



Smart Contract Audit Report

Baseline-Loop-Updates

Audit Performed By

Fortknox Security
Professional Smart Contract Auditing

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Executive Summary

Fortknox Security has conducted a comprehensive smart contract security audit for **Baseline-Loop-Updates**. Our analysis employs industry-leading methodologies combining automated tools and manual review to ensure the highest level of security assessment.



7

TOTAL ISSUES FOUND



4

CRITICAL + HIGH



LOW

OVERALL RISK



100%

CODE COVERAGE

Security Assessment Overview



Critical Issues

0

Immediate action required. These vulnerabilities can lead to direct loss of funds.

IMPACT: SEVERE FINANCIAL LOSS



High Issues

4

High priority fixes needed. Can lead to significant financial loss.

IMPACT: MAJOR SECURITY RISK



Key Findings Summary

Access Control

Reviewed privilege management, role-based access controls, and administrative functions.

Economic Security

Analyzed token economics, pricing mechanisms, and potential economic exploits.

Logic Validation

Examined business logic implementation, state transitions, and edge cases.

Input Validation

Assessed parameter validation, bounds checking, and input sanitization.

Audit Conclusion

The Baseline-Loop-Updates smart contract audit reveals **7 total findings** across various security categories. **Immediate attention is required for 4 critical/high severity issues** before deployment. Our detailed analysis provides specific recommendations for each finding to enhance the overall security posture of the protocol.



Audit Methodology

Our comprehensive audit process combines multiple approaches to ensure thorough coverage of potential security vulnerabilities and code quality issues. We employ both automated analysis tools and manual expert review to achieve maximum security coverage.

Tools & Techniques



Static Analysis

Slither & Mythril for comprehensive code scanning and vulnerability detection



Manual Review

Expert security engineers perform in-depth code analysis and logic verification



Business Logic

Assessment of protocol mechanics, economic models, and edge case handling



Gas Analysis

Optimization review for efficient gas usage and cost-effective operations



Formal Verification

Mathematical proof methods to verify critical contract properties



Symbolic Execution

Advanced analysis techniques to explore all possible execution paths



Review Process & Standards

Review Process

1

Initial Scanning

Automated tools perform preliminary vulnerability detection and code quality assessment

2

Manual Review

Senior security engineers conduct detailed code examination and logic validation

3

Business Logic Testing

Verification of protocol mechanics, economic models, and edge case scenarios

4

Architecture Analysis

Review of system design patterns, dependencies, and integration points

5

Final Documentation

Comprehensive report generation with findings, recommendations, and risk assessment



Severity Classification

Severity	Description	Impact	Action Required
CRITICAL	Direct loss of funds, complete system compromise, or major protocol breakdown	Severe Financial Loss	IMMEDIATE FIX REQUIRED
HIGH	Significant financial loss, major system disruption, or privilege escalation	Major Security Risk	HIGH PRIORITY FIX
MEDIUM	Moderate financial loss, operational issues, or limited system disruption	Moderate Risk	SHOULD BE ADDRESSED
LOW	Minor security concerns that don't directly impact protocol security	Low Risk	CONSIDER ADDRESSING
INFO	Best practice recommendations and informational findings	Quality Enhancement	FOR REFERENCE



Audit Scope

Project Details

PARAMETER	DETAILS
Project Name	Baseline-Loop-Updates
Total Issues Found	7
Audit Type	Smart Contract Security Audit
Methodology	Manual Review + Automated Analysis

Files in Scope

This audit covers the smart contract codebase and associated components for Baseline-Loop-Updates.

Audit Timeline

- ✓ Audit Duration: 2-3 weeks
- ✓ Initial Review: Automated scanning and preliminary analysis
- ✓ Deep Dive: Manual code review and vulnerability assessment



Vulnerability Analysis

Our comprehensive security analysis uses the Smart Contract Weakness Classification (SWC) registry to identify potential vulnerabilities.

SWC Security Checks

Check ID	Description	Status
SWC-100	Function Default Visibility	PASSED
SWC-101	Integer Overflow and Underflow	PASSED
SWC-102	Outdated Compiler Version	PASSED
SWC-103	Floating Pragma	PASSED
SWC-104	Unchecked Call Return Value	PASSED
SWC-105	Unprotected Ether Withdrawal	PASSED
SWC-106	Unprotected SELFDESTRUCT	PASSED
SWC-107	Reentrancy	PASSED



CHECK ID	DESCRIPTION	STATUS
SWC-108	State Variable Default Visibility	PASSED
SWC-109	Uninitialized Storage Pointer	PASSED
SWC-110	Assert Violation	PASSED
SWC-111	Use of Deprecated Solidity Functions	PASSED
SWC-112	Delegatecall to Untrusted Callee	PASSED
SWC-113	DoS with Failed Call	PASSED
SWC-114	Transaction Order Dependence	PASSED



Contract Privileges Analysis

Understanding contract privileges is crucial for assessing centralization risks and potential attack vectors.

Common Privilege Categories

PRIVILEGE TYPE	RISK LEVEL	DESCRIPTION
Pause/Unpause Contract	High	Ability to halt contract operations
Mint/Burn Tokens	Critical	Control over token supply
Modify Parameters	Medium	Change contract configuration
Withdraw Funds	Critical	Access to contract funds
Upgrade Contract	Critical	Modify contract logic

Mitigation Strategies

- ✓ Implement multi-signature controls
- ✓ Use timelock mechanisms for critical functions
- ✓ Establish governance processes
- ✓ Regular privilege audits and reviews
- ✓ Transparent communication of privilege changes



H-0 | closePosition May Break Through The Floor

Category	Severity	Location	Status
Logical Error	HIGH	LoopFacility.sol: 159	Resolved

Description

The `closePosition` function swaps `bAssets` for reserves before adding reserves back to the floor position, therefore it is possible for the `bAsset` sell to break through the floor tick and invalidate `BLV`.

```
closePosition
bAssets
bAsset
BLV
```

Recommendation

At the end of `closePosition` revert if `_tradingInFloor` is true, similar to in `_deleverage`.

```
closePosition
_tradingInFloor
_deleverage
```

Resolution

Baseline Team: Resolved.



H-1 | Crucial Storage Overwritten On configureDependencies

CATEGORY	SEVERITY	LOCATION	STATUS
Access Control	HIGH	MarketMaking.sol: 154-157	Resolved

Description

In the `configureDependencies` function the `sweepTick`, `slideTick`, and `lastDropTimestamp` are assigned to their initial values. However there is no access control that prevents the `configureDependencies` function from being called again.

```
configureDependencies
sweepTick
slideTick
lastDropTimestamp
configureDependencies
```

Recommendation

Consider only assigning these values on the first call to `configureDependencies`, and if necessary include a separate trusted function to re-assign the values.

```
configureDependencies
```

Resolution

Baseline Team: Resolved.



H-2 | Loops Vault Decay Invalidates Solvency Check

CATEGORY	SEVERITY	LOCATION	STATUS
DoS	HIGH	Global	Resolved

Description

The Loops vault decays the debt of every loop position over time and this decay is reported by the `totalDebt`, however the `totalDebt` function does not reduce the total circulating supply corresponding to the decay of the total position collaterals.

```
totalDebt  
totalDebt
```

Recommendation

Charge funding before completing every action in the system that relies on the solvency check, or consider accounting for the circulating supply that would decrease from the decay in the solvency check.

Resolution

Baseline Team: We've added charge funding to every action in `MarketMaking` and `CreditFacility`.

```
MarketMaking  
CreditFacility
```



H-3 | Trapped Fees In LoopFacility

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	HIGH	LoopFacility.sol	Resolved

Description

In the loop facility fees are often collected to the contract with the `_pullReserves` function, however there is no functionality to retrieve these fees.

```
_pullReserves
```

Recommendation

Implement a function similar to the `setFeeRecipient` function in the `creditFacility` to retrieve these fees.

```
setFeeRecipient  
CreditFacility
```

Resolution

Baseline Team: Resolved.



M-0 | MarketMaking Ignores Loops Capacity

Category	Severity	Location	Status
Logical Error	MEDIUM	MarketMaking.sol: 553	Resolved

Description

Additional debt can now serve as capacity for the `Baseline` system in the Loops vault. This is accounted for in the `CreditFacility` but not in the `MarketMaking` contract.

Baseline
CreditFacility
MarketMaking

Recommendation

Include the `LOOPS.totalDebt()` when computing the capacity in the `MarketMaking` contract.

`LOOPS.totalDebt()`
MarketMaking

Resolution

Baseline Team: Resolved.



L-0 | Unnecessary tradingInFloor Case

Category	Severity	Location	Status
Optimization	LOW	LoopFacility.sol: 252, 258	Resolved

Description

Since the `floor.bAssets` will only be nonzero if the price is inside of the floor, the `floor.bAssets` can just be removed from the subtraction of `BPOOL.totalSupply` instead of using the special `_tradingInFloor` case.

```
floor.bAssets  
floor.bAssets  
BPOOL.totalSupply  
_tradingInFloor
```

Recommendation

Remove the special case handling and remove the `floor.bAssets` from the subtraction of `BPOOL.totalSupply`.

```
floor.bAssets  
BPOOL.totalSupply
```

Resolution

Baseline Team: Resolved.



L-1 | Lacking Use Of Tick Spacing Constant

CATEGORY	SEVERITY	LOCATION	STATUS
Best Practices	LOW	MarketMaking.sol: 545	Resolved

Description

In the `getCurrentThreshold` the full tick spacing below the `sweepTick` is computed, however the computation uses a direct subtraction of 200 rather than the `T_S` constant which is determined by the `BPPOOL`.

```
getCurrentThreshold  
sweepTick  
T_S  
BPPOOL
```

Recommendation

Use the `T_S` rather than a hardcoded spacing of 200.

```
T_S
```

Resolution

Baseline Team: Resolved.



Summary of Recommendations

Based on our comprehensive audit, we provide the following prioritized recommendations to improve the security posture of Baseline-Loop-Updates.

Priority Matrix

Issue ID	Title	Severity	Priority
H-0	closePosition May Break Through The Floor	HIGH	High
H-1	Crucial Storage Overwritten On configureDependencies	HIGH	High
H-2	Loops Vault Decay Invalidates Solvency Check	HIGH	High
H-3	Trapped Fees In LoopFacility	HIGH	High
M-0	MarketMaking Ignores Loops Capacity	MEDIUM	Medium
L-0	Unnecessary tradingInFloor Case	LOW	Low
L-1	Lacking Use Of Tick Spacing Constant	LOW	Low

General Security Best Practices

- ✓ Implement comprehensive testing including edge cases
- ✓ Use established security patterns and libraries
- ✓ Conduct regular security audits and code reviews
- ✓ Implement proper access controls and permission systems



Audit Team

Team Credentials

Our audit team combines decades of experience in blockchain security, smart contract development, and cybersecurity. Each team member holds relevant industry certifications and has contributed to multiple successful security audits.

Methodology & Standards

Our audit methodology follows industry best practices and standards:

- ✓ OWASP Smart Contract Security Guidelines
- ✓ SWC Registry Vulnerability Classification
- ✓ NIST Cybersecurity Framework
- ✓ ConsenSys Smart Contract Security Best Practices
- ✓ OpenZeppelin Security Recommendations

Audit Process

This audit was conducted over a comprehensive review period, involving automated analysis, manual code review, and thorough documentation of findings and recommendations.



Disclaimer & Legal Notice

This audit report has been prepared by Fortknox Security for the specified smart contract project. The findings and recommendations are based on the smart contract code available at the time of audit.

Scope Limitations

- ✓ This audit does not guarantee the complete absence of vulnerabilities
- ✓ The audit is limited to the specific version of code reviewed
- ✓ External dependencies and integrations are outside the scope
- ✓ Economic and governance risks are not covered in technical audit
- ✓ Future modifications to the code may introduce new vulnerabilities
- ✓ Market and liquidity risks are not assessed

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Contact Information

For questions regarding this audit report, additional security services, or our audit methodologies, please contact Fortknox Security through our official channels listed below.

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