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Bitcoin Scaling Agreement Officially Met: Segwit + 2MB Hard Fork

Barry Silbert-led Digital Currency Group (DCG), arguably the most prominent investment firm in the bitcoin and blockchain industries, revealed that miners and businesses came to a consensus to solve bitcoin's underlying scaling issue. On May 23, DCG announced that a group of companies representing the...

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Barry Silbert-led Digital Currency Group (DCG), arguably the most prominent investment firm in the bitcoin and blockchain industries, revealed that miners and businesses came to a consensus to solve bitcoin's underlying scaling issue.

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community with 61% percent of hashing power, 26.9 million Bitcoin wallets and 511 billion on-chain transaction volume, agreed to the activation of the Bitcoin Core development team's transaction malleability fix Segregated Witness (Segwit) and a 2MB hard fork within six months thereafter.

The planned execution of a 2MB hard fork is a crucial compromise that needs to be considered and acknowledged in this agreement. Initially, On February 21, at the Hong Kong Bitcoin Roundtable event, the mining community and bitcoin industry agreed upon the execution of a hard fork to expand the bitcoin block size to 2MB and address the network's growing user base and daily transaction volume.

“This hard-fork is expected to include features which are currently being discussed within technical communities, including an increase in the non-witness data to be around 2 MB, with the total size no more than 4 MB, and will only be adopted with broad support across the entire Bitcoin community. We will run a SegWit release in production by the time such a hard-fork is released in a version of Bitcoin Core,” [read](#) the agreement.

However, when the Bitcoin Core development team allocated its resources and time solely in the development and activation of Segwit, a conflict arose between the mining and development communities. Mining pools, especially those operated by Chinese companies including Bitmain and ViaBTC, felt that the Bitcoin Core development team as well as the industry abandoned the Hong Kong agreement without first conducting a discussion with the mining community.

Compromise Reached

Today, DCG announced that a compromise between the mining community and industry has been made. In return for the activation of Segwit by, the industry has agreed on the execution of a 2MB hard fork, which would further expand the bitcoin blockchain's capacity.

Ultimately, the recently made consensus amongst miners and businesses can be referred back to the original Hong Kong Roundtable agreement wherein miners agreed to “only run Bitcoin Core-compatible consensus systems, eventually containing both SegWit and the hard-fork, in production, for the foreseeable future.”

and it will support solutions of the Bitcoin Core development team, including Segwit.

Aside from the execution of the Segwit2MB proposal, which entails the activation of Segwit at an 80 percent threshold and the activation of a 2MB hard fork, miners and businesses that participated in the Bitcoin Scaling Agreement at Consensus 2017 stated that more technical mechanisms will be developed to optimize and further improve the Bitcoin network.

“We are also committed to the research and development of technical mechanisms to improve signaling in the bitcoin community, as well as to put in place communication tools, in order to more closely coordinate with ecosystem participants in the design, integration, and deployment of safe solutions that increase bitcoin capacity,” [read](#) the agreement.

The Bitcoin industry’s decision to conduct the 2MB hard fork to increase the current bitcoin block size cap isn’t merely a compromise developed to convince the mining community to support Segwit. Currently, Bitcoin has a severe blockchain congestion problem with which users are struggling to transact even with optimal and high fees.

Segwit is expected to result in 75 percent optimization of current bitcoin blocks. However, based on bitcoin’s exponential growth in terms of user base and daily transactions, within six months or a year, Segwit’s scaling solution may not be sufficient to address bitcoin’s evolving scaling issue. Hence, the 2MB hard fork is a relatively long window of time for the Bitcoin Core development team, the industry and mining community to figure out the next steps to take in order to scale Bitcoin.

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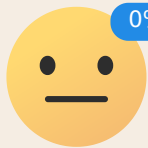
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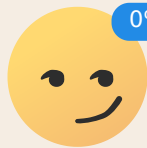
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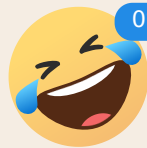
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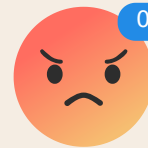
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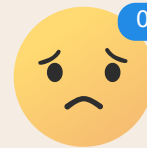
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