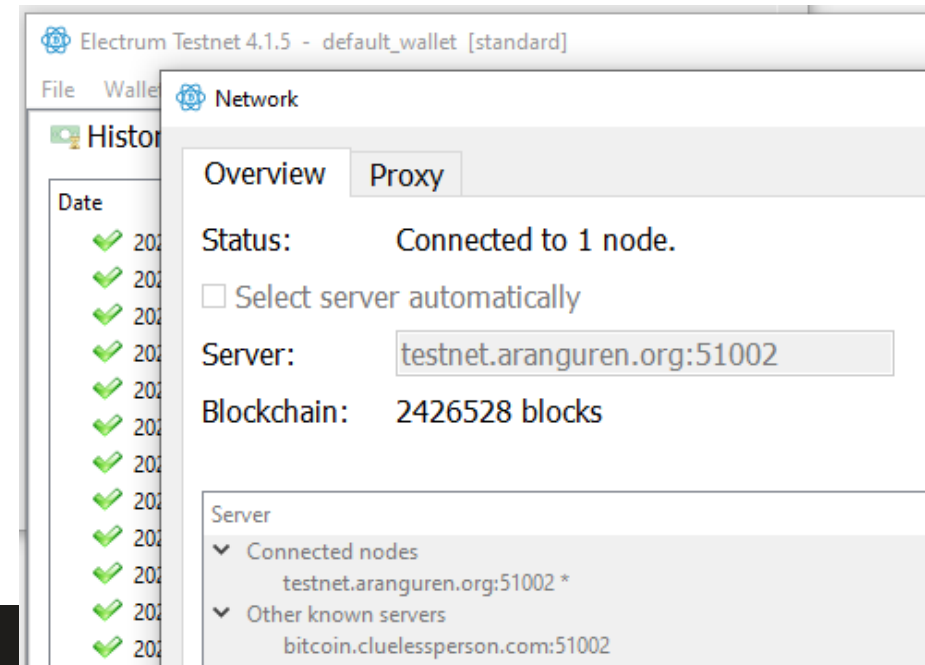
**IF YOU WOULD LIKE TO LEARN MORE 😊**



# RECOVERY OF WALLET (ELECTRUM)




## Electrum wallet - preparation

- Download Electrum wallet: <https://electrum.org/#download>
  - Note: for real use, always verify PGP signature
- **IMPORTANT:** Run it on testnet, specify Electrum indexing server
  - `electrum.exe --testnet -1 -s testnet.aranguren.org:51002:s`





## Task: Restore wallet created in Sparrow into Electrum

- Assumption: You have Sparrow wallet (testnet) created from last week
- Restore the master seed into different wallet software (Electrum)
  - Note: Only master seed + standardized derivation path is required
  - More detailed export including transaction labels possible
- Option 1: Using mnemonics words
  - : New/Restore → Standard wallet → ‘I already have seed’ → BIP39 words  
*insert\_your\_words\_from\_sparrow*
- Option 2: Export from Sparrow wallet (including transaction labels)
  - : File → Export wallet → Electrum → Export file => \*.json file
  - : File → Open → \*.json file

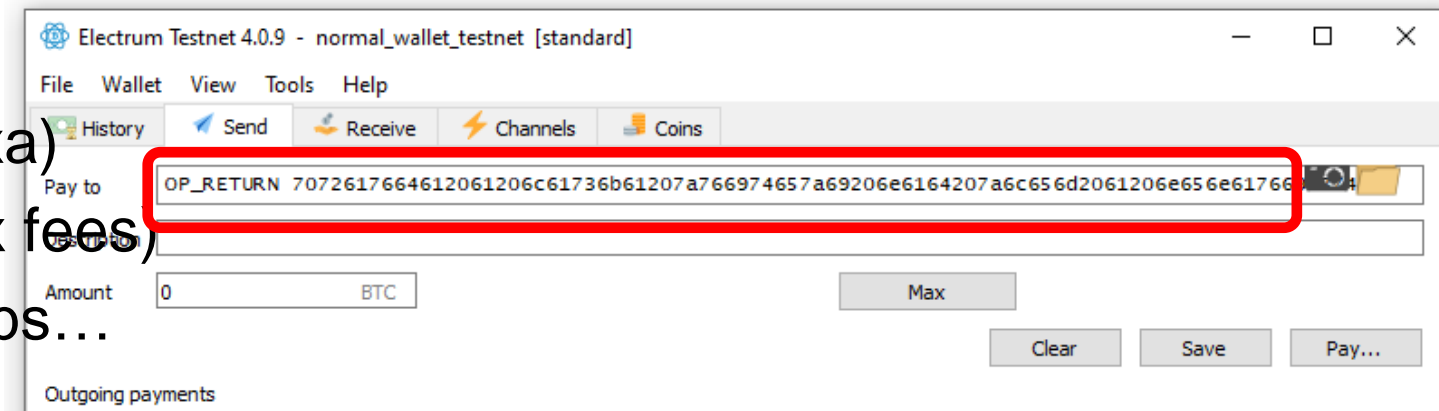
Note: Sparrow wallet does not have support for OP\_RETURN yet

## **OP\_RETURN (ELECTRUM WALLET)**



## Task: Store custom (limited) data into blockchain

- OP\_RETURN instruction in lock script for provably non-spendable tx
  - Script execution never TRUE, full nodes can drop from list of UTXOs
- Send via Electrum (Pay to)
  - ‘OP\_RETURN’ + ‘data’ (in hexa)
  - 0 amount (sender only pays tx fees)
  - 40 bytes, usable for timestamps...
- Locate tx on blockchain
  - <https://mempool.space/testnet/>
- With 1 peer: Find three ideas what to include and why
  - What information, how encoded, how retrieved, what are security benefits



Electrum Testnet 4.1.5 - default\_wallet [standard]

File Wallet View Tools Help

History Send Receive Channels Coins Console

Pay to **OP\_RETURN 7076323034206973206b69636b696e67**

Description test opreturn

Amount **0** BTC

Max

Clear Save Pay...

Confirm Transaction

Amount to be sent: 0. BTC

Mining fee: 0.0000014 BTC

Fee rate: [Slider] ETA

Warning: The fee for this transaction seems unusually high. (100.00% of amount)

Cancel Send

Output #1  
0.00000000 tBTC  
OP\_RETURN

### Inputs & Outputs

tb1qn6nnzj99dcccylfvv6f0s9keyk... 6ate5ze3	0.00100000 tBTC	<b>OP_RETURN pv204 is kicking</b>	0.00000000 tBTC
		tb1q015kvpen04wvtunpw6v24eh5f0... x31e6g3t	0.00099860 tBTC
			0.00099860 tBTC

# OpenTimestamps protocol (<https://opentimestamps.org/>)

- Prove that document existed at date X (at latest)
- Merkle tree of all submitted document hashes within given period committed to Bitcoin blockchain (OP\_RETURN)
  - <https://peter todd.org/2016/opentimestamps-announcement>
- Currently free to use (only one OP\_RETURN embed)
  - Client needs to remember Merkle tree path + file => \*.ots file

```
$ pip3 install opentimestamps-client
```

```
$ ots stamp secret.txt
```

```
$ ots info secret.txt
```

```
$ ots verify secret.txt.ots
```

```
Assuming target filename is 'secret.txt'
```

```
Calendar https://alice.btc.calendar.opentimestamps.org/: Pending confirmation in Bitcoin blockchain
```

```
https://github.com/opentimestamps/opentimestamps-client
```

```
https://mempool.space/tx/5cfb6d1eee37cfd3dc51d01f
```

```
$ ots verify secret.txt.ots
```

```
Assuming target filename is 'secret.txt'
```

```
Calendar https://alice.btc.calendar.opentimestamps.org/
```

```
Calendar https://finney.calendar.eternitywall.com/: Tim
```

# WHIRLPOOL COINJOIN



# CoinJoin implementations

- Wasabi wallet <https://github.com/zkSNACKs/WalletWasabi/>
  - Centralized trustless coordinator, Tor, selected number of rounds executed within hours
    - <https://docs.wasabiwallet.io/using-wasabi/CoinJoin.html>
  - Wasabi 2.0 (beta) will offer non-equal output coinjoin <https://blog.wasabiwallet.io/privacy-guarantees-of-wasabi-wallet-2-0/>
  - Anonymity set decrease over the time as people send their outputs to KYC exchanges
- Samurai Whirlpool <https://docs.samurai.io/en/whirlpool>
  - CoinJoin with variable number of rounds, centralized trustless coordinator
  - CoinJoin runs until output is send away from Whirlpool (days/months)
  - If not fullnode then xpub must be provided => privacy risk, decreased anonymity set
    - e.g., Samurai RoninDojo <https://ronindojo.io/>
  - Clients: Samurai wallet / Whirlpool cli, SparrowWallet (using Samurai code)
- JoinMarket
  - No central coordinator, market Maker(s) run own fullnode and provide liquidity
  - Coinjoin transaction creation is coordinated by Taker who is paying also fee (on-chain and to the Maker)
  - JoininBox - JoinMarket cmdline-focused distribution <https://github.com/openoms/joininbox>

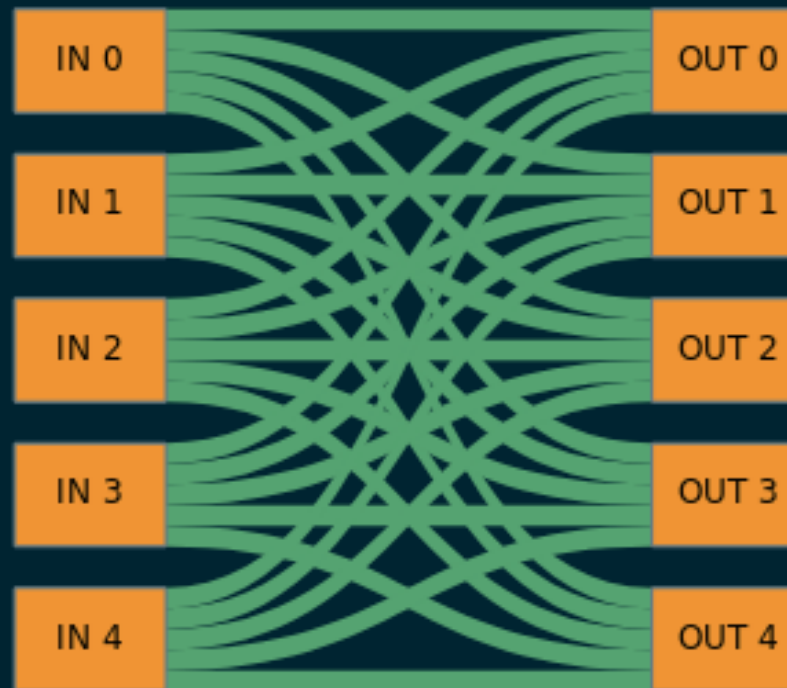


# Example Whirlpool CoinJoin mixing transaction (0.05 pool)

No deterministic link found among 25 for TX  
100% TX efficiency with 1496 possible interpretations

5 inputs

<	0.0501 ₿	0
<	0.05 ₿	1
<	0.0501 ₿	2
<	0.05 ₿	3
<	0.0501 ₿	4



5 outputs

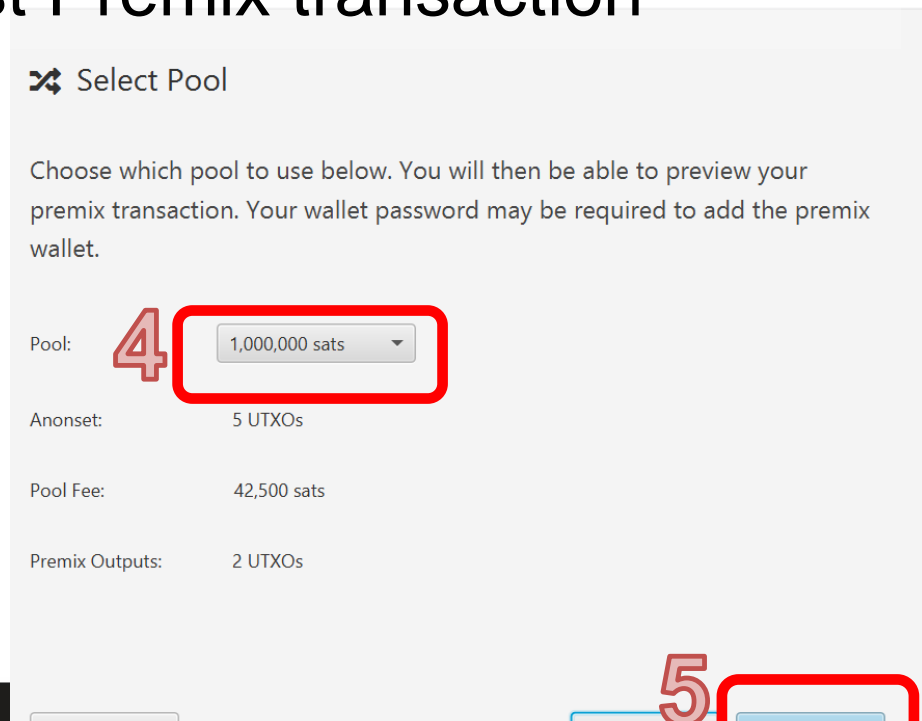
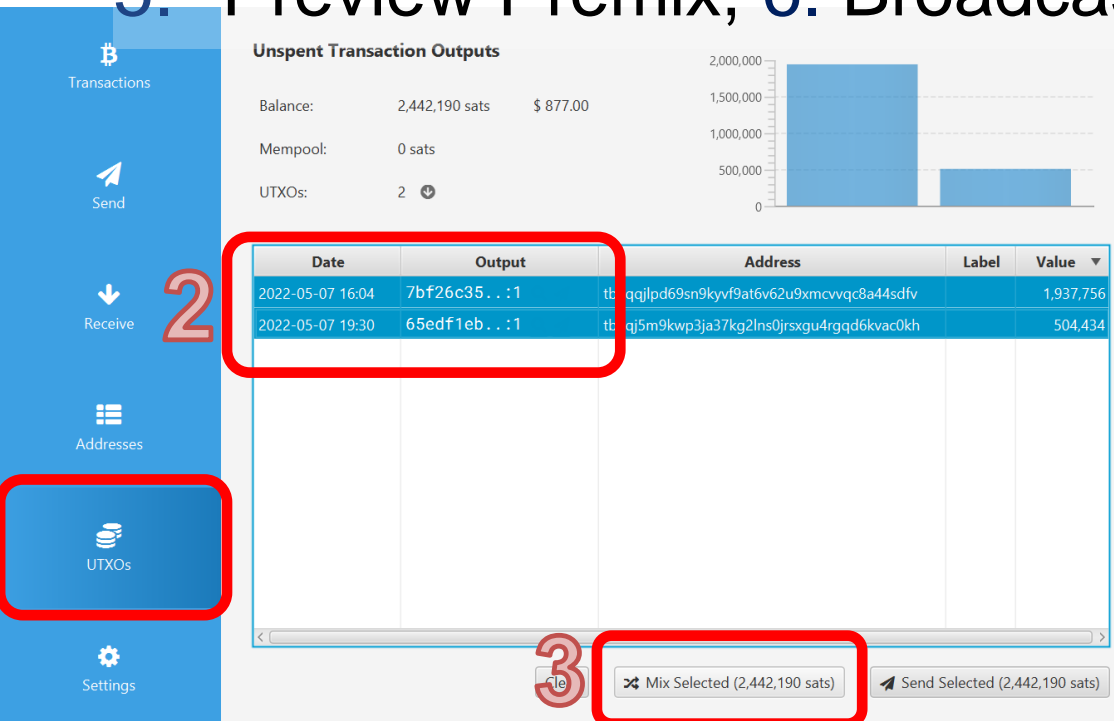
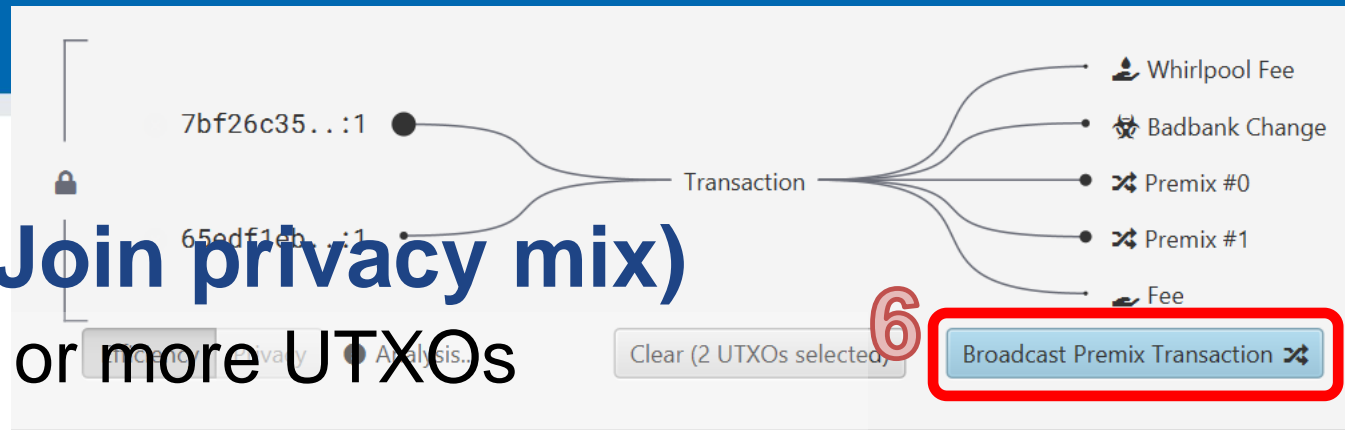
0	0.05 ₿	>
1	0.05 ₿	>
2	0.05 ₿	>
3	0.05 ₿	>
4	0.05 ₿	>

## Whirlpool CoinJoin privacy mix

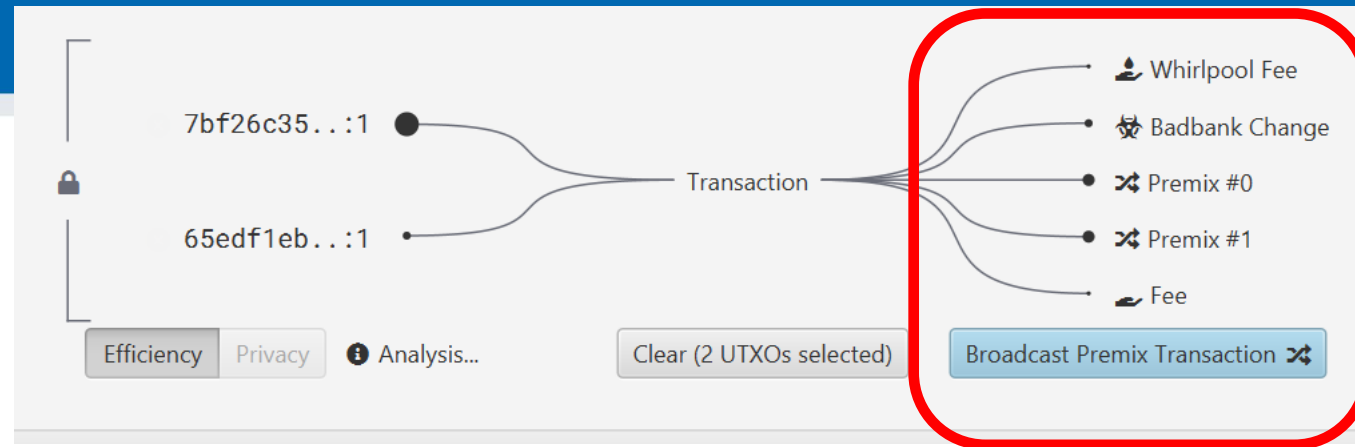
- Open your standard Sparrow single signature wallet (created before)
- Work alone – mixing participants are found automatically
  - Connection to Whirlpool mixing coordinator is done via Tor
- Funds mixed are always available (you control private key)
  - can be spend them anytime

# Samourai Whirlpool (CoinJoin privacy mix)

1. Click UTXO tab, 2. select one or more UTXOs
3. Click Mix Selected => Whirlpool wizard opens
4. Click Next until Select Pool, select 100k sats pool
5. Preview Premix, 6. Broadcast Premix transaction



## Premix transaction TX0



- **Whirlpool fee** – one-time payment to Whirlpool coordinator (Samourai)
  - Based on pool size, NOT amount mixed (but smaller mixed UTXOs as result)
- **Fee** – mining fee to miners (based on actual blockspace demand)
- **Premix #0, #1 ... #N** – initial premixed inputs of same size
  - These UTXOs will be input to mixing rounds
- **Badbank change** – remaining sats which cannot be put into another Premix #N+1 (as is smaller than mixing pool minimal size)
  - “toxic waste” – this UTXO is still tied to original input transaction (~your identity)
  - Do not merge with any mixed outputs (deanonimized)

## Mixing procedure

- When TX0 is send to mempool, new UTXO(s) display in Premix tab
  - Wait till TX0 is confirmed, multiple UTXOs created based on the pool size and mixed amount
- Automatically, new Whirpool mixing transaction is created
  - New UTXO is displayed in Postmix tab
- As new blocks are mined, Postmix UTXOs are automatically included in subsequent mixing transaction(s) – Mixes column
  - Mixed unless wallet user send them elsewhere (continuous increase of anonymity set)
  - Mixed when someone creates new TX0 (new UTXO is paying for mining fees)
- Sparrow wallet must run for active mixing
  - Mixing is resumed automatically if Sparrow wallet is started again
- Funds can be spent anytime, options with improved privacy, send to another wallet after defined number of mixes...

europen europen3 europen2 europen4 europen5 X [3da528]

Deposit

Premix

Postmix

Badbank

UTXOs

Settings

### Unspent Transaction Outputs

Balance: 100,000 sats \$ 30.00

Mempool: 0 sats


UTXOs: 1

Date	Output	Mixes	Label	Value
2022-05-22 13:49	3da52874...:4	2		100,000

Registered input (1 of 7)

Stop Mixing Mix to... Clear Send Selected (100,000 sats)

# Analyze mixing transaction

1. Analyze using Sparrow wallet visualization
    - UTXO, symbol of magnifier  , click topmost item Tx [...]
  2. Analyze using blockchain explorer
    - Copy txid, use <https://blockstream.info/testnet/tx/>
- For mainnet transactions, other privacy estimation tools exist
    - Always use Tor when accessing! (do not link your IP with transactions of interest)
    - <https://KYCP.org> (single transaction, examples)
    - <https://oxt.me> (graph of transactions, forensic analysis)



1

europen | europen3 | europen2 | europen4 | europen5 | [3da528] X

Tx [3da528]

- Inputs
  - Input #0
  - Input #1
  - Input #2
  - Input #3
  - Input #4
- Outputs
  - Output #0
  - Output #1
  - Output #2
  - Output #3
  - Output #4

### Transaction

Txid: 3da52874471746d2fec8f6c246392a5274a21d4fe557f435c5bb76d39a0f3e77

Transaction diagram showing 5 inputs and 5 outputs:

- Inputs: 10565c06...:1, 1202b481...:3, 377a2765...:2, c0d1f65f...:0, e8dc6e2e...:0
- Outputs: tb1qr8a1..., tb1qymxf..., tb1qfp30..., tb1qf5mw..., tb1q7ue3..., Fee

Blockchain

Status: 3 Confirmation

Block Height: 2226930

Timestamp: 2022-05-22 1

Block Hash: 000000000

2

Possibly a CoinJoin transaction ✓

### PRIVACY ANALYSIS

3da52874471746d2fec8f6c246392a5274a21d4fe557f435c5bb76d39a0f3e77

DETAILS +

#0 10565c0673127c469c20c09ba794fbf037829bae501c55e6b92257e850b96c52:1 0.001 tBTC	#0 tb1qr8a4cc0s5zu2pyqqrzds243sr7k9hmc80ket 0.001 tBTC
#1 1202b4818529834229e49c3cca7df364536b0f7baa6f080795536ee70f8d15d8:3 0.00100302 tBTC	#1 tb1qymxfyf37gr3ztst8pdj5cmwr48w7rda72glg 0.001 tBTC
#2 377a2765e7ef45ffed10f0f3c5f573ebd753d1a2313abddb24e652de6b836ba1:2 0.00100302 tBTC	#2 tb1qfp309nz0l0fd2zqaa2s3lr9prykmmw08tpe9chc 0.001 tBTC
#3 c0d1f65ff9082972a33ba81f2ad93f82d7fcd37391185e7b1aa70242d89d5c01:0 0.001 tBTC	#3 tb1qf5mwxawpcj8hraz5nd6e2u9s388n0a5xpjwmrf 0.001 tBTC
	#4 tb1q7ue3sy6rjmzdadz9t8wzaqc98ev5kqcsyvfmau 0.001 tBTC

## Post-mix spending

- CoinJoin mixing breaks on-chain heuristics (input→output)
- Your UTXO is now private, but must be also used privately later
- Do not use mixed (Postmix) and unmixed (Badbank) UTXOs!
- Fake/real collaborative spent (PayJoin)
  - Two or more people spending together (inputs from both, outputs to both)
  - Simulated PayJoin (all inputs yours, but looks like collaborative spent)
- Coin control
  - Whole UTXO send to new address (no change)
- Atomic swap – trustless exchange of UTXOs (even on different chains)
  - Utilizes timelock – transaction must be finished by both parties till deadline, otherwise cancel

# Postmix spent – simulated PayJoin

Deposit  
Transactions

---

Premix

---

Send

---

Postmix

---

Badbank  
Addresses

---

UTXOs

---

Settings

### Send

Pay to:

Label:

Amount:  sats \$ 50.89

Range:

Rate: 1.02 sats/vB High Priority ●

Fee:  sats \$ 0.12

3dc80b0d...:1

4be90920...:2

030b9081...:1

388c2038...:1

Transaction

↓ to europ3

👤 tb1qqy3x...

👤 tb1q93nk...

👤 tb1qyeyq...

👤 Fee

Optimize:

➕ Appears as a two person coinjoin

## Questions

- Does Whirpool CoinJoin require online connectivity?
- How many other participants are required?
- How many mixing rounds are enough?
- What is the difference between mixing pools?
- Who is paying for the mixing transaction?
- What happens if you create transaction using both Postmix UTXO and Badbank UTXO?

# COINJOIN / PAYJOIN TRANSACTIONS



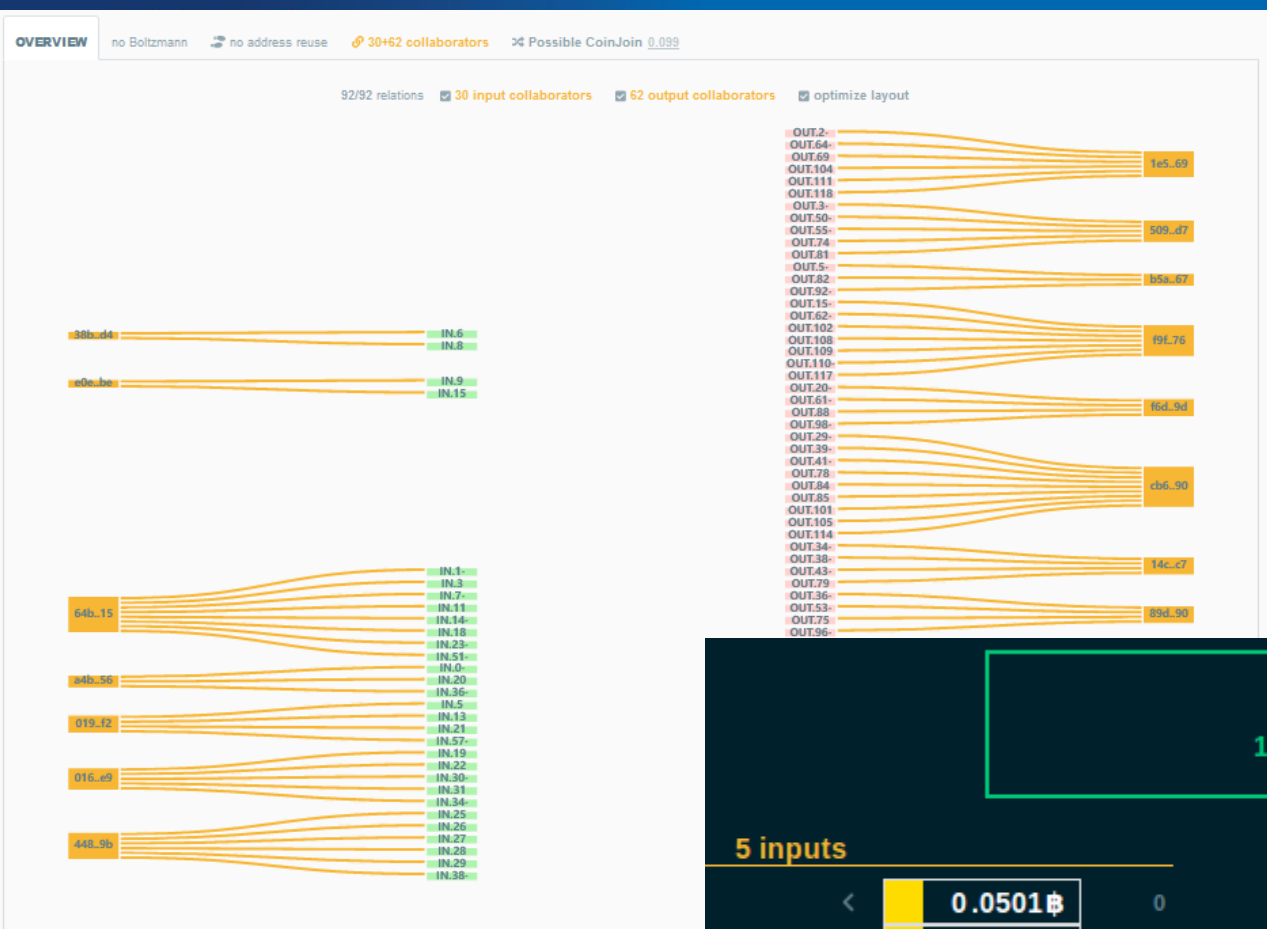
# Analyze CoinJoin and PayJoin transactions

- Group of 3 students, share screen
- Example CoinJoin transactions
  - <https://nioctib.tech/#/transaction/92a78def188053081187b847b267f0bfabf28368e9a7a642780ce46a78f551ba> (example from <https://en.bitcoin.it/wiki/CoinJoin>)
  - <https://blockstream.info/tx/c69aed505ca50473e2883130221915689c1474be3c66bcf7ac7dc0e26246afc8> (example from Wasabi wallet <https://wasabiwallet.io/>)
- Example PayJoin transaction
  - <https://nioctib.tech/#/transaction/7104bae698587b3e75563b7ea7a9aada41d9c787788bc2bf26dd201fd7eca8a2>
- Analyze with <https://oxt.me> and <https://kycp.org>
  - <https://kycp.org/#/c69aed505ca50473e2883130221915689c1474be3c66bcf7ac7dc0e26246afc8>
- Anything special in Lock and Unlock script?
- How can you find out if given TX is CoinJoin transaction?
- How can you find out if given TX is PayJoin transaction?

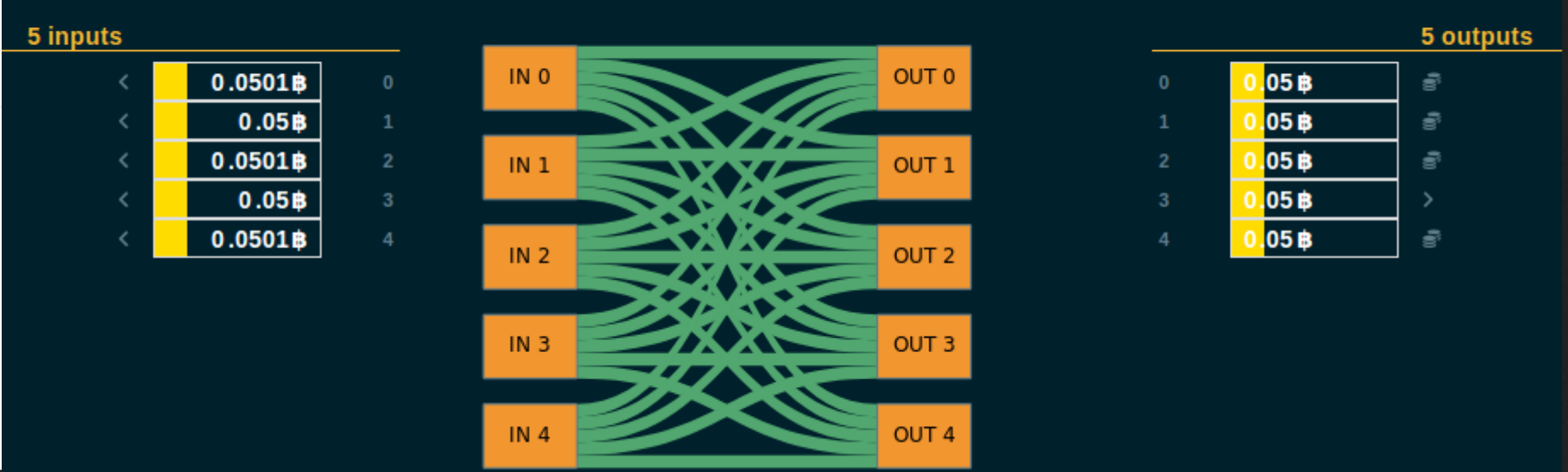








No deterministic link found among 25 for TX  
 100% TX efficiency with 1496 possible interpretations

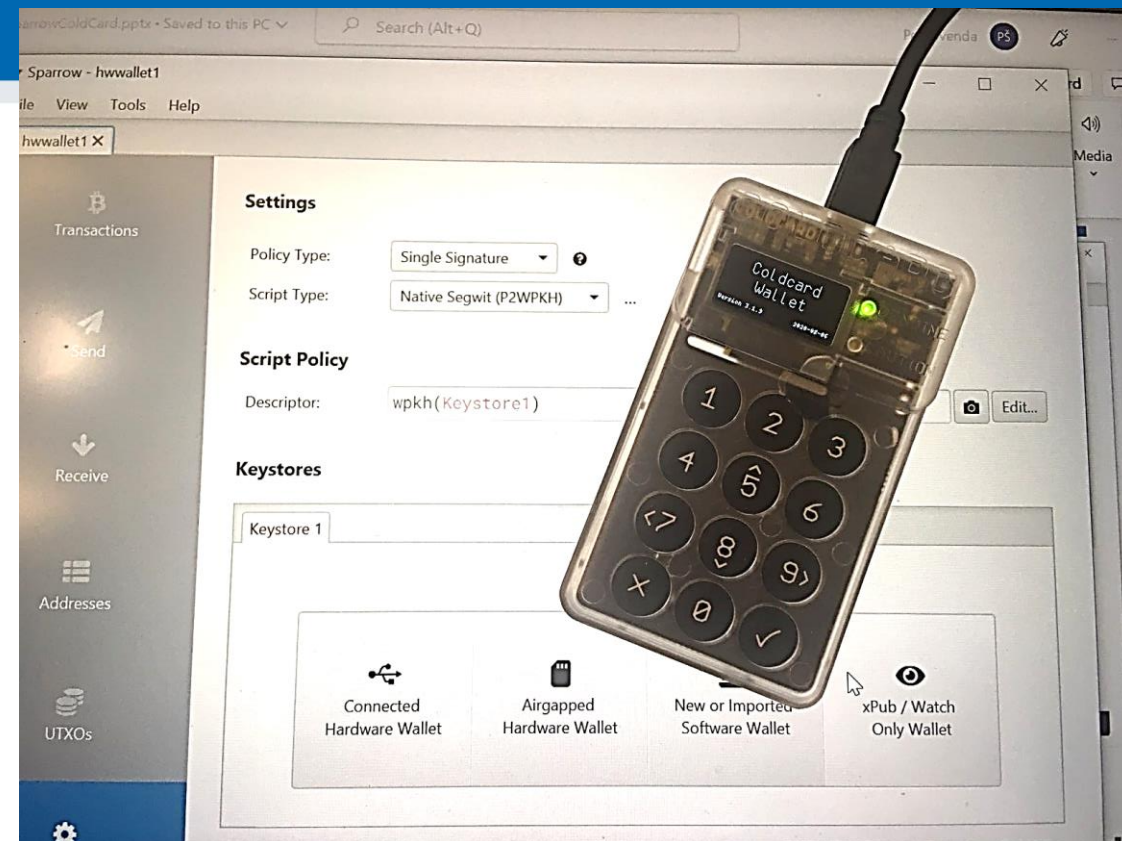


## Wasabi CoinJoin 1.0

- Equal output CoinJoin, mixed outputs all have same size, around 0.1btc
- Mixing performed in single round with larger number of participants (e.g., 100)
- Untrusted coordinator required
  - Operated by ZKSnacks company, but can be others

## Wasabi CoinJoin 2.0 (WabiSabi protocol)

- Non-equal output CoinJoin
  - mixed outputs have different size, no (toxic) change
- Mixing performed in a single round with larger number of participants (e.g., 100)
- Untrusted coordinator required
  - Operated by ZKSnacks company, but can be others



# SINGLE-SIGNATURE HARDWARE WALLET

## Before we start...

- You have only one hardware wallet per group
  - Only one of you will have hardware wallet with Sparrow
  - All others will have software wallets
- **VERY IMPORTANT!!!**
  - ColdCard is real hardware wallet (~\$100)
  - “Bricked” if correct PIN is forgotten unknown (no “reset” button)
  - For this tutorial, **always set PIN to 12 34 !!!**



## Steps of hardware wallet usage

1. Prepare ColdCard hardware, generate and backup new wallet
  - No computer required, everything happens on ColdCard device
2. Prepare Sparrow on PC with private keys stored on ColdCard
  - Public information from ColdCard wallet is exported to Sparrow
3. Receive tBTC to ColdCard wallet (via Sparrow)
  - No ColdCard required, only public keys are required
4. Send tBTC from ColdCard wallet (via Sparrow)
  - Private keys on ColdCard required, checks and signing happens on ColdCard

Update firmware on all wallets, update demo pictures

# 1. PREPARE COLDCARD HARDWARE, GENERATE AND BACKUP NEW WALLET



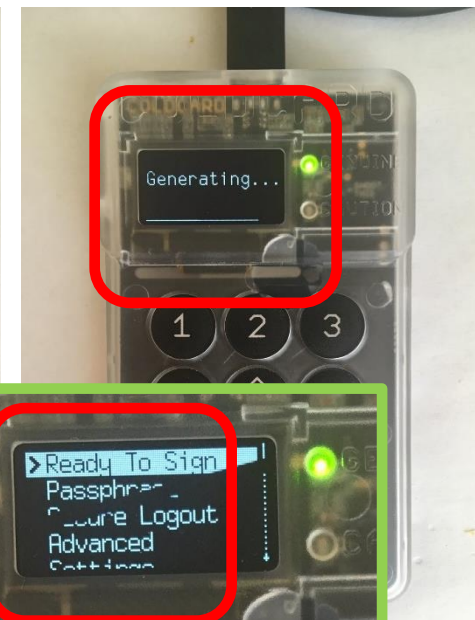
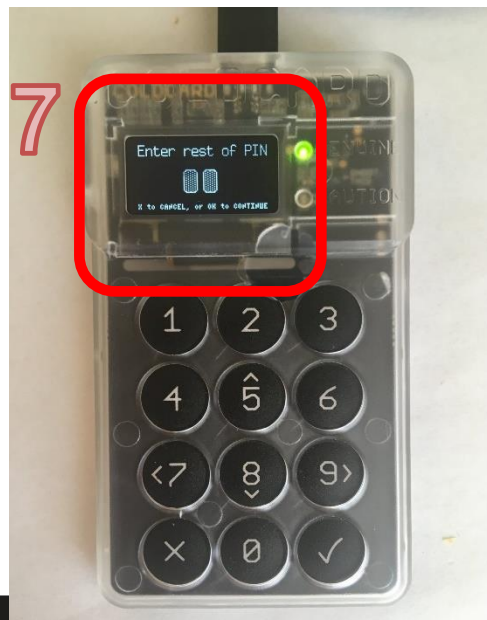
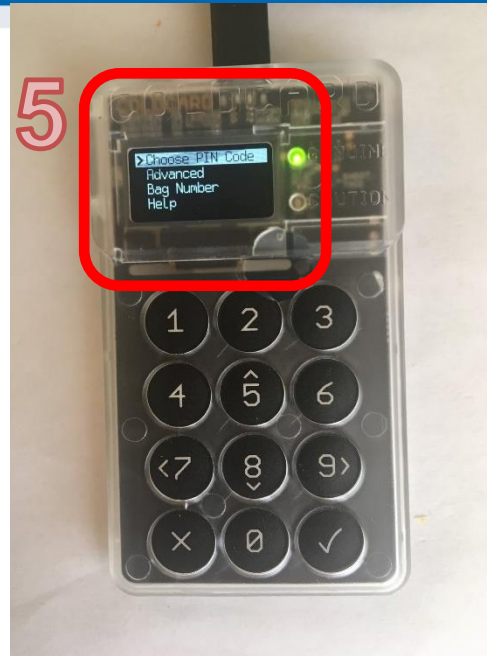
# Prepare your ColdCard device

1. Open sealed bag
2. Connect via USB cable
3. Read and accept conditions on small screen, press OK
4. Check the serial number match (screen, bag), press OK
  - What is security goal of this check?
5. 'Choose PIN Code' option, press OK
6. Enter PIN Prefix: **USE `12`!!!**, press OK
  - Write on paper shown words (what they are for?)
7. Enter rest of PIN: **USE `34`!!!**, press OK
8. Generate new wallet, write on paper 24 words, verify 24 words
9. State: 'Ready to Sign' option shall be displayed
10. Move down to 'Settings'
11. Move down to 'Blockchain'
12. Change to 'Testnet: BTC'

We will work with testnet BTC => need to tell wallet to use testnet addresses



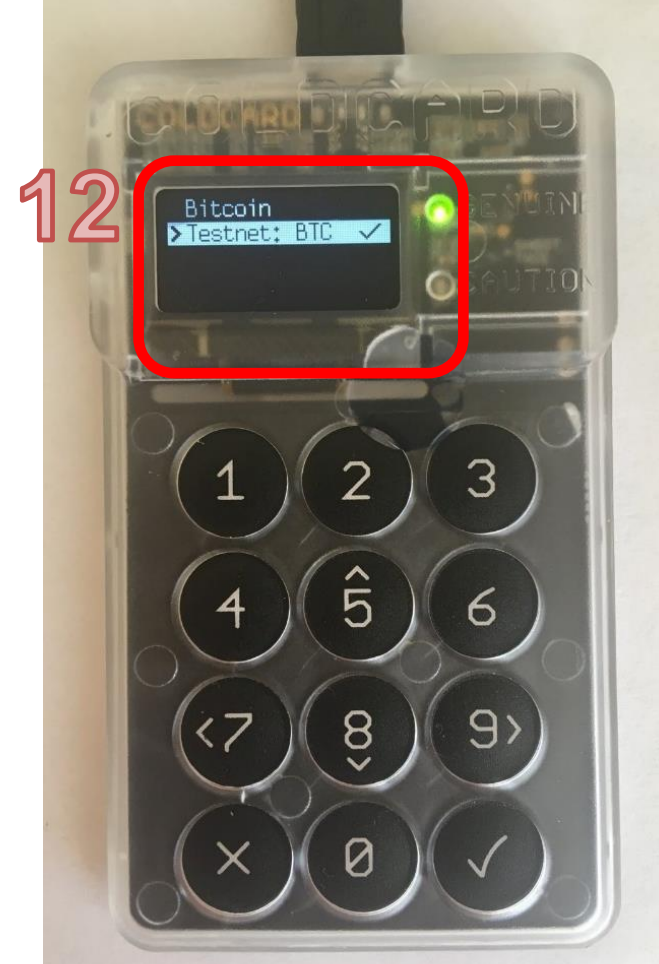
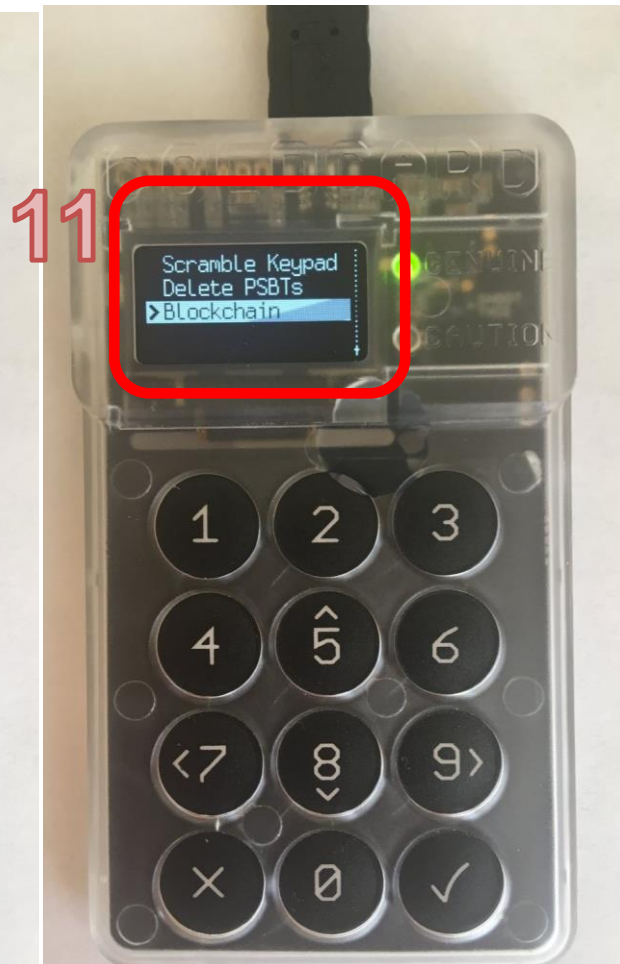
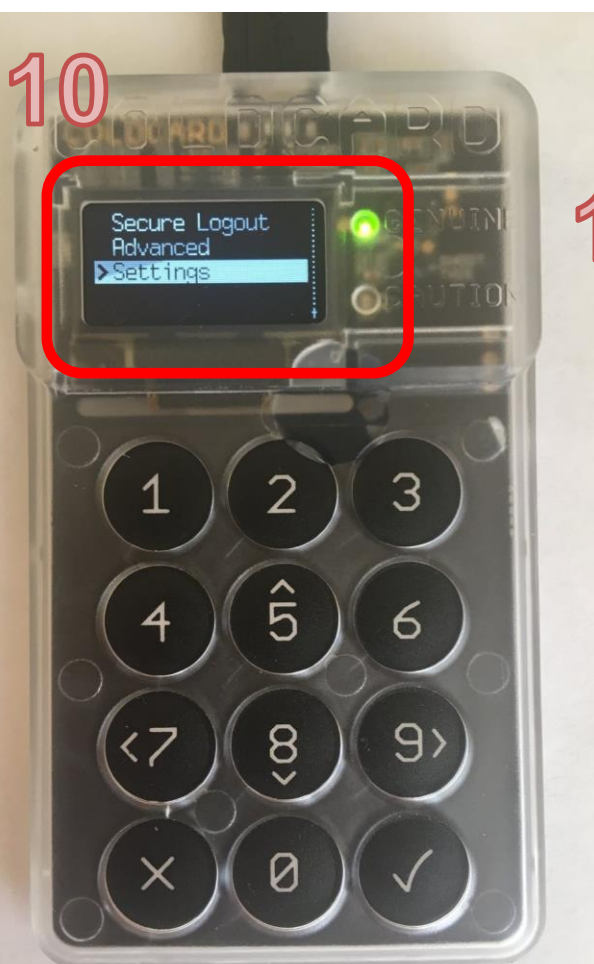






# Set wallet to use testnet BTC

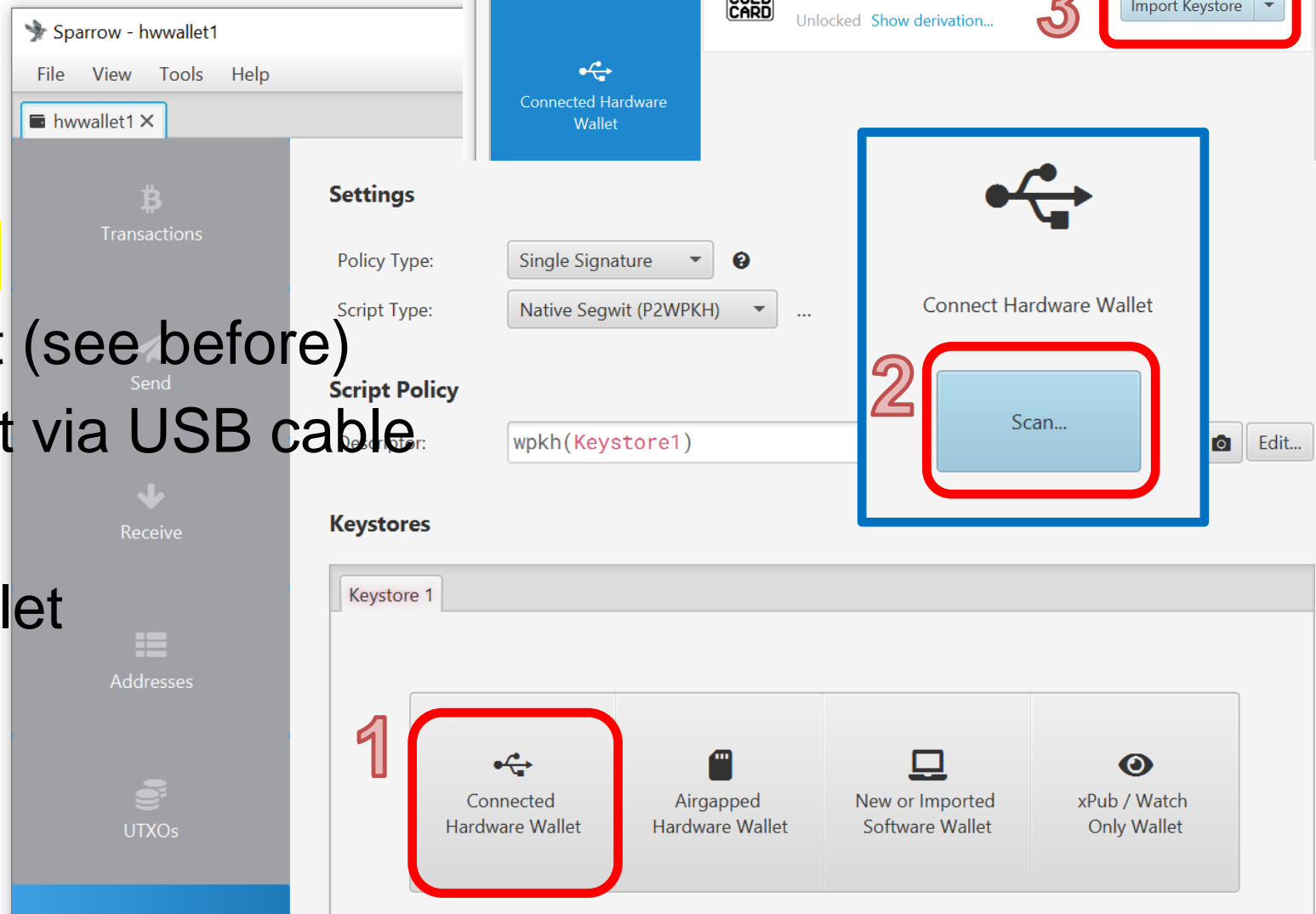
If not set to testnet, then Sparrow wallet will (later) not detect the connected ColdCard during Sign operation



## **2. PREPARE SPARROW ON PC WITH PRIVATE KEYS STORED ON COLDCARD**

# Create wallet

- `sparrow -n testnet`
  - Prepare ColdCard wallet (see before)
  - Connect ColdCard wallet via USB cable
  - File → New wallet
1. Connect Hardware Wallet
  2. Scan
  3. Import Keystore



# Create wallet

6. Apply

7. Set password or leave empty

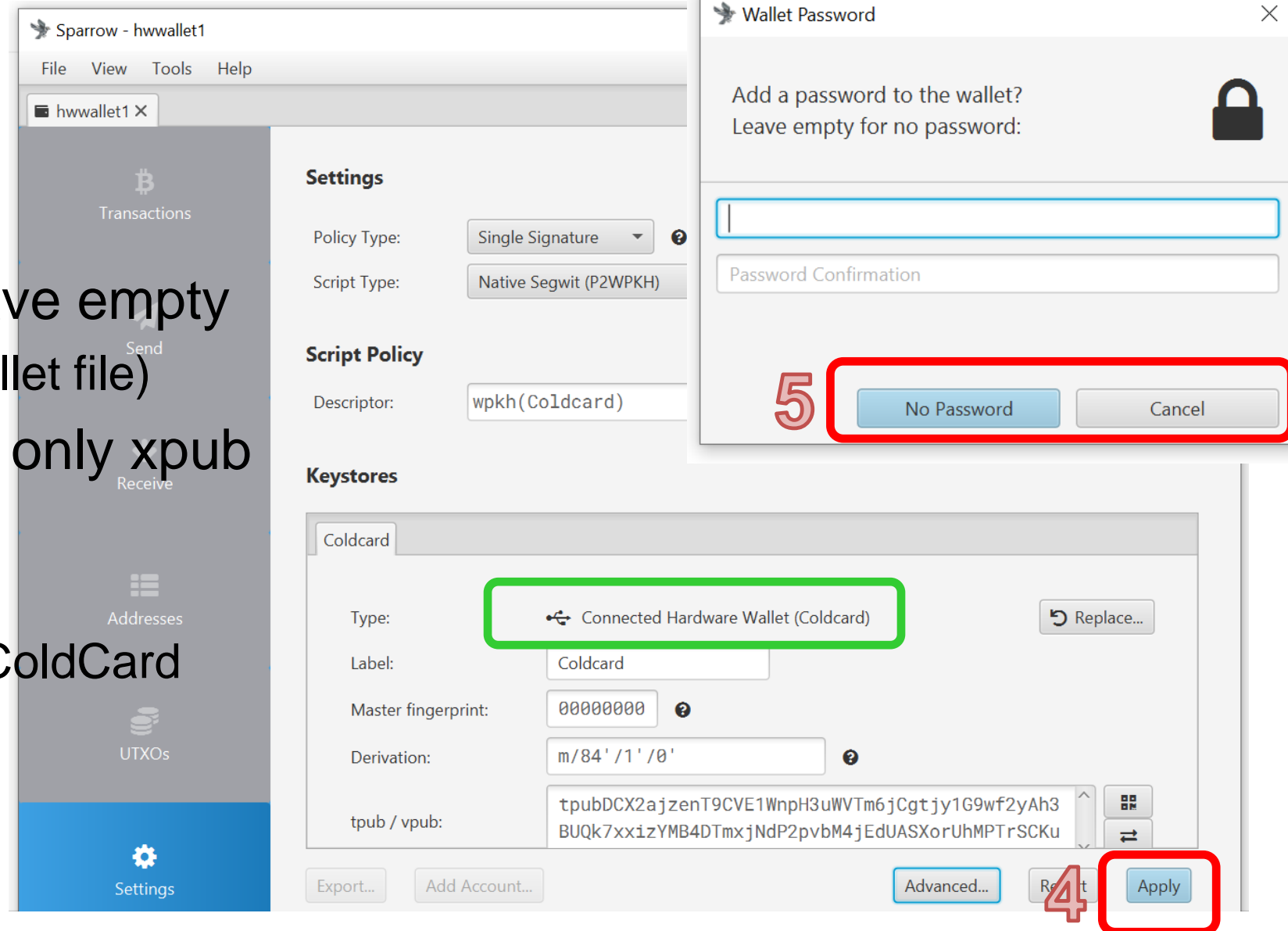
– (encryption of local wallet file)

• Local wallet contains only xpub

– \*.mv.db file

– File→Open wallet

– Private key(s) are on ColdCard



## 3. RECEIVE TBTC TO COLDCARD WALLET (VIA SPARROW)



## Task: send some tBTC from software to hardware wallet

- Exactly same procedure as for sending between software-only wallets
  - Hardware wallet's private key is not required for receiving
- Person with ColdCard shall receive one transaction from every other person (PC1 and CC)
- Obtain his/her receive address
  - Via messenger: CC → Receive tab → Copy address → send via Signal → PC1
  - Via QR: CC → Receive tab ; PC1 → Send → camera icon → scan address QR
- Enter some sats into Amount box
  - Observe visualized transaction below (more inputs may be added)

# PC1

Sparrow - wallet1

File View Tools Help

wallet1 X to coldcard wallet

**Send**

Pay to:

Label:

Amount:  sats \$ 72.13

**Fee**

Range:

Rate: 1.01 sats/vB High Priority

Fee:  sats \$ 0.03

Target Blocks Mempool Size

0 kvB 16:04 17:30

internal send (cha... ●

Add Mix Partner? - - -

Transaction

to coldcar...

tb1quj0t...

Fee

Optimize: Efficiency Privacy Analysis...

# CC

Sparrow - hwwallet1

File View Tools Help

hwwallet1 X

**Receive**

Address:

Label:

Derivation: m/84'/1'/0'/0/0

Last Used:  Never

**Required ScriptPubKey**

Script:

**Output Descriptor**

Descriptor:



## 4. SEND TBTC FROM COLDCARD WALLET (VIA SPARROW)



## Task: send some tBTC from hardware to software wallet

- Person with ColdCard sends to at least one other person (CC → PC1)

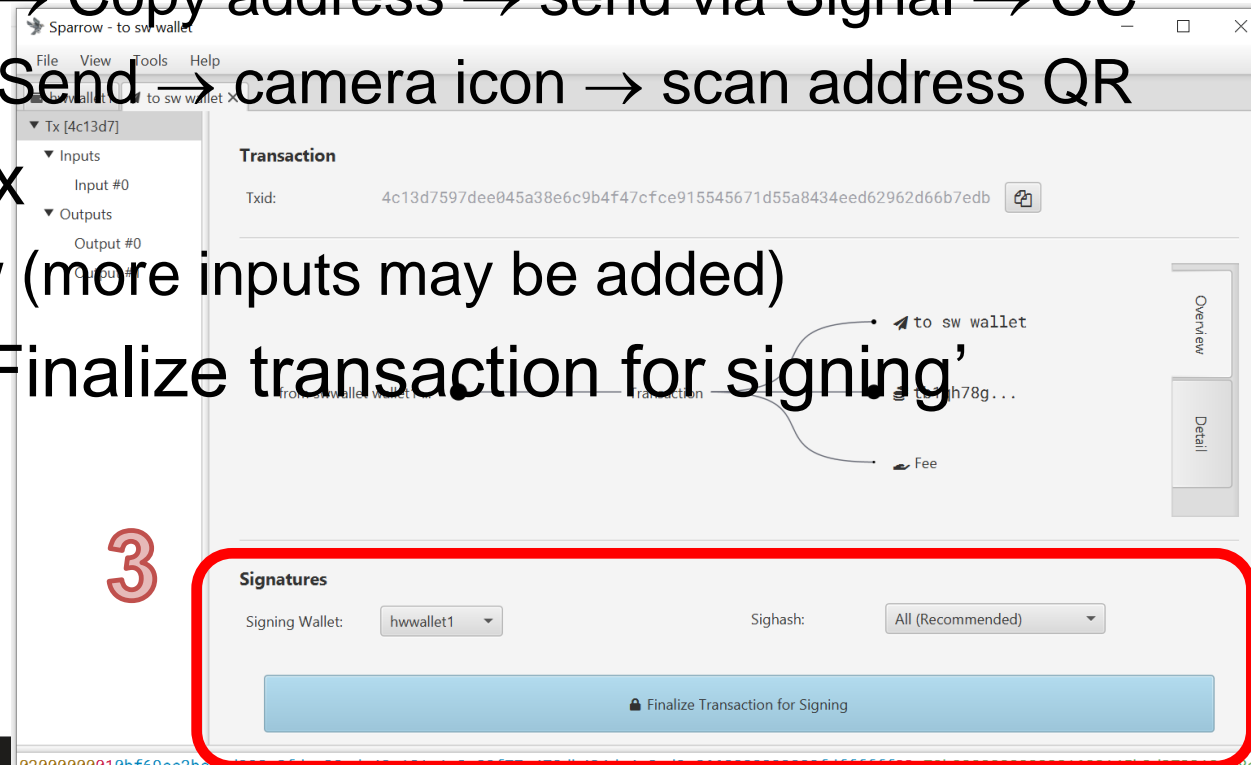
### 1. Obtain PC1's receive address

- Via messenger: PC1 → Receive tab → Copy address → send via Signal → CC
- Via QR: PC1 → Receive tab ; CC → Send → camera icon → scan address QR

### 2. Enter some sats into Amount box

- Observe visualized transaction below (more inputs may be added)

### 3. Click 'Create transaction', click 'Finalize transaction for signing'



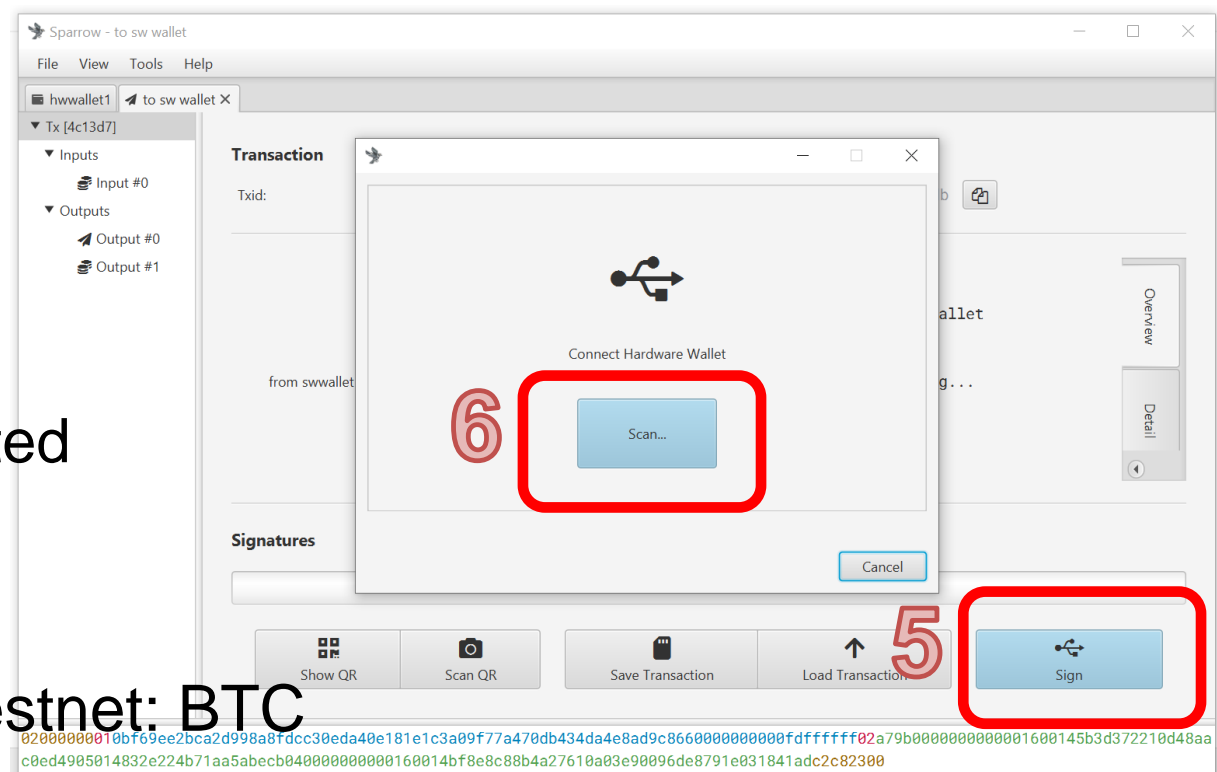
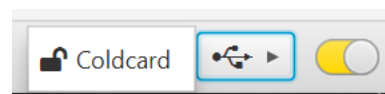
# Send some tBTC from hardware to software wallet

4. Connect ColdCard via USB
- Enter PIN Prefix, press OK
  - Enter rest of PIN => 'Ready To Sign'



5. Click 'Sign' in Sparrow
6. Click 'Scan' in Sparrow

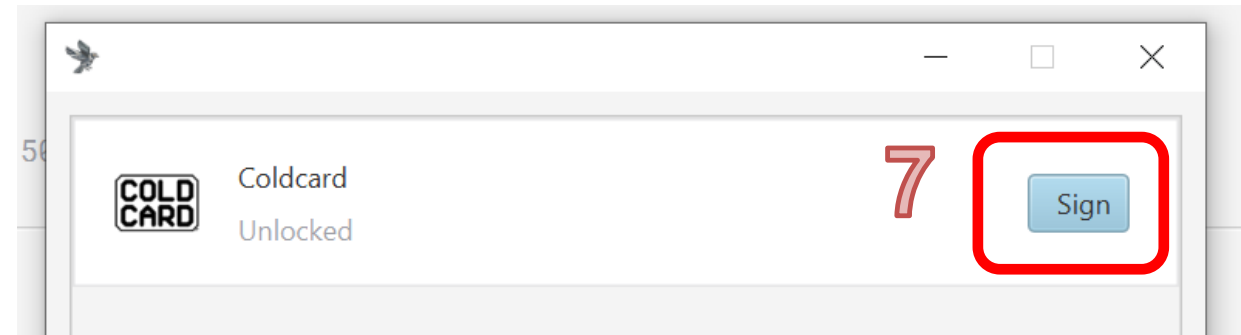
- Note:
  - Look for icon after is ColdCard connected
  - If icon is not visible, try to reconnect
  - If icon is visible but Scan fails, check



• ColdCard:Settings→Blockchain→Testnet: BTC

## Send some tBTC from hardware to software wallet

7. Select ColdCard and click 'Sign'

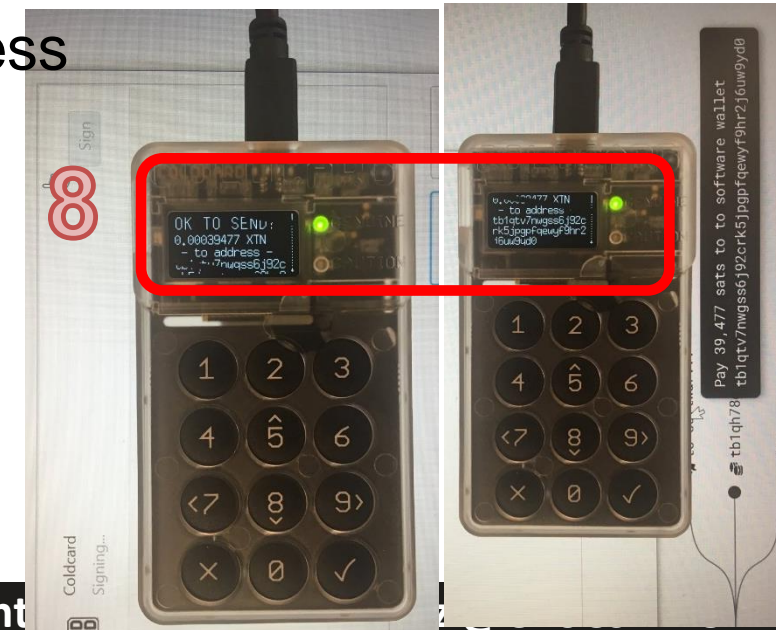


8. Verify on ColdCard's screen (compare with your Sparrow)

- Amount, address, fee, changeback, changeback address
- Press OK if match

9. Click 'Broadcast Transaction'

- Transaction is now complete, broadcast to network





## Task: attack your setup with hardware wallet! (15 min)

- Imagine five different ways how an attacker can steal your funds from your Sparrow single signature wallet with ColdCard
  - Continue in Miro: [https://miro.com/app/board/uXjVPaI0Mp4=/?share\\_link\\_id=697987574971](https://miro.com/app/board/uXjVPaI0Mp4=/?share_link_id=697987574971)
    - Password: 'fimunicz'
  - Compare to situation without hardware wallet
  - Discuss the cost and prerequisites of the different attacks
- Consider at least the following:
  - Phishing? Physical attack? Logical attack? Side-channel attack? Malware? Supply chain? ...

## Questions

- Is wallet owner an attacker against embedded secure element?
- What protection is offered by air-gapped mode with memory card?
- Why newer ColdCard Mk4 has 2 different secure elements?
- Would hardware wallet with secure element but without display provide same assurances?
- Can be hardware wallet firmware buggy? Can you find such example? Compare its Trusted Computing Base to notebook.
- How to securely update the ColdCard's firmware?
- How will you recognize fake ColdCard/secure element?

## Questions

- What is stored on a ColdCard's secure element?
- Where are private keys stored? Are they stored or generated on demand?
- What if you lose your ColdCard device?

# LIGHTING NETWORK



## Get some satoshi via Lightning network

- I will send some satoshi to one member of your project group
- She/he will send corresponding fraction to each of the remaining members
- Poor-man option: Custodial wallet (beware, is **custodial!**)
  - Wallet of Satoshi (Android, iOS), Setup time: instant installation and use
- Better option: Non-custodial wallet connected to hosted Lightning wallet
  - BlueWallet, you need to have at least some on-chain btc (at least 30k sats == 0.0003 btc)
  - Your wallet holds the private keys, but channels are opened by trusted service
  - Setup time: Takes up to several hours before ready (on-chain transactions)
- Best option: Setup your own full node and own Lightning node
  - E.g., Raspi4 + 1TB HDD + mynodebtc.com image + mobile wallet (BlueWallet, Zap, RTL...)
  - Similar to previous option, but Lightning wallet now connects to your Lightning node
  - Setup time: Days before your full node is synchronized, then several hours to open channel



## Getting some bitcoins (in general)

- On mainnet (real bitcoins)
  - exchange, BTC ATM, beer for sats with friends, get paid in btc...
- Testnet (test bitcoins)
  - `electrum.exe --testnet` , generate new standard wallet, get testnet address (starts with m)
  - Go to <https://coinfaucet.eu/en/btc-testnet/>, ask for coins to your testnet address
  - Testnet explorer: <https://blockstream.info/testnet/>
- Regtest (local bitcoins)
  - Complete blockchain on your PC, you are sole miner => mine them
  - `bitcoin-cli -regtest getnewaddress`
  - `bitcoin-cli -regtest generatetoaddress 101 miner_address`

Note: This tutorial is achieving same results as tutorial with Sparrow wallet. Sparrow wallet is overall more capable, leaving it here for historical reasons

# MULTISIGNATURE WITH ELECTRUM WALLET



# Task: using multisignature wallet (3ppl/room)

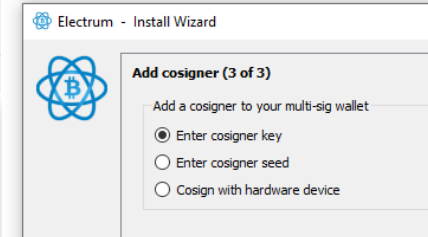
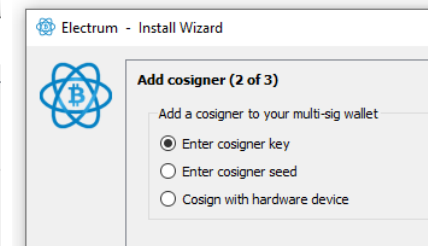
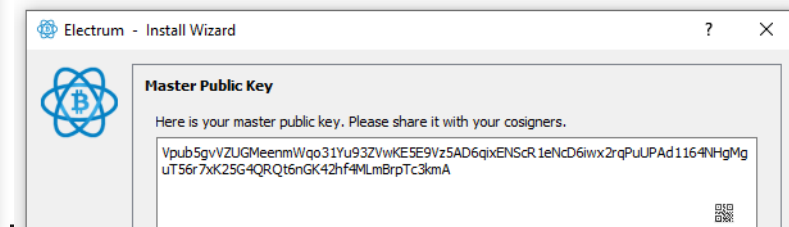
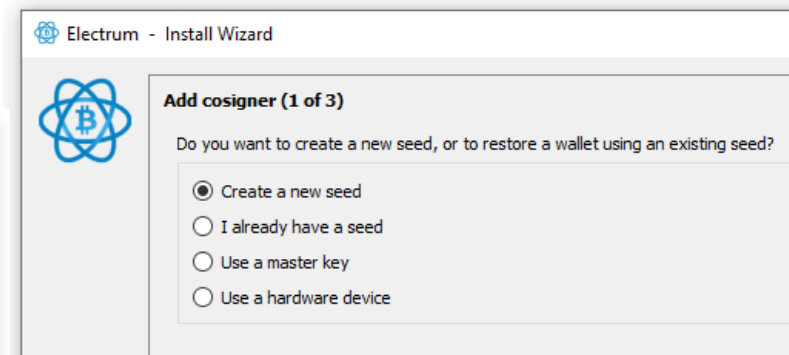
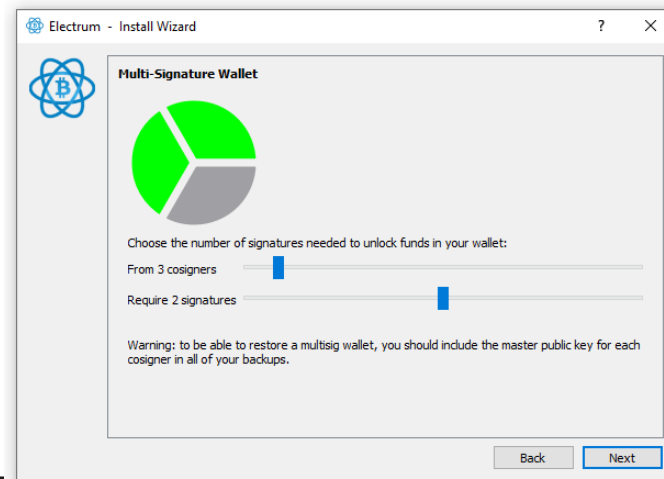
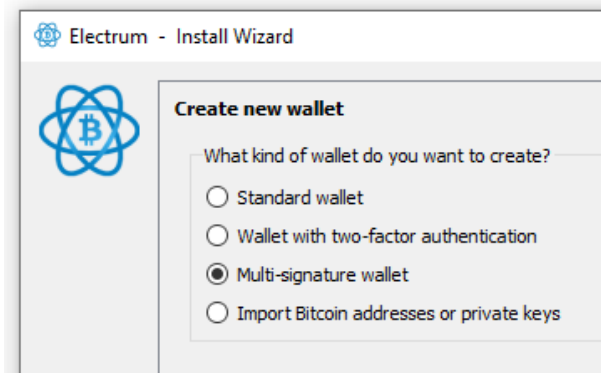
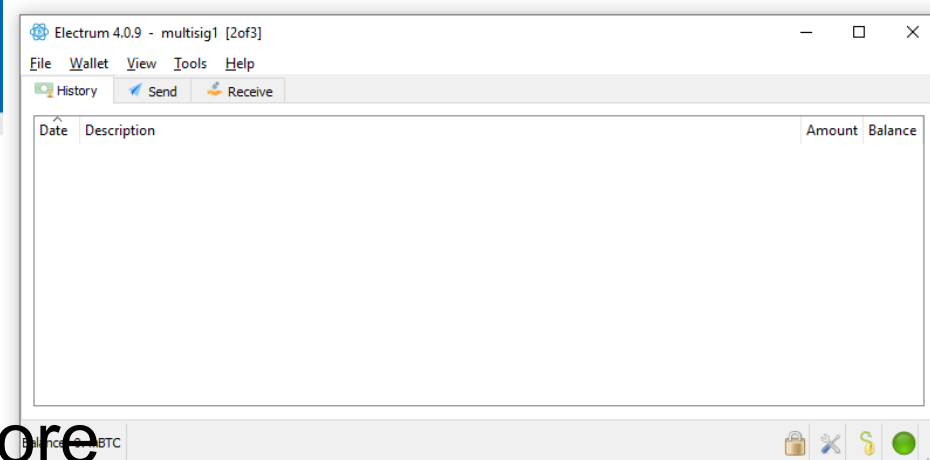
1. Create new 2-out-of-3 multisignature wallet in Electrum
  - All three people in the group are participants (separate machines)
2. Send some coins from last week to multisig wallet
  - Generate new receiving address
  - Wait till included in block
  - Analyze TX (from normal to multisig) via chain explorer - How lock script looks like? Why?
    - Screenshot explorer, annotate
3. Send from multisig wallet back to standard one
  - Why you need to generate PSBT?
  - Is it safe to send PSBT via email?
  - Who can broadcast transaction when 1, 2 and 3 signatures are made?
  - Analyze TX (from multisig to normal) via chain explorer - How unlock script looks like? Why?
    - Screenshot explorer, annotate

## Important: Use Electrum 4.2.0 or higher

- You need to have same type of address
  - 4.2.0 is allowing only for segwit addresses
  - Older version may allow for legacy addresses – can't be mixed with segwit

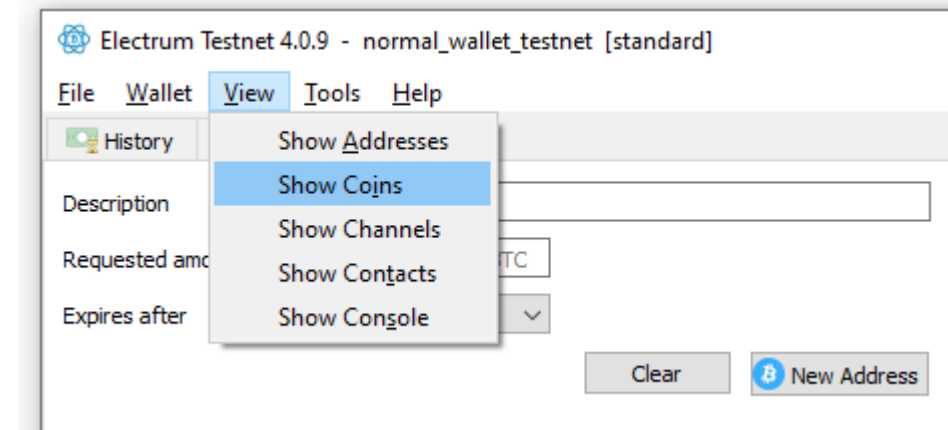
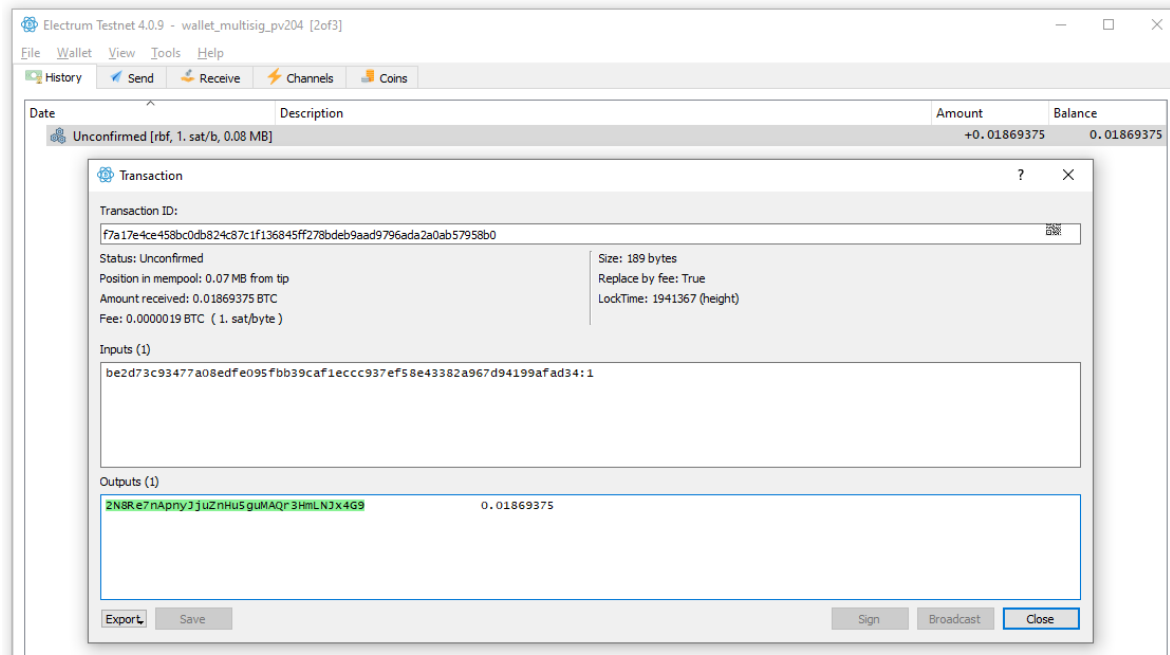
# Creating multisig wallet (--testnet)

- If you already have wallet: File → New/Restore
  - All three people performs the same process
- Save seed and masterpub key for yourself (cosigner 1)
- Get masterpub key from others, Add cosigner (2 of 3), (3 of 3)
- Finish creation of multisig wallet



# Send from normal wallet to multisig one

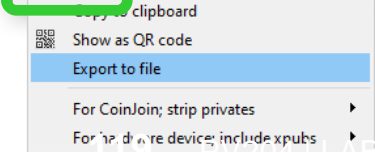
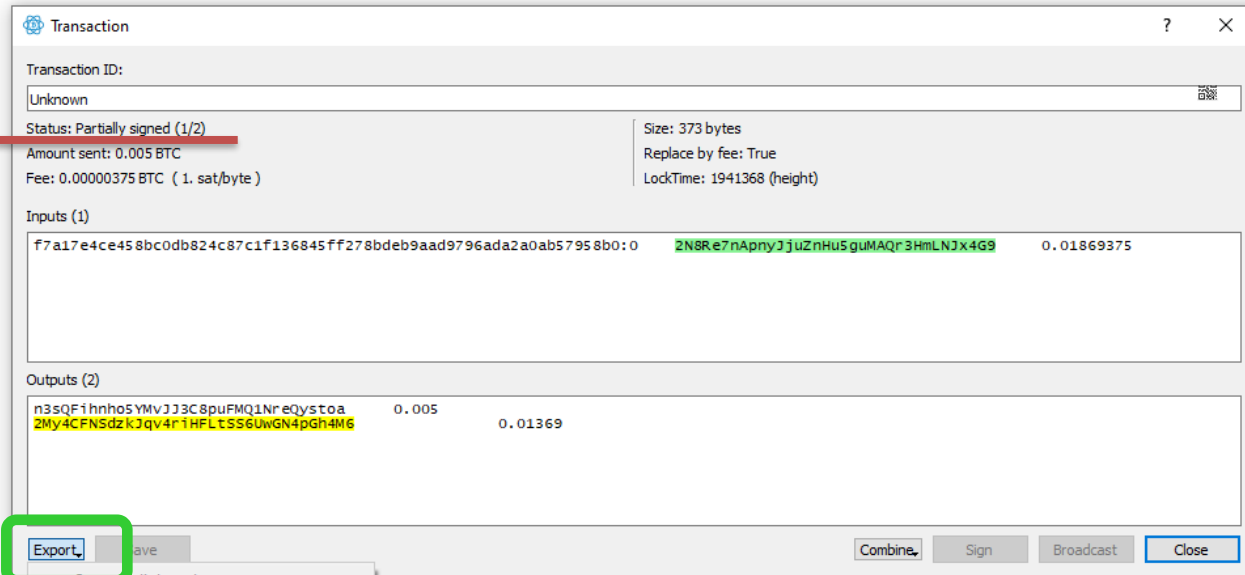
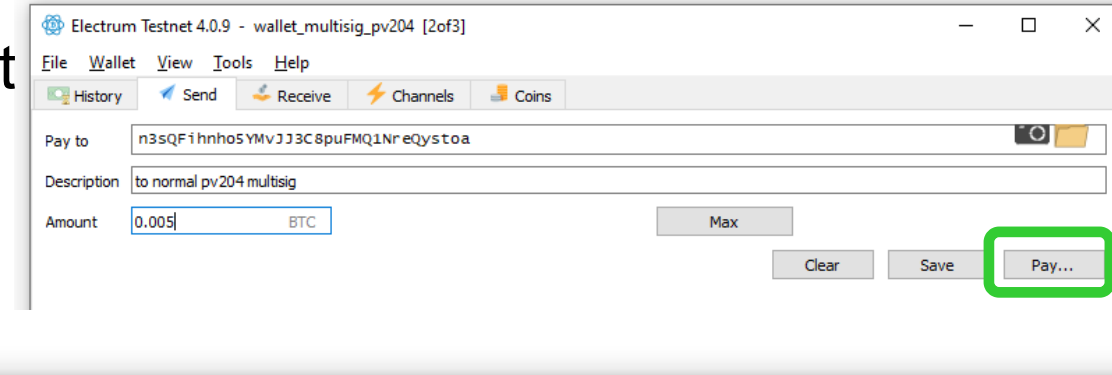
- Generate receive address on multisig, send to it from normal one
- Optional: try using coin control
  - View → Show coins, RClick on target coin → Spend
  - Max button in Send will only take marked coin(s)





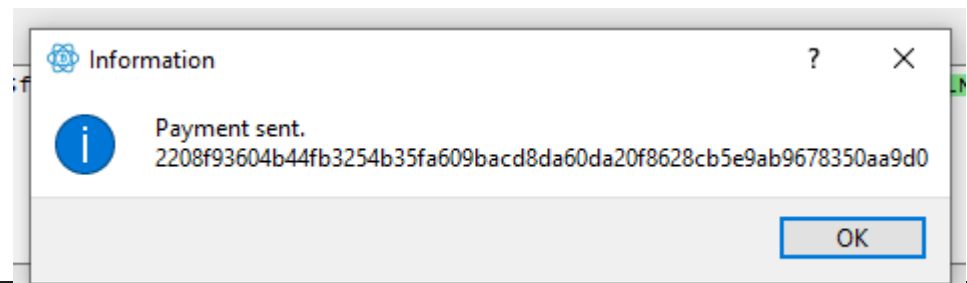
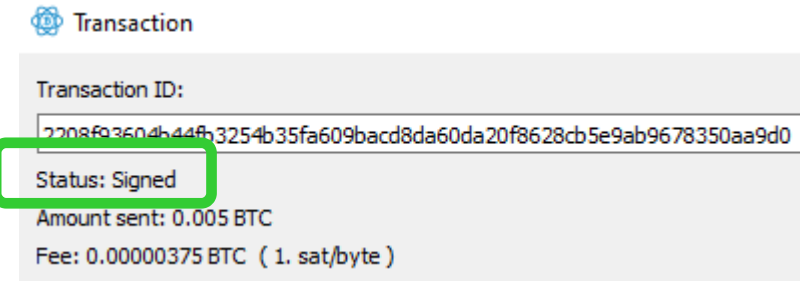
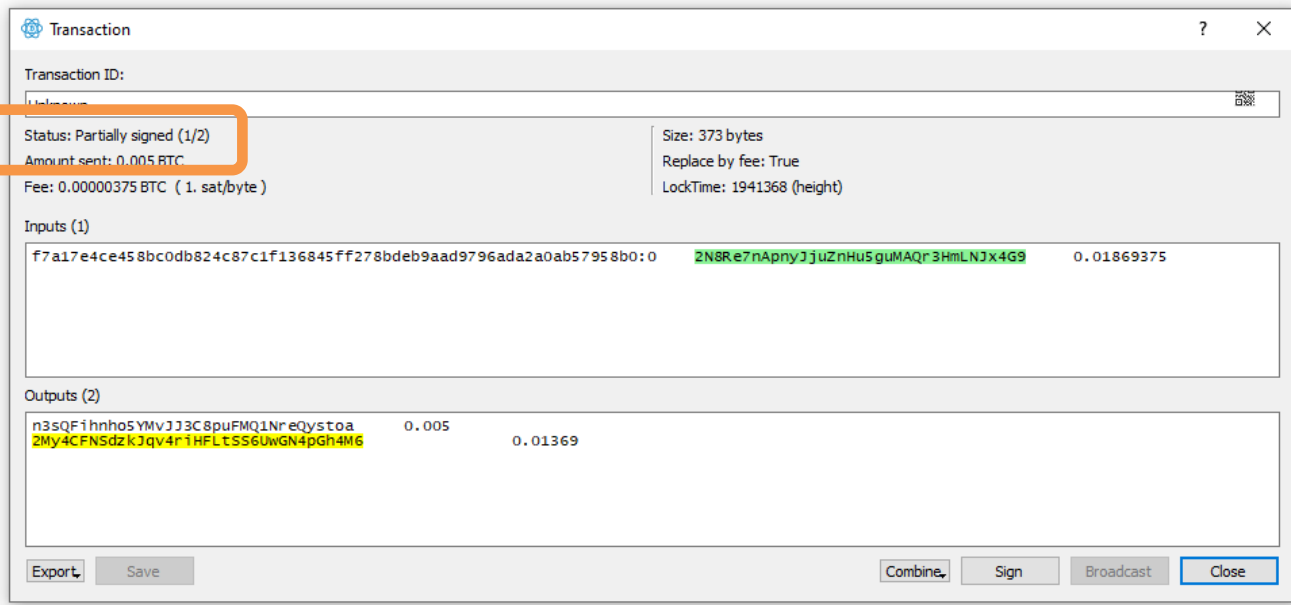
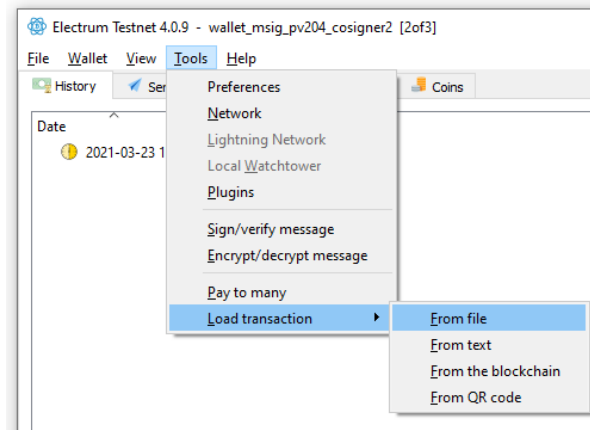
# Send from multisig wallet to normal one – first signer

- Generate receive address on normal wallet
- One signer creates transaction
  - Save button saves partially prepared tx locally
  - Pay button signs (partially) transaction, allows to Export



# Send from multisig wallet to normal one – second signer

- Open cosigner's wallet
- Tools → Load transaction → From file
- Check target info and amount
- Sign loaded transaction
- Broadcast to network



# Questions

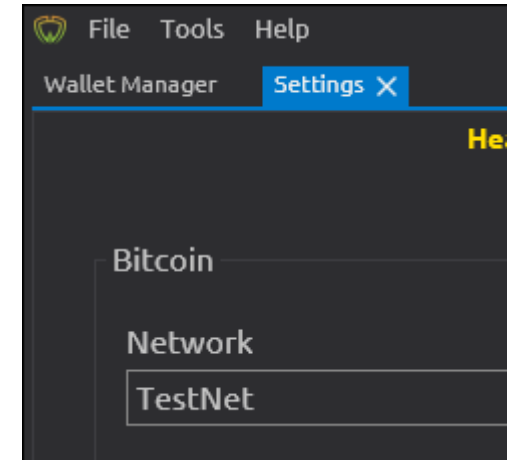
- Analyze your transactions via blockchain explorer
  - E.g., <https://blockstream.info/testnet/>
  - TX (from normal to multisig wallet)
    - Can you figure that transaction was from normal to multisig?
    - If yes/no – what is the advantage / disadvantage?
  - TX (from multisig to normal wallet)
    - Can you recognize that input was multisig? How and Why?
  - How much was possible to save in fees by using segwit instead of legacy address?
- Which option is better for backup (not losing possibility to spend)? 1-of-3 or 3-of-3?
- Which option is better against an attacker (prevent him to spend your coins)? 1-of-3 or 3-of-3?
- What are advantages and disadvantages of 2-of-3 vs. 3-of-5?

Note: This tutorial is now outdated, Wallet Wasabi 1.0 and related coinjoin mix is going to be retired soon (2024). Wallet Wasabi 2.x is the main production replacement

# WASABI WALLET 1.X

## Wasabi wallet (testnet)

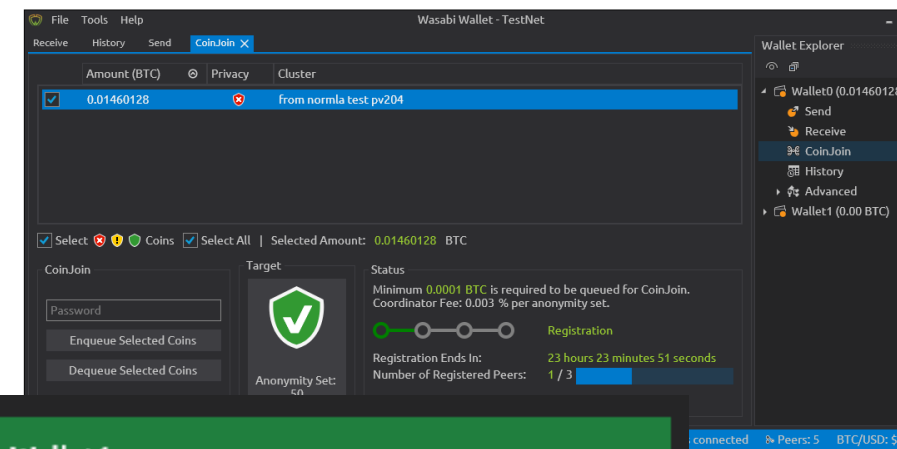
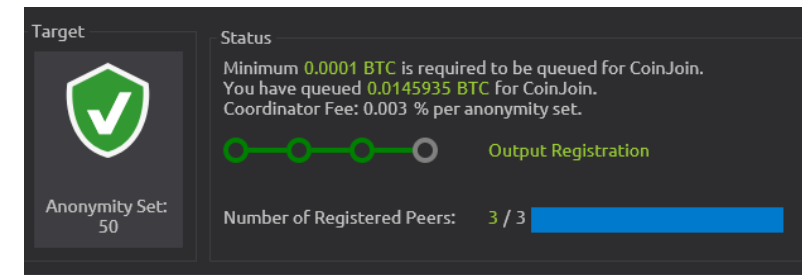
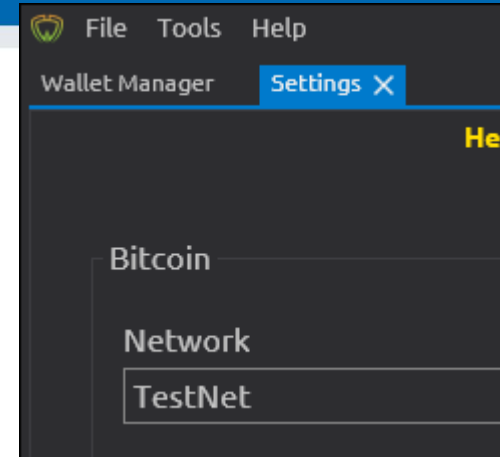
- Solo task (1 students / breakout room)
- Install Wasabi wallet from <https://wasabiwallet.io/>
  - For real use, verify PGP signature
- Start it, go to Settings and change Network to TestNet
- **Restart application**
- Generate new Wallet
  - Backup seed, password is used to encrypt seed (if none, what it means?)
- Wasabi forces you to set coin label (Why?)
- Send some sats to Wasabi wallet from your normal testnet wallet



# COINJOIN WITH WASABI WALLET

# Wasabi wallet – participating in CoinJoin

- Visit CoinJoin option
  - Change Target to Anonymity Set: 2 (so mixing finish quickly)
    - For real use, keep it 50!
  - Enqueue Selected Coins into next round of CoinJoin
- Waits until registered and confirmed
- Keep your computer running
  - The protocol is interactive, requires several rounds
- What have you got at the end?
- Investigate txid on chain explorer
  - Use Tor, otherwise you will leak IP to TX mapping



File Tools Help
Wasabi Wallet - TestNet

Receive History Send **CoinJoin X** CoinJoin Receive

Status	Amount (BTC)	Privacy	Cluster
<input type="checkbox"/> waiting for confirmation	0.00018	⚠	from normla test pv204
<input type="checkbox"/> waiting for confirmation	0.00018238	⚠	from normla test pv204
<input type="checkbox"/> waiting for confirmation	0.00036	⚠	from normla test pv204
<input type="checkbox"/> waiting for confirmation	0.00072	⚠	from normla test pv204
<input type="checkbox"/> waiting for confirmation	0.00144	⚠	from normla test pv204
<input type="checkbox"/> waiting for confirmation	0.01171112	⚠	from normla test pv204

Select ⚠ ⚠ ✔ Coins  Select All

CoinJoin

Enqueue Selected Coins

Dequeue Selected Coins

Target

✔

Anonymity Set:  
50

Status

Minimum **0.0001 BTC** is required to be queued for CoinJoin.  
You have queued **0.0145935 BTC** for CoinJoin.  
Coordinator Fee: 0.003 % per anonymity set.

Registration

Registration Ends In: **23 hours 6 minutes 51 seconds**

Number of Registered Peers: **2 / 3**

Wallet Explorer

- Wallet0 (0.0145935 BTC)
  - Send
  - Receive
  - CoinJoin
  - History
  - Advanced
- Wallet1 (0.00499033 BTC)
  - Send
  - Receive
  - CoinJoin
  - History
  - Advanced

Ready
Tor is running Backend is connected Peers: 7 BTC/USD: \$55671



# BLOCKCHAIN EXPLORERS