

# LayerZero Audit

15 March 2022

by Ackee Blockchain



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## 1. Document Revisions

| Revision | Date        | Description                                     |
|----------|-------------|---|
| 1.0      | 2 Mar 2022  | Initial revision                                |
| 1.1      | 3 Mar 2022  | Updated issues' status, added client's feedback |
| 1.2      | 4 Mar 2022  | Descoped proof-lib, updated audit accordingly   |
| 1.3      | 14 Mar 2022 | New commit - validation                         |
| 1.4      | 15 Mar 2022 | Public repository, new commit                   |

## 2. Overview

This document presents our findings in reviewed contracts.

### 2.1 Ackee Blockchain

[Ackee Blockchain](#) is an auditing company based in Prague, Czech Republic, specialized in audits and security assessments. Our mission is to build a stronger blockchain community by sharing knowledge – we run a free certification course [Summer School of Solidity](#) and teach at the Czech Technical University in Prague. Ackee Blockchain is backed by the largest VC fund focused on blockchain and DeFi in Europe, [Rockaway Blockchain Fund](#).

### 2.2 Audit Methodology

1. **Technical specification/documentation** - a brief overview of the system is requested from the client and the scope of the audit is defined.
2. **Tool-based analysis** - deep check with automated Solidity analysis tools and Slither is performed.
3. **Manual code review** - the code is checked line by line for common vulnerabilities, code duplication, best practices. The code architecture is reviewed.
4. **Local deployment + hacking** - contracts are deployed locally and we try to attack the system and break it.
5. **Unit testing** - run unit tests to ensure that the system works as expected. Potentially we write our own unit tests for specific suspicious scenarios.

## 2.3 Review team

| Member's Name | Position         |
|---------------|------------------|
| Štěpán Šonský | Lead Auditor     |
| Lukáš Böhm    | Auditor          |
| Dominik Teiml | Audit Supervisor |

## 2.4 Disclaimer

We have put our best effort to find all vulnerabilities in the system. However, our findings should not be considered as a complete list of all existing issues. The statements made in this document should not be interpreted as investment or legal advice, nor should its authors be held accountable for decisions made based on them.

### 3. Executive Summary

LayerZero engaged Ackee Blockchain to conduct a security review of LayerZero protocol with a total time donation of 12 engineering days.

The scope included the following repository with a given commit:

- ~~Private repository~~ (Rev.1.0 - Rev.1.3)
- <https://github.com/LayerZero-Labs/LayerZero> (Rev.1.4)
- ~~e4f481e18be33e54800dd8e95440a8e71eff5e96~~ (Rev.1.0)
- ~~a80d348ee363def33568ed8e75fe2f0aa567d95e~~ (Rev.1.2)
- ~~b4750d858d5623bea17e2df59e5f83d840489ee7~~ (Rev.1.3)
- a5b266aa54714035314cbe5e451b2ec0db81b552 (Rev.1.4)

We began our review by using static analysis tools and then took a deep dive into the logic of the contracts. During the review, we paid special attention to:

- checking if nobody can exploit the protocol
- ensuring access controls are not too weak
- checking the protocol architecture
- checking the code quality and Solidity best practices
- and looking for common issues such as data validation

LayerZero protocol is a unique approach to achieve cross-chain messages. The architecture is well designed and the overall code quality is very good. The protocol is well documented in the whitepaper, Gitbook documentation, and in the code. It helps during the audit process to focus on actual issues finding. However, we also advise using NatSpec format documentation inside the code.

During our intensive code review which was performed by two auditors in cooperation, we have not found any direct security threats. We have identified only a few hypothetical issues that are not directly exploitable, but we have to point them out. These are general recommendations rather than security issues.

Ackee Blockchain recommends LayerZero to:

- Design some Oracle & Relayer control mechanism for independence
- Use compiler >0.8 with native SafeMath instead of library
- Use compiler no more than six months old
- Use the same compiler version across the whole project

- Do not use floating pragma
- Use 3rd party libraries wisely
- Use assembly code wisely
- Remove unused code

#### Update (Rev.1.3)

We performed two days reaudit to check issues discovered by internal LayerZero team and the newly added code. We consider fixes well implemented. No additional issues have been found.

#### Update (Rev.1.4)

Added link to the public repository and updated commit hash.

## 4. System Overview

This section contains an outline of the audited contracts. Note that this is meant for understandability purposes and does not replace project documentation.

### 4.1 Contracts

Contracts we find important for better understanding are described in the following section.

#### Endpoint

The contract handles message transmission between two different blockchains. It communicates directly with `UltraLightNode`. If the message is not successfully transmitted, the destination endpoint stores the message and blocks any future messages from the same source endpoint until the stored message is successfully delivered or deleted (in case of unsuccessful message resend).

User application calls `Endpoint` contract `send()` function with payload and information required to transfer to the destination blockchain.

The endpoint also maintains library configuration settings.

Endpoint contract inherits from interface `ILayerZeroEndpoint`, `ILayerZeroLibraryReceiver`, and `Openzeppelin Ownable`, `ReentrancyGuard`.

Custom `validVersion` modifier provides correct library version settings management.

**Rev. 1.3:**

Update of message storing logic and nonce handling.

Creation of modifiers `sendNonReentrant` and `receiveNonReentrant` to allow calling `send()` function inside `lzReceive()`. It was not possible when using Openzeppelin's non-reentrancy modifier.

Address argument was added to some view functions for more flexible usage instead of using `msg.sender`.

**Relayer**

The contract validates transaction proof by calling ULN's `validateTransactionProof()` function. It also can be notified and provide a calculated fee amount.

The contract inherits from interface `ILayerZeroRelayer`, Openzeppelin `Ownable`, `ReentrancyGuard`, and Hardhat's `Proxied` contract.

Custom modifier `onlyApproved()` requires `msg.sender` to be one of the approved owners of `Relayer`.

**RelayerWithdraw**

~~The contract works as an authenticator for Relayer and to withdraw protocol fees from ULN.~~

**Rev. 1.3:** The contract was removed with all relayer protocol fees (Economic model change).

**Treasury**

The contract sets and gets native or ZRO fees. It also withdraws treasury protocol fees in native or ZRO token by calling ULN's withdraw functions.

Contract inherits from interface `ILayerZeroTreasury` and Openzeppelin `Ownable`.

**UltraLightNode**

`UltraLightNode` sits between `Endpoint` and user application's `Relayer`. It forwards messages from `Endpoint` by `send()` function, which pays protocol, oracle and relayer fees and notify oracle with encoded data containing chain ID, library version, remote ULN address, outbound block confirmations and payload hash. In the opposite direction, ULN's `validateTransactionProof()` function is called by `Relayer` to validate LayerZero message data and forward them to the `Endpoint`. It can be done because ULN maintains library configuration for the source chains and destination addresses.



The contract provides external fees withdrawal functions for `Treasury`, `Oracle`, and `Realyer`. There are also configuration and view functions for managing libraries and fees settings.

ULN contract inherits from interface `ILayerZeroEndpointLibrary`, `ILayerZeroUltraLightNodeV1`, and `Openzeppelin Ownable`, `ReentrancyGuard`.

Modifier `onlyEndpoint()` requires `msg.sender` to be the `Endpoint` address.

### chainlink/ChainlinkOracleClient

This contract inherits from `ILayerZeroOracle` interface, `ChainlinkClient` and from `OpenZeppelin Ownable` and `ReentrancyGuard`.

Inside the contract, there are two defined structs - `Job` and `CachedAddressString`.

Modifier `onlyULN()` requires `msg.sender` to be the address of `UltraLightNode`. This modifier is used only for `notifyOracleOfBlock()` function, which sends `Chainlink.Request` to the `job.oracle` address using `sendChainlinkRequestTo()`.

The contract contains whitelisted address map `approvedAddresses` which can update block hashes of chains. In the constructor, the `msg.sender` is added to this whitelist. Also, only the owner can edit this whitelist.

### libraries/Buffer

~~A library for working with mutable byte buffers. It's basically a fork of [ensdomains/buffer](#) with an additional function `writeRawBytes()`, which is almost a 4:4 copy of `write()` method.~~

**Rev. 1.2:** `Buffer.sol` has been descoped.

### libraries/EVMValidator

~~`EVMValidator` is a contract, not a library. And contains `validateProof()` function which provides Merkle Patricia Trie data validation and returns `LayerZeroPacket.Packet`.~~

**Rev. 1.2:** `EVMValidator` just inherits from `@layerzerolabs/proof-evm/contracts/MPTValidator.sol` with no additional implementations.

### libraries/LayerZeroPacket

~~Library, which contains Packet struct with all necessary transmission data like src/dst chain IDs, nonce, src/dst addresses, ULN address, and payload. It also contains a function getPacket() for composing a Packet object from input params.~~

**Rev. 1.2:** LayerZeroPacket.sol has been descoped.

### utils/Decoder

~~Just a simple wrapper of EthereumDecoder.sol library.~~

**Rev. 1.2:** Decoder.sol has been descoped.

## 4.2 Actors

### Owner / LayerZero

The owner deploys contracts to the network and has extra privileges in some contracts.

- Endpoint
  - Library upgrade, versioning
- Treasury
  - Set fees
  - Set BP
- UltraLightNode
  - Configuration
  - Set LayerZero token address
  - Set treasury address
  - Set relayer fee contract
  - Set libraries' addresses
  - Set adapter params for chain
  - Set remote Ultra Light Node
  - Set chain address size
- ChainlinkOracleClient
  - Approve token
  - Withdraw
  - Set Ultra Light Node
  - Withdraw tokens
  - Withdraw oracle quoted fee
  - Set job
  - Set price
  - Set approved addresses

**Oracle**

Oracles are third party, off-chain entities, which has the ability to read and transfer the block headers between chains.

**Relayer**

Relayers are off-chain entities, similar to oracles. But instead of block headers, they fetch transaction proofs between chains.

**User**

User role means any external address in the network which can interact with the protocol.

## 4.3 Trust model

Users need to trust the Oracle and Relayer, if they have not implemented them. On the other hand, the flow from the Endpoint to the Oracle/Relayer is trustless. Owners of the smart contracts have only the privilege to manage library configuration and fees.

The critical point of LayerZero trust model is relayer and oracle independence. In case both parties cooperate, cross-chain messages could be manipulated.

## 5. Vulnerabilities risk methodology

Each finding contains an *Impact* and *Likelihood* ratings.

If we have found a scenario in which the issue is exploitable, it will be assigned an impact of *High*, *Medium*, or *Low*, based on the direness of the consequences it has on the system. If we have not found a way, or the issue is only exploitable given a change in configuration (such as deployment scripts, compiler configuration, use of multi-signature wallets for owners, etc.) or given a change in the codebase, then it will be assigned an impact rating of *Warning* or *Informational*.

*Low* to *High* impact issues also have a *Likelihood* that measures the probability of exploitability during runtime.

### 5.1 Finding classification

The complete definitions are as follows:

**Impact**

**High**

Conditions that activate the issue will lead to undefined or catastrophic consequences for the system.

**Medium**

Conditions that activate the issue will result in consequences of serious substance.

**Low**

Conditions that activate the issue will have outcomes on the system that are either recoverable or do not jeopardize its regular functioning.

**Warning**

The issue cannot be exploited given the current code and/or configuration (such as deployment scripts, compiler configuration, use of multi-signature wallets for owners, etc.) but could be a security vulnerability if these were to change slightly. If we have not found a way to exploit the issue given the time constraints, it might be marked as "Warning" or higher, based on our best estimate of whether it is currently exploitable.

**Informational**

The issue is on the borderline between code quality and security. Examples include insufficient logging for critical operations. Another example is that the issue would be security-related if code or configuration (see above) was to change.

**Likelihood****High**

The issue is exploitable by virtually anyone under virtually any circumstance.

**Medium**

Exploiting the issue currently requires non-trivial preconditions.

**Low**

Exploiting the issue requires strict preconditions.

## 6. Findings

This section contains the list of discovered findings. Unless overridden for

purposes of readability, each finding contains:

- a *Description*,
- an *Exploit scenario*, and
- a *Recommendation*

Many times, there might be multiple ways to solve or alleviate the issue, with varying requirements in terms of the necessary changes to the codebase. In that case, we will try to enumerate them all, clarifying which solves the underlying issue better (albeit possibly only with architectural changes) than others. Issues can be also acknowledged by developers as not a risk.

### Summary of Findings

| ID |   | Type           | Impact  | Likelihood | Status       |
|----|---|----------------|---------|------------|--------------|
| H1 | Oracle & Relayer conspiracy             | Trust model    | High    | Low        | Acknowledged |
| W1 | Incorrect use of SafeMath library       | Overflow       | Warning | N/A        | Acknowledged |
| W2 | Outdated compiler                       | Compiler       | Warning | N/A        | Acknowledged |
| W3 | Many different compiler versions        | Compiler       | Warning | N/A        | Acknowledged |
| W4 | Usage of third party libs               | Library        | Warning | N/A        | Descoped     |
| W5 | Unintended feature - Renounce ownership | Access control | Warning | N/A        | Acknowledged |
| I1 | EVMValidator is not a library           | Syntax         | Info    | N/A        | Descoped     |
| I2 | Functions naming                        | Syntax         | Info    | N/A        | Fixed        |
| I3 | Constant naming                         | Syntax         | Info    | N/A        | Descoped     |

## H1 - Oracle + Relayer conspiracy

|                |                 |                    |             |
|----------------|-----------------|--------------------|-------------|
| <b>Impact:</b> | High            | <b>Likelihood:</b> | Low         |
| <b>Target:</b> | Oracle, Relayer | <b>Type:</b>       | Trust model |

### Description

To achieve trustless message delivery, the protocol requires Oracle & Relayer to be independent of each other. In case they aren't, protocol can be manipulated, so applications built on top of it as well. This requirement is also mentioned in the white paper.

### Exploiting scenario

This hypothetical issue is not a direct threat from our point of view, but the probability of creating different exploiting scenarios is non-zero.

### Recommendation

We recommend auditing of applications built on top of LayerZero and giving them some kind of trustworth status when Oracles & Relayers are demonstrably independent. Or try to design some algorithmic control mechanism of independence.

### Client's response (rev. 1.1)

The game theory dynamics are explained in the LayerZero White Paper.

## W1 - Incorrect use of SafeMath library

|                |             |                    |          |
|----------------|-------------|--------------------|----------|
| <b>Impact:</b> | Warning     | <b>Likelihood:</b> | N/A      |
| <b>Target:</b> | Relayer.sol | <b>Type:</b>       | Overflow |

### Description

Endpoint uses SafeMath library for uint64, uint128. Usage of SafeMath is necessary only if solidity version <0.8. SafeMath operations are implemented only for uint256. It can lead to overflow of smaller size uint variables. It also consumes more gas due to casting. However in this specific case, all equations results are assigned to uint256 which prevents overflow.

### Exploiting scenario

```
uint8 x = 200;  
uint8 y = 100;  
uint8 result = uint8(x.add(y));
```

Result overflows without transaction revert. However, remember that typecasting overflow is still present in Solidity >0.8.

### Recommendation

Avoid using smaller integer types with SafeMath library, always use uint256. Even better is to use newer Solidity versions. In Solidity > 0.8.0 integer overflow is checked by the compiler.

### Client's response (rev. 1.1)

We use a smaller uint type to compactly pack the struct for gas optimization. The uint64, uint128 are used to store states not to perform arithmetic operations.

## W2 - Outdated compiler

|                |         |                    |          |
|----------------|---------|--------------------|----------|
| <b>Impact:</b> | Warning | <b>Likelihood:</b> | N/A      |
| <b>Target:</b> | /**/*   | <b>Type:</b>       | Compiler |

### Description

The project uses Solidity compiler <0.8, which does not contain the latest security fixes and native overflow/underflow handling.

### Exploiting scenario

Bytecode compiled with an outdated compiler can contain critical security issues, which could be exploited by the attacker or could lead to system misbehavior.

### Recommendation

We recommend using compiler 0.8 at minimum, containing the latest bug fixes and integer overflow/underflow handling.

### Client's response (rev. 1.1)

The bug fix of solidity >0.8 does not affect our implementation to our understanding. And in our benchmark, it consumes more gas in general. So we decide to stay at 0.7.6



## W3 - Many different compiler versions

|                |         |                    |          |
|----------------|---------|--------------------|----------|
| <b>Impact:</b> | Warning | <b>Likelihood:</b> | N/A      |
| <b>Target:</b> | /**/*   | <b>Type:</b>       | Compiler |

### Description

The project uses many different Solidity compiler versions, even with floating pragma.

### Exploiting scenario

During the deployment, contracts could be compiled with a different compiler version than they were developed and tested with. This could lead to unexpected behavior or even security threats.

### Recommendation

Use the same, fixed compiler version across the whole project.

### Client's response (rev. 1.1)

For the ILayerZeroReceiver interface, we want maximum compatibility for downstream applications. For interfaces associated with partner roles such as Relayer, Oracles, and EndpointLibrary, we constraint them to use compilers with larger version >0.7.0.

## ~~W4 - Usage of third-party library~~

|                |            |                    |         |
|----------------|------------|--------------------|---------|
| <b>Impact:</b> | Warning    | <b>Likelihood:</b> | N/A     |
| <b>Target:</b> | Buffer.sol | <b>Type:</b>       | Library |

### Description

A few years ago, a critical issue was discovered in Buffer.sol library init function by [ConsenSys](#). The issue has been fixed, and it is not exploitable anymore.

### Recommendation

It is strongly recommended not to use third-party libraries unless they are heavily used and well-debugged ones (OpenZeppelin etc.). Especially third party code containing a lot of assembly code should be handled very carefully. We also recommend removing unused code from this library.

### Client's response (rev. 1.2)

Acknowledged. The Buffer has been moved to proof-lib, which will be audited individually.

## W5 - Unintended feature - Renounce ownership

|                |                          |                    |                |
|----------------|--------------------------|--------------------|----------------|
| <b>Impact:</b> | High                     | <b>Likelihood:</b> | Low            |
| <b>Target:</b> | *.sol implements Ownable | <b>Type:</b>       | Access control |

### Description

The OpenZeppelin's Ownable pattern contains `renounceOwnership()` which sets the owner address to `address(0)`. This could lead to irreversible damage of the contract.

### Exploiting scenario

This is not directly exploitable issue, but can be considered as unintended feature of the system, which can be called accidentally.

### Recommendation

We recommend using multisig wallet for the owner to avoid accidental `renounceOwnership()` call. Or it can be handled by overriding the `renounceOwnership()` function in contracts inherited from Ownable.

### Client's response (rev. 1.1)

Acknowledged.

## ~~H~~ - Not a Library

|                |                  |                    |        |
|----------------|------------------|--------------------|--------|
| <b>Impact:</b> | Warning          | <b>Likelihood:</b> | N/A    |
| <b>Target:</b> | EVMValidator.sol | <b>Type:</b>       | Syntax |

### Description

EVMValidator is in ./library/ directory, but it is actually not a library.

### Recommendation

In ./library/ directory, only libraries should be stored, not contracts to avoid confusion.

### Client's response (rev. 1.2)

Moved to proof-lib, which will be audited individually.

## I2 - Function naming convention

|                |                           |                    |                   |
|----------------|---------------------------|--------------------|-------------------|
| <b>Impact:</b> | Warning                   | <b>Likelihood:</b> | N/A               |
| <b>Target:</b> | ChainlinkOracleClient.sol | <b>Type:</b>       | Naming convention |

### Description

The contract uses incorrect function naming convention (underscores).

### Recommendation

Use camelCase naming in solidity functions.

### Client's response (rev. 1.1)

Change as suggested.

### ~~I3 - Lower case constant variable~~

|                |                  |                    |                   |
|----------------|------------------|--------------------|-------------------|
| <b>Impact:</b> | Warning          | <b>Likelihood:</b> | N/A               |
| <b>Target:</b> | EVMValidator.sol | <b>Type:</b>       | Naming convention |

**Description**

Contract's variable name `bytes32 public constant PacketSignature` is in Lower Case.

**Recommendation**

All constant variable names should be UPPER\_CASE.

**Client's response (rev. 1.2)**

Moved to proof-lib, which will be audited individually.

## 7. Appendix A - Internal findings

This section reviews findings and their fixes by the internal team.

### 7.1 Protocol message double send

|                |              |                    |                   |
|----------------|--------------|--------------------|-------------------|
| <b>Impact:</b> | High         | <b>Likelihood:</b> | N/A               |
| <b>Target:</b> | Endpoint.sol | <b>Type:</b>       | Message smuggling |

#### Description

Incorrectly stored message handling allows the Relayer to double send the message.

#### Exploiting scenario

The Relayer sends a first message with the intent to fail. Then repeats the message with proper attributes to succeed. However, the first message is still in the stored state thus the Relayer can call `retryPayload` and forward the first message as well.

#### Fix

Explicit check if there is a stored message was added. The issue is no longer exploitable.

## 7.2 Unsigned integer 16 overflow

|                |              |                    |          |
|----------------|--------------|--------------------|----------|
| <b>Impact:</b> | High         | <b>Likelihood:</b> | N/A      |
| <b>Target:</b> | Endpoint.sol | <b>Type:</b>       | Overflow |

### Description

The function `newVersion()` contains incrementation of `uint16 latestVersion`. Because the contract uses Solidity version  $< 0.8.0$ , overflow may occur.

### Exploiting scenario

After  $2^{16}$  method calls variable `latestVersion` overflows.

### Fix

Require with `latestVersion` number check was added.



## 7.3 Inflight stuck message

|                |                    |                    |                 |
|----------------|--------------------|--------------------|-----------------|
| <b>Impact:</b> | Medium             | <b>Likelihood:</b> | N/A             |
| <b>Target:</b> | UltraLigthNode.sol | <b>Type:</b>       | Data validation |

### Description

When `send()` function is called with a non-existing `chainId` argument, the message will remain in the inflight state forever.

### Fix

Argument `chainId` check was added.

# Thank You

Ackee Blockchain a.s.



Prague, Czech Republic



hello@ackeeblockchain.com



<https://discord.gg/z4KDUbuPxq>