



# Smart Contract Audit

# Report

Baseline-MM-Looping2

## Audit Performed By

Fortknox Security  
Professional Smart Contract Auditing

August 10, 2024



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## Executive Summary

Fortknox Security has conducted a comprehensive smart contract security audit for **Baseline-MM-Looping2**. Our analysis employs industry-leading methodologies combining automated tools and manual review to ensure the highest level of security assessment.



7

TOTAL ISSUES FOUND



0

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

0

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-MM-Looping2 smart contract audit reveals **7 total findings** across various security categories. **No critical or high severity issues were identified.** 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-MM-Looping2
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-MM-Looping2.

## 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



## M-0 | Mismatching Baseline Values

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	MEDIUM	BPOOL.sol: 270	Acknowledged

### Description

After the updates, the `blv` is calculated based on the upper floor tick in the `MarketMaking`, `CreditFacility`, and `LoopFacility` contracts. However, in the BPOOL contract, it is still calculated using the lower floor tick.

```
blv  
MarketMaking  
CreditFacility  
LoopFacility
```

### Recommendation

Update the `getBaselineValue` function in BPOOL contract.

```
getBaselineValue
```

### Resolution

Baseline Team: Acknowledged.



# M-1 | DISCOVERY\_LENGTH Hardcoded For 1% Fee Pools

CATEGORY	SEVERITY	LOCATION	STATUS
Logical Error	MEDIUM	MarketMaking.sol: 58	Acknowledged

## Description

The `DISCOVERY_LENGTH` variable in the `MarketMaking` contract is intended to represent 30 tick spacings, as indicated by the comment.

```
DISCOVERY_LENGTH  
MarketMaking
```

## Recommendation

If the protocol intends to only use 1% fee pools, no changes are needed. Otherwise, it should obtain the correct tick spacing from the `BPOOLv1` contract instead.

```
BPOOLv1
```

## Resolution

Baseline Team: Acknowledged.



## L-0 | Unnecessary Permission Request

Category	Severity	Location	Status
Superfluous Code	LOW	MarketMaking.sol: 144	Resolved

### Description

The `MarketMaking` contract requests permission for `BPOOL.mint` function. However, this function is not called from `MarketMaking` after updates, and the permission request can be removed.

```
MarketMaking
BPOOL.mint
MarketMaking
```

### Recommendation

Consider removing unnecessary permission request.

### Resolution

Baseline Team: Resolved.



## L-1 | Unused Error

CATEGORY	SEVERITY	LOCATION	STATUS
Superfluous Code	LOW	MarketMaking.sol: 46	Resolved

### Description

`NotOwner` error in the `MarketMaking` contract is defined but never used.

```
NotOwner  
MarketMaking
```

### Recommendation

Remove unused error.

### Resolution

Baseline Team: Resolved.



## L-2 | Unused Tick Bounds In canRebalance

Category	Severity	Location	Status
Superfluous Code	LOW	MarketMaking.sol: 167	Resolved

### Description

The `canRebalance` function retrieves the anchor range bounds using the `_getTSBounds` function. However, these ticks are not utilized in `canRebalance`, as `rebalanceTicks` are used to determine price movement.

```
canRebalance  
_getTSBounds  
canRebalance  
rebalanceTicks
```

### Recommendation

Consider removing unused ticks and the `_getTSBounds` call.

```
_getTSBounds
```

### Resolution

Baseline Team: Resolved.



## L-3 | Incorrect Comment

Category	Severity	Location	Status
Documentation	LOW	MarketMaking.sol: 59	Resolved

### Description

`BUMPABLE_PREMIUM` is set to 1500, with a comment stating "1500 tick spacings". However, this value represents only 1500 ticks, not 1500 tick spacings. Based on the current setup, it corresponds to 7.5 tick spacings.

`BUMPABLE_PREMIUM`

### Recommendation

Update to comment to 1500 ticks.

### Resolution

Baseline Team: Resolved.



## L-4 | Unused Import

CATEGORY	SEVERITY	LOCATION	STATUS
Superfluous Code	LOW	MarketMaking.sol: 7	Resolved

### Description

`SafeCastLib` library is imported in `MarketMaking` contract but never used.

SafeCastLib  
MarketMaking

### Recommendation

Consider removing unused imports.

### 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-MM-Looping2.

## Priority Matrix

Issue ID	Title	Severity	Priority
M-0	Mismatching Baseline Values	MEDIUM	Medium
M-1	DISCOVERY_LENGTH Hardcoded For 1% Fee Pools	MEDIUM	Medium
L-0	Unnecessary Permission Request	LOW	Low
L-1	Unused Error	LOW	Low
L-2	Unused Tick Bounds In canRebalance	LOW	Low
L-3	Incorrect Comment	LOW	Low
L-4	Unused Import	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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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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🌐 <https://www.fortknox-security.xyz>

🐦 @FortKnox\_sec

✉️ support@fortknox-security.xyz



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## Contact Us

 @FortKnox\_sec

 @FortKnox\_sec

 [fortknox-security.xyz](http://fortknox-security.xyz)

 [support@fortknox-security.xyz](mailto:support@fortknox-security.xyz)

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