



I feel strongly that the decision to postpone the application of the 2x aspect (the doubling of the block size) which reached a consensus at NYA in May, was rational and significant for preserving the longevity of the Bitcoin ecosystem.

In the past, changes to the bitcoin protocol were considered to be controlled solely by miners and their hash power. However, it has been shown that without the support of users as well as miners, developers, wallet providers, exchanges, and other such stakeholders, changes to the protocol can result in extreme instability and confusion.

For example, if two chains of similar hash power existed simultaneously without sufficient replay protection, both chains would be at constant risk of reorgs, and it would be impossible to guarantee the protection of user assets. As an exchange operator, there is no way that I can support a hard fork that could compromise customer assets. The stability of the blockchain is imperative for the continued existence of the Bitcoin ecosystem.

Fearing a chain split, the Bitcoin community proposed the NYA as a compromise between disagreeing factions, and bitFlyer signed this agreement. Then, SegWit was activated safely and, thanks to the NYA, did not result in any confusion. But the situation of the Bitcoin ecosystem has since changed greatly, and debate arose around the significance of Segwit2x. Bitcoin's decentralized nature makes it highly democratic, and many hold high hopes for its application in societal systems in the future. On the other hand, it's also now evident that there are no clear resolutions to conflicts in the ecosystem. This is shown by the fact that amidst the continuous rapid increase in users, a clear method of reducing the load on the blockchain and solving scaling issues has not yet been found.

The decentralized system that serves as the core of Bitcoin's blockchain technology solved the issue of Byzantine faults through the Proof of Work consensus algorithm. But ironically, the changes to the algorithm and protocols is being politically decided outside the program to reflect various stakeholder's ideologies and interests. There will be many challenges along the road to create a consensus process for a decentralized societal system, but the Bitcoin ecosystem and blockchain technology possess enormous potential for innovation, which I hope our efforts at bitFlyer will continue to contribute to that realization.

Yuzo Kano, CEO  
bitFlyer, Inc.



November 9th, 2017

bitFlyer, Inc.

### **Policy and stance regarding SegWit2x postponement**

The team of 6 people including a developer behind the SegWit2x hard fork scheduled to take place on the 494,784<sup>th</sup> block of the Bitcoin blockchain have announced the postponement<sup>1</sup> of the hard fork. bitFlyer is in support of this announcement.

A change to the blockchain consensus protocol requires the support of miners, users, developers, wallet providers, exchanges, and other stakeholders in the Bitcoin ecosystem.

A chain split occurring without the support of such stakeholders can result in instability and confusion across the ecosystem. Without measures to prevent reorgs<sup>2</sup> and replay protection<sup>3</sup> in place at the time of the chain split, either or both chains may experience a loss in asset value, which thus may result in the sudden loss of customer assets. We feel strongly that, regardless of the hard fork's specification, a chain split that has not gathered the consensus of stakeholders as described above and/or has not taken sufficient measures to protect customer assets should be avoided for the sake of the Bitcoin ecosystem.

The NYA<sup>4</sup> was an agreement made in order to further SegWit and 2x forks that were backed by Bitcoin ecosystem stakeholders. Although the SegWit soft fork took place without resulting in any confusion, the subsequent 2x hard fork has not been able to gather support from stakeholders, and the likelihood of it causing instability within the Bitcoin ecosystem is high. bitFlyer agrees with the announcement to postpone this controversial hard fork, as we feel that doing so is in the best interests of the Bitcoin ecosystem.

### **Policy going forward<sup>5</sup>**

Per the announcement of the postponement, bitFlyer does not plan on the temporary suspension of services before and/or after the 494,784<sup>th</sup> block. All services including payment will be operating normally. bitFlyer will continue to follow and analyze any updates in the development and hash power of SegWit2x, as well as any winds of change within the community it affects, and we will continue to review our stance accordingly.

## Our initiatives

In May 2017, bitFlyer strongly felt that the activation of SegWit was an important step towards stabilizing the Bitcoin ecosystem and solving the issue of rising transaction fees on the Bitcoin blockchain. In August SegWit was activated without confusion and it contributed greatly to an increase in transaction capability. Additionally, by being the only exchange to implement P2WSH, we could promote the use of SegWit and a decrease in Bitcoin remittance fees, which greatly contributes to user convenience.

Lastly, we strongly hope that the Bitcoin ecosystem, which has been supported by its users since 2009, will continue to grow in a stable fashion going forward. As members and stakeholders in this community, we will continue to do everything we can to contribute. We appreciate your continued support.

<sup>1</sup> Details regarding the announcement for the postponement of the SegWit2x hard fork can be found at the link below.

<https://lists.linuxfoundation.org/pipermail/bitcoin-segwit2x/2017-November/000685.html>

<sup>2</sup> Reorg is when the shorter chain is reorganized into the longer chain and the transaction included in the shorter chain is considered invalid.

<sup>3</sup> Without replay protection, transfers occurring on one chain may unintentionally be reflected on the other chain as well.

<sup>4</sup> Abbreviation for New York Agreement. It is an agreement made to promote the implementation of SegWit2x on May 23, 2017, by miners, exchanges, etc. Details about the NYA can be found below.

<https://medium.com/@DCGco/bitcoin-scaling-agreement-at-consensus-2017-133521fe9a77>

<sup>5</sup> As of November 9, 2017. Policy and measures may be subject to change pursuant to ongoing changes in the Bitcoin ecosystem.

An additional announcement will be issued in the event of any changes to the policy above.

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