A deep dive on ERC-20 contract vulnerabilities

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Abstract. ERC-20 is the most prominent Ethereum standard for transferable tokens. Tokens implementing the ERC-20 interface can interoperate with a large number of already deployed internet-based services and Ethereum-based smart contracts. In recent years, security vulnerabilities in ERC-20 implementations have been uncovered. We (i) systemize these across 7 auditing tools into a set of 82 distinct vulnerabilities and best practices, and (ii) use our experience to provide a new secure implementation of the ERC-20 interface, TokenHook, that is freely available and open source.[1]. We also (iii) analyze the top ten ERC-20 tokens by market capitalization for comparison.

1 Introduction

The Ethereum blockchain project was launched in 2014 by announcing Ether (ETH) as its protocol-level cryptocurrency [15,61]. Ethereum allows users to build and deploy decentralized applications (DApps), or smart contracts, that can accept and use ETH. Many DApps also issue their own custom tokens with a variety of intents, including tokens as: financial products, in-house currencies, voting rights for DApp governance, valuable assets, crypto-collectibles, *etc.* To encourage interoperability with other DApps and web apps (exchanges, wallets, *etc.*), the Ethereum community accepted a popular token standard (for non-fungible tokens) called ERC-20 [20]. While numerous ERC-20 extensions or replacements have been proposed, ERC-20 remains prominent. Of the 2.5M [42] smart contracts on the Ethereum network, 260K are tokens [53]. 97.8% of these tokens are ERC-20 [18], demonstrating their widespread acceptance by the industry and Ethereum community.

The development of smart contracts has been proven to be error-prone, and as a result, smart contracts are often riddled with security vulnerabilities. An early study in 2016 found that 45% of smart contracts at that time had vulnerabilities [31]. ERC-20 token security is particularly important given that many tokens have considerable market capitalization (*e.g.,* USDT, LINK, HT, *etc.*). As tokens can be held by commercial firms, in addition to individuals, and firms need audited financial statements in certain circumstances, the correctness of the contract issuing the tokens is now in the purview of professional auditors. One tool we examine, EY Smart Contract and Token Review [19], is from a 'big-four' auditing firm.

[1] Implementation on Etherscan with source code and deployed on Mainnet and Rinkeby: `https://bit.ly/35FMbAf`, `https://bit.ly/33wDENx`

Contributions. Similar to any new technology, Ethereum has undergone numerous security attacks that have collectively caused more than US$100M in financial losses [22,37,36,45,38,3]. Although research has been done on smart contract vulnerabilities in the past [26], our focus is on ERC-20 tokens only. Some vulnerabilities (such as multiple withdrawals) will be more serious in token contracts. This motivates us to (i) comprehensively study all known vulnerabilities in ERC-20 token contracts, systematizing them[2] into a set of 82 distinct vulnerabilities and best practices, and review the completeness and precision of auditing tools in detecting these vulnerabilities to establish the reliability of an audit based on these tools. We (ii) use this research to provide a new secure implementation of the ERC-20 interface, TokenHook, that is freely available and open source. Compared to other implementations from OpenZeppelin [34] and ConsenSys [6], it is fully compatible with ERC-20 specification while mitigates more attacks (see section 5) .Finally, (iii) we examine the practicality of our work in the context of the top ten ERC-20 tokens by market capitalization.

2 A sample of high profile vulnerabilities

ERC-20 vulnerabilities are a combination of generic DApp vulnerabilities, as well as specific attacks on the functions enforced by the ERC-20 interface. We start by examining general attack vectors [32,26,13,10,30] and cross-check their applicability to ERC-20 tokens. Among the layers of the Ethereum blockchain, our focus is on the *Contract layer* in which DApps are executed. The presence of security vulnerability in supplementary layers affect the entire Ethereum blockchain, not necessarily ERC-20 tokens. Therefore, vulnerabilities in other layers are assumed to be out of the scope (*e.g., Indistinguishable chains* at the data layer, the *51% attack* at the consensus layer, *Unlimited nodes creation* at network layer, and *Web3.js Arbitrary File Write* at application layer). Moreover, we exclude vulnerabilities identified in outdated compiler versions, for example:

- *Constructor name ambiguity* in versions before 0.4.22.
- *Uninitialized storage pointer* in versions before 0.5.0.
- *Function default visibility* in versions before 0.5.0
- *Typographical error* in versions before 0.5.8.
- *Deprecated solidity functions* in versions before 0.4.25.
- *Assert Violation* in versions before 0.4.10.

In this section, we sample some high profile vulnerabilities, typically ones that have been exploited in real world ERC-20 tokens. For each, we (i) briefly explain technical details, (ii) the ability to affect ERC-20 tokens, and (iii) discuss mitigation techniques. Later we will compile a more comprehensive list of 82 vulnerabilities and best practices (see Table 1 below), including these, however space will not permit us to discuss each one at the same level of detail as the ones we highlight in this section (however we will include a simple statement describing the issue and the mitigation).

[2] Note to reviewers: we debated if our paper is an SoK or not, but we are open to having it appear in either category.

2.1 Arithmetic Over/Under Flows.

An *integer overflow* is a well known issue in many programming languages. For ERC-20, one notable exploit was in April 2018 that targeted the BEC Token [9] and resulted in some exchanges (*e.g.,* OKEx, Poloniex and HitBTC) suspending deposits and withdrawals of all tokens. Although BEC developers had considered most of the security measurements, only line 261 was vulnerable [21] [37]. The attacker was able to pass a combination of input values to transfer large amount of tokens [39]. It was even larger than the initial supply of the token, allowing the attacker to take control of token financing and manipulate the price. In Ethereum, integer overflows do not throw an exception at runtime. This is by design and can be prevented by using the `SafeMath` library wherein `a+b` will be replaced by `a.add(b)` and throws an exception in the case of arithmetic overflow [35]. This library is offered by OpenZeppelin and has become industry standard. We use it in all arithmetic operations to catch over/under flows.

2.2 Re-entrancy

One of the most studied vulnerabilities is re-entrancy, which resulted in a US$50M attack on a DApp (called the DAO) in 2016 and triggered an Ethereum hard-fork to revert [22]. At first glance, re-entrancy might seem inapplicable to ERC-20 however any function that changes internal state, such as balances, need to be checked. Further, some ERC-20 extensions could also be problematic. One example is ORBT tokens [41] which support token exchange with ETH without going through a crypto-exchange [46]: an attacker can call the exchange function to sell the token and get back equivalent in ETH. However, if the ETH is transferred in a vulnerable way before reaching the end of the function and updating the balances, control is transferred to the attacker receiving the funds and the same function could be invoked over and over again within the limits of a single transaction, draining excessive ETH from the token contract.

This variant of the attack is known as same-function re-entrancy, but it has three other variants: cross-function, delegated and create-based re-entrancy [44]. Mutex [59] and CEI [12] techniques can be used to prevent it. In Mutex, a state variable is used to lock/unlock transferred ETH by the lock owner (*i.e.,* token contract). The lock variable fails subsequent calls until finishing the first call and changing requester balance. CEI updates the requester balance before transferring any fund. All interactions (*i.e.,* external calls) happen at the end of the function and prevents recursive calls. Although CEI does not require a state variable and consumes less Gas, developers must be careful enough to update balances before external calls. Implementation of Mutex is more efficient and blocks cross-function calls at the beginning of the function regardless of internal update sequences. CEI can also be considered as a best practice and basic mitigation for the same-function re-entrancy. We implement both techniques by `noReentrancy` modifier to enforce Mutex in addition to CEI.

2.3 Unchecked return values

In Solidity, sending ETH to external addresses is supported by three options: `call.value()`, `transfer()`, or `send()`. The `transfer()` method reverts all changes if the external call fails, while the other two return a boolean value and manual check is required to revert transaction to the initial state [4]. Before the *Istanbul* hard-fork [1], `transfer()` was the preferred way of sending ETH. It mitigates reentry by ensuring ETH recipients would not have enough gas (*i.e.,* a 2300 limit) to do anything meaningful beyond logging the transfer when execution control was passed to them. EIP-1884 [25] has increased the gas cost of some opcodes that causes issues with `transfer()`[3]. This has led to community advice to use `call.value()` and rely on one of the above re-entrancy mitigations (*i.e.,* Mutex or CEI) [33,43]. Extended ERC-20 tokens that use `call.value()` in `sell()` or `withdraw()` functions are vulnerable to this attack. They must check the returned value and revert failed fund transfers as we do in TokenHook.

2.4 Public visibility

In Solidity, visibility of functions are `Public` by default and they can be called by any external user/contract. In the Parity MultiSig Wallet hack [38], an attacker was able to call public functions and reset the ownership address of the contract, triggering a $31M USD theft. To prevent such attacks in TokenHook, we explicitly define the visibility of each function. Interactive functions (*e.g.,* `Approve()`, `Transfer()`, *etc.*) are publicly accessible per specifications of ERC-20 standard. Unlike other implementations (*e.g.,* OpenZeppelin, ConsenSys), we declare public functions with `External` keyword to improve performance (see section 3.2).

2.5 Multiple withdrawal

This ERC-20-specific issue was originally raised in 2017 [58,24]. It can be considered as a *transaction-ordering* [7] or *front-running* [14] attack. There are two ERC-20 functions (*i.e.,* `Approve()` and `transferFrom()`) that can be used to authorize a third party for transferring tokens on behalf of someone else. Using these functions in an undesirable situation (*i.e.,* front-running or race-condition) can result in allowing a malicious authorized entity to transfer more tokens than the owner wanted. There are several suggestions to extend ERC-20 standard (*e.g.,* MonolithDAO [57] and its extension in OpenZeppelin [34]) by adding new functions (*i.e.,* `decreaseApproval()` and `increaseApproval()`), however, securing `transferFrom()` method is the effective one while adhering specifications of the ERC-20 standard [40]. We added a new state variable to the `transferFrom()` function to track transferred tokens and mitigate the attack.

[3] After *Istanbul*, the `fallback()` function consumes more than 2300 Gas if called via `transfer()` or `send()` methods.

2.6 Frozen Ether

As ERC-20 tokens can receive and hold ETH, just like a user accounts, functions need to be defined to withdraw deposited ETH (including unexpected ETH mentioned above in Section ??). If these functions are not defined correctly, an ERC-20 token might hold ETH with no way of recovering it (*cf.* Parity Wallet [52]). We define a `withdraw()` function which allows the owner to transfer ETH out of the token contract. If necessary, developers can require multiple signatures to withdraw ETH.

3 A sample of best practices

In addition to reviewing known vulnerabilities, we also took into account a number of best practices for developing ERC-20 on Ethereum. Again, due to space, we highlight a few that have been accepted by the Ethereum community to proactively prevent known vulnerabilities [11]. Some best practices are specific to ERC-20, while others are generic for all DApps—in which case, we discuss their relevance to ERC-20 and to TokenHook.

3.1 Compliance with ERC-20.

According to the ERC-20 specifications, all six methods and two events must be implemented and are not optional. Moreover, ignoring them can cause failed function calls by other applications (*i.e.,* crypto-wallets, crypto-exchanges, web services, *etc.*) which are expecting them. Tokens that do not implement all methods (*e.g.,* `approve()` or `transferFrom()`) might also be vulnerable to complex attacks (*e.g.,* Fake deposit vulnerability[27], Missing return value bug[8]). For TokenHook, we implement all the required methods, and add some complementary functions such as `sell()` and `buy()`. `sell()` allows token holders to exchange tokens for ETH and `buy()` accepts ETH by adjusting buyer's token balance. This can be considered as a financial incentive in which it is possible to buy and sell tokens at a fixed price by the token contract. Otherwise, buyers will have to wait for the token to be listed on crypto-exchanges (if it ever happens) or look for a buyer themselves. In addition, it reduces the cost of token exchange by eliminating crypto-exchange's fees.

3.2 External visibility.

Solidity supports two types of *function calls*: internal and external [17]. Internal function calls expect arguments to be in memory and the EVM copies the arguments to memory. Internal calls use `JUMP` opcodes instead of creating an *EVM call.*[4] Conversely, External function calls create an *EVM call* and can read arguments directly from the `calldata` space. This is cheaper than allocating new memory and designed as a read-only byte-addressable space where the data

[4] Also known as "message call" when a contract calls a function of another contract.

parameter of a transaction or call is held [51]. A best practice is to use external functions when we expect that functions will be called externally. We follow this recommendation in TokenHook by using `External` visibility on all such methods instead of `Public`.

3.3 Fail-Safe Mode.

In the case of a detected anomaly or attack on a deployed ERC-20 token, the functionality of the token can be frozen pending further investigation. Similar to Liberty Reserve digital currency service [60], governments may compel to stop the token's ability to transact. To freeze all functionality, the owner of the token can call `pause()` function. It then sets a lock variable and methods are marked with `notPaused` modifier, throw exceptions until functionality is restored using `unpause()`. We apply `notPaused` modifier to all external functions.

4 TokenHook

We now present TokenHook, our ERC20-compliant token implementation written in Solidity. The source code is available on Etherscan, where it has been tested with MetaMask and deployed on Mainnet and Rinkeby[5]. TokenHook can be customized by developers, who can refer to each mitigation technique separately and address a specific attack. Required comments in NatSpec format [16] have been also added to clarify usage of each part. Standard functionalities of the token (*i.e.,* `approve()`, `transfer()`, *etc.*) have been unit tested. A demonstration of token interactions and event triggering can also be seen on Etherscan[6]. Compared to other implementation from OpenZeppelin [34] and ConsenSys [6], TokenHook has the following advantages[7]:

- Unlike OpenZeppelin which uses two complementary functions to mitigate *multiple withdrawal attack*, TokenHook secures `transferFrom()` function without introducing new functions. It is therefore fully compliant with the ERC-20 standard.
- TokenHook mitigate *Frozen Ether* issue by introducing `withdraw()` function while sent ETH to OpenZeppelin contract are unrecoverable.
- *Fail-Safe Mode* is a builtin feature of TokenHook while OpenZeppelin tokens require incorporation of `Pausable.sol` contract.
- OpenZeppelin requires other optimizations such as *Locking the pragma*, *Emitting Change event when changing state variable values*, *Initializing totalSupply in constructor*, uses `External` visibility instead of Public, *etc.*.
- Using reusable blocks of code by OpenZeppelin made the code complex and challenging for auditing tools. Developers need to manually check the code for vulnerabilities.

[5] Etherscan: `https://bit.ly/35FMbAf`

[6] Etherscan: `https://bit.ly/33xHfL2`, `https://bit.ly/35TimMW`

[7] According to GitHub page of ConsenSys token, it is deprecated. We therefore consider only OpenZeppelin implementation.

- Having different ERC-20 implementation minimizes the possibility of bugs that existed in the past.Between 17 March 2017 and 13 July 2017, OpenZeppelin implemented the wrong interface in their framework. It affected 130 tokens including biggest tokens such as Binance and OmiseGO [8].

In addition to the standard ERC-20 methods, we also implement complementary features for exchanging tokens and ETH. These are only useful for tokens with a fixed exchange rate, which is managed by the `exchangeRate` variable.

5 Audit Tools

We used a variety of code audit tools on TokenHook to validate the code and also to illuminate the completeness and error-rate of such tools on one specific use-case (similar work studies in less depth a variety of use-cases [2]). We did not adapt older tools that support significantly lower versions of the Solidity compiler (*e.g.,* Oyente). The following seven tools are all publicly available: (1) EY Review Tool by Ernst & Young Global Limited [19], (2) SmartCheck by SmartDec [49], (3) Securify v2.0 by ChainSecurity [55], (4) ContractGuard by GuardStrike [23], (5) MythX by ConsenSys [5], (6) Slither Analyzer by Crytic [29] and (7) Odin by Sooho [50].

A total of 82 audits have been conducted by these auditing tools. Audits include best practices and security vulnerabilities. The results are summarized in Tables 1–3 and sorted by Smart Contract Weakness Classification (SWC) [48]. To compile the list, we referenced the knowledge-base of each tool, understood each threat, manually mapped the audit to the corresponding SWC registry [54,49,5,23,29], and manually determined when different tools were testing for the same vulnerability or best practice (which was not always clear from the tools' own descriptions). Since each tool employs different methodology to analyze smart contracts (*e.g.,* comparing with violation patterns, applying a set of rules, using static analysis, *etc.*), there are false positives to manually check. The following are some examples of false positives (which we do not count in calculating our success rate):

- *MythX* detects *Re-entrancy attack* in the *noReentrancy* modifier. In Solidity, modifiers are not like functions. They are used to add features or apply some restriction on functions [47]. Using modifiers is a known technique to implement Mutex and mitigate the attack [56]. This is a false positive and note that other tools have not identified the attack in modifiers.
- *ContractGuard* flags *Re-entrancy attack* in `transfer()` function while both CEI and Mutex are implemented.
- *Slither* detects two *low level call* vulnerabilities[28]. This is due to use of `call.value()` that is recommend way of transferring ETH after *Istanbul* hard-fork (EIP-1884). Therefore, adapting analyzers to new standards can improve accuracy of the security checks.

ID	SWC	Vulnerability or best practice Mitigation or recommendation	EY Token Review	Smart Check	Securify	MythX (Mythril)	Contract Guard	Slither	Odin
1	100	**Function default visibility** Specifying function visibility, external, public, internal or private		✓		✓	✓		✓
2	101	**Integer Overflow and Underflow** Utilizing the SafeMath library to mitigate over/under value assignments	⊕	!		✓	✓		✓
3	102	**Outdated Compiler Version** Using proper Solidity version to protect against compiler attacks	✓	✓	✓	✓	✓	✓	×
4	103	**Floating Pragma** Locking the pragma to avoid deployments using outdated compiler version		✓	✓	✓		✓	✓
5	104	**Unchecked Call Return Value** Checking call() return value to prevent unexpected behavior in DApps	⊕		✓	✓	✓	⊕	✓
6	105	**Unprotected Ether Withdrawal** Authorizing only trusted parties to trigger ETH withdrawals		!		✓		✓	✓
7	106	**Unprotected SELFDESTRUCT Instruction** Removing self-destruct functionality or approving it by multiple parties			✓	✓		✓	✓
8	107	**Re-entrancy** Using CEI and Mutex to mitigate self-function and cross-function attacks		✓	⊕	⊕	⊕	✓	✓
9	108	**State variable default visibility** Specifying visibility of all variables, public, private or internal	✓	✓	✓	✓	✓		✓
10	109	**Uninitialized Storage Pointer** Initializing variables upon declaration to prevent unexpected storage access	✓	✓	✓	✓	✓	✓	✓
11	110	**Assert Violation** Using require() statement to validate inputs, checking efficiency of the code		✓		✓			✓
12	111	**Use of Deprecated Solidity Functions** Using new alternatives functions such as keccak256() instead of sha3()		✓		✓	✓	✓	✓
13	112	**Delegatecall to untrusted callee** Calling into trusted contracts to avoid storage access by malicious contracts		⊕	⊕	✓	✓	✓	✓
14	113	**DoS with Failed Call** Avoid multiple external calls where one error may fail other transactions	✓	✓		✓	✓		✓
15	114	**Transaction Order Dependence** Preventing race conditions by securing approve() or transferFrom()	⊕		✓	✓			✓
16	115	**Authorization through tx.origin** Using msg.sender to authorize transaction initiator instead of originator	✓	✓	✓	✓	✓	✓	✓
17	116	**Block values as a proxy for time** Not using block.timestamp or block.number to perform functionalities	✓	✓	✓	✓	✓		✓
18	117	**Signature Malleability** Not using signed message hash to avoid signatures alteration				✓			✓
19	118	**Incorrect Constructor Name** Using constructor keyword which does not match with contract name		✓		✓			✓
20	119	**Shadowing State Variables** Removing any variable ambiguities when inheriting other contracts			✓	✓	✓	✓	✓
21	120	**Weak Sources of Randomness from Chain Attributes** Using oracles as source of randomness instead of block.timestamp	✓	✓		✓	✓		✓
22	121	**Missing Protection against Signature Replay Attacks** Storing every message hash to perform signature verification				✓			✓
23	122	**Lack of Proper Signature Verification** Using alternate verification schemes if allowing off-chain signing				✓			✓
24	123	**Requirement Violation** Checking the code for allowing only valid external inputs		✓	✓	✓			✓
25	124	**Write to Arbitrary Storage Location** Controlling write to storage to prevent storage corruption by attackers		✓	✓	✓			✓
26	125	**Incorrect Inheritance Order** Inheriting from more general to specific when there are identical functions				✓			✓
27	126	**Insufficient Gas Griefing** Allowing trusted forwarders to relay transactions		✓					✓

Table 1. Auditing results of 7 smart contract analysis tools on TokenHook. ✓=Passed audit, ⊕=False positive, ×=Failed audit, Empty=Not supported audit by the tool, !=Informational, ◯=Tool specific audit (No SWC registry), BP=Best practice

ID	SWC	Vulnerability or best practice / Mitigation or recommendation	EY Token Review	Smart Check	Securify	MythX (Mythril)	Contract Guard	Slither	Odin
28	127	**Arbitrary Jump with Function Type Variable** Minimizing use of assembly in the code		✓	✓	✓		✓	✓
29	128	**DoS With Block Gas Limit** Avoiding loops across the code that may consume considerable resources	✓	✓	✓	✓	✓	✓	✓
30	129	**Typographical Error** Using SafeMath library or performing checks on any math operation				✓			✓
31	130	**Right-To-Left-Override control character (U+202E)** Avoiding U+202E character which forces RTL text rendering			✓	✓	✓	✓	✓
32	131	**Presence of unused variables** Removing all unused variables to decrease gas consumption		✓	✓		✓	✓	⊕
33	132	**Unexpected Ether balance** Avoiding Ether balance check in the code (*e.g.,* this.balance == 0.24 Ether)		✓	✓		✓	✓	✓
34	133	**Hash Collisions With Variable Length Arguments** Using abi.encode() instead of abi.encodePacked() to prevent hash collision							✓
35	134	**Message call with hardcoded gas amount** Using .call.value()("") which is compatible with EIP1884		⊕	⊕	✓	✓		✓
36	135	**Code With No Effects** Writing unit tests to ensure producing the intended effects by DApps		✓					✓
37	136	**Unencrypted Private Data On-Chain** Storing un-encrypted private data off-chain		!					✓
38	◯	**Allowance decreases upon transfer** Decreasing allowance in transferFrom() method	✓						
39	◯	**Allowance function returns an accurate value** Returning only value from the mapping instead of internal function logic	✓						
40	◯	**It is possible to cancel an existing allowance** Possibility of setting allowance to 0 to revoke previous allowances	✓	✓					
41	◯	**A transfer with an insufficient amount is reverted** Checking balances in transfer() method before updating balances	✓					✓	
42	◯	**Upon sending funds, the sender's balance is updated** Updating balances in transfer() or transferFrom() methods	✓						
43	◯	**The Transfer event correctly logged** Emitting Transfer event in transfer() or transferFrom() functions	✓						
44	◯	**Transfer an amount that is greater than the allowance** Checking balances in transferFrom() method before updating balances	✓						
45	◯	**Risk of short address attack is minimized** Using recent Solidity version to mitigate the attack	✓				✓		
46	◯	**Function names are unique** No function overloading to avoid unexpected behavior	✓					✓	
47	◯	**Using miner controlled variables** Avoiding block.number, block.timestamp, block.difficulty, now, etc	✓	✓	✓	✓	✓	✓	
48	◯	**Use of return in constructor** Not using return in contract's constructor		✓					
49	◯	**Throwing exceptions in transfer() and transferFrom()** Returning true after successful execution or raising exception in failures		✓				✓	
50	◯	**State variables that could be declared constant** Adding constant attribute to variables like name, symbol, decimals, etc						✓	
51	◯	**Tautology or contradiction** Fixing comparison in the code that are always true or false						✓	
52	◯	**Divide before multiply** Ordering multiplication prior division to avoid integer truncation						✓	
53	◯	**Unchecked Send** Ensuring that the return value of send() is always checked						✓	
54	BP	**Too many digits** Using scientific notation to make the code readable and simpler to debug						✓	

Table 2. Continuation of Table 1.

ID	SWC	Vulnerability or best practice Mitigation or recommendation	EY Token Review	Smart Check	Securify	MythX (Mythril)	Contract Guard	Slither	Odin
			Security tools						
55	BP	**The decreaseAllowance definition follows the standard** Defining decreaseAllowance input and output variables as standard	✓						
56	BP	**The increaseAllowance definition follows the standard** Defining increaseAllowance input and output variables as standard	✓						
57	BP	**Minimize attack surface** Checking whether all the external functions are necessary or not	✓	✓	✓				
58	BP	**Transfer to the burn address is reverted** Reverting transfer to 0x0 due to risk of total supply reduction	✓						
59	BP	**Source code is decentralized** Not using hard-coded addresses in the code	✓	✓					
60	BP	**Funds can be held only by user-controlled wallets** Transferring tokens to users to avoid creating a secondary market	!						
61	BP	**Code logic is simple to understand** Avoiding code nesting which makes the code less intuitive	✓	✓					
62	BP	**All functions are documented** Using NatSpec format to explain expected behavior of functions	✓						
63	BP	**The Approval event is correctly logged** Emitting Approval event in the approve() method	✓						
64	BP	**Acceptable gas cost of the approve() function** Checking for maximum 50000 gas cost when executing the approve()	!						
65	BP	**Acceptable gas cost of the transfer() function** Checking for maximum 60000 gas cost when executing the transfer()	!						
66	BP	**Emitting event when state changes** Emitting Change event when changing state variable values	✓						
67	BP	**Use of unindexed arguments** Using indexed arguments to facilitate external tools log searching		✓			✓	✓	
68	BP	**ERC-20 compliance** Implementing all 6 functions and 2 events as specified in EIP-20	✓	✓	✓		✓	✓	
69	BP	**Conformance to naming conventions** Following the Solidity naming convention to avoid confusion						✓	
70	BP	**Token decimal** Declaring token decimal for external apps when displaying balances	✓						
71	BP	**Locked money (Freezing ETH)** Implementing withdraw/reject functions to avoid ETH lost		✓			✓	✓	
72	BP	**Malicious libraries** Not using modifiable third-party libraries		✓					
73	BP	**Payable fallback function** Adding either fallback() or receive() function to receive ETH		✓			✓		
74	BP	**Prefer external to public visibility level** Improving the performance by replacing public with external		✓				✓	
75	BP	**Token name** Adding a token name variable for external apps	✓						
76	BP	**Error information in revert condition** Adding error description in require()/revert() to clarify the reason					✓		
77	BP	**Complex Fallback** Logging operations in the fallback() to avoid complex operations					✓		
78	BP	**Function Order** Following fallback, external, public, internal and private order					✓		
79	BP	**Visibility Modifier Order** Specifying visibility first and before modifiers in functions						✓	
80	BP	**Non-initialized return value** Not specifying return for functions without output		✓			✓[6]		
81	BP	**Token symbol** Adding token symbol variable for usage of external apps	✓						
82	BP	**Allowance spending is possible** Ability of token transfer by transferFrom() to transfer tokens on behalf of another usercalc	✓						
		99.5% success rate in performed audits by considering 'False Positives' and 'Informational' checks as 'Passed' (More details in section 5)	100%	100%	100%	100%	100%	100%	97%

Table 3. Continuation of Table 2.

- *SmartCheck* recommends not using `SafeMath` and check explicitly where overflows might be occurred. We consider this failed audit as false possible whereas utilizing `SafeMath` is a known technique to mitigate over/under flows. It also flags *using a private modifier* as a vulnerability by mentioning, "miners have access to all contracts' data and developers must account for the lack of privacy in Ethereum". However private visibility in Solidity concerns object oriented inheritance not confidentiality. For actual confidentiality, the best practice is to encrypt private data or store them off-chain (this is more applicable to smart contracts than ERC-20 tokens). The tool also warns against `approve()` in ERC-20 due to front-running attacks (see above). Despite EIP-1884, it still recommends using of `transfer()` method with stipend of 2300 gas. There are other false positives such as SWC-105 and SWC-112 that are passed by other tools.
- *Securify* detects the *Re-entrancy* attack due to unrestricted writes in the `noReentrancy` modifier [55]. Modifiers are the recommended approach and are not accessible by users. It also flags *Delegatecall to Untrusted Callee (SWC-112)* while there is no usage of `delegatecall()` in the code. It might be due to use of `SafeMath` library which is an embedded library. In Solidity, embedded libraries are called by JUMP commands instead of `delegatecall()`. Therefore, excluding embedded libraries from this check might improve accuracy of the tool. Similar to *SmartCheck*, it still recommends to use the `transfer()` method instead of `call.value()`.
- *EY token review* considers `decreaseAllowance` and `increaseAllowance` as standard ERC-20 functions and if not implemented, recognizes the code as vulnerable to a *front-running* attack. These two functions are not defined in the ERC-20 standard [20] and considered only by this tool as mandatory functions. There are other methods to prevent the attack while adhering ERC-20 specifications (see Rahimian *et al.* for a full paper on this attack and the basis of the mitigation in TokenHook [40]). The tool also falsely detects the *Overflow* attack, mitigated through `SafeMath`. Another identified issue is *Funds can be held only by user-controlled wallets*. The tool warns against any token transfer to Ethereum addresses that belong to smart contracts. However, interacting with ERC-20 token by other smart contracts was one of the main motivations of the ERC-20 standard. It also checks for maximum 50000 gas in `approve()` and 60000 in `transfer()` method. We could not find corresponding SWC registry or standard recommendation on these limitations and therefore consider them as informational.
- *Odin* raises *Outdated compiler version* issue due to locking solidity version to 0.5.11. We have used this version due to its compatibility with other auditing tools. Furthermore, other tools have not identified such an issue and we therefore consider it as informational.

After manually overriding the false positives, the average percentage of passed checks for TokenHook reaches to 99.5%. To pass the one missing check and reach

ERC-20 Token	Auditing Tool							Total issues
	EY Token Review	Smart Check	Securify	MythX (Mythril)	Contract Guard	Slither	Odin	
TokenHook	9	11	4	2	10	2	2	**40**
TUSD	20	11	2	1	14	16	6	**70**
PAX	16	9	6	4	16	13	9	**73**
USDC	17	9	6	5	18	15	10	**80**
INO	11	10	14	8	14	24	12	**93**
HEDG	10	28	11	1	29	24	16	**119**
BNB	13	21	12	13	41	39	3	**142**
MKR	11	27	38	9	16	34	18	**153**
LINK	12	27	38	9	16	34	18	**181**
USDT	12	29	8	17	46	55	30	**197**
LEO	32	25	8	23	70	75	19	**252**

Table 4. Security flaws detected by seven auditing tools in TokenHook (the proposal) compared to top 10 ERC-20 tokens by market capitalization in May 2020. TokenHook has the lowest reported security issues (occurrences).

a 100% success rate across all tools, we prepared the same code in Solidity version 0.7.1[8] however it cannot be audited anymore with most of the audit tools.

5.1 Comparing audits

We repeated the same auditing process on the top ten tokens based on their market cap [18]. The result of all these evaluation have been summarized in table 4 by considering false positives as failed audits. This provide the same evaluation conditions across all tokens. Since each tool uses different analysis methods, number of occurrences are considered for comparisons. For example, MythX detects two re-entrancy attack in TokenHook; therefore, two occurrences are counted instead of one. As it can be seen in Table 4, TokenHook has the least number of security flaws (occurrences) compared to other tokens. We stress that detected security issues for TokenHook are all false positives.

6 Conclusion

98% of tokens on Ethereum today implement ERC-20. While attention has been paid to the security of Ethereum DApps, threats to tokens can be specific to ERC-20 functionality. Further, there is no vulnerability reference site (*cf.* the SWC Registry) specifically for ERC-20 tokens. In this paper, we provide a detailed study of ERC-20 security, collecting and deduplicating 82 vulnerabilities and best practices, examining the ability of seven audit tools, and auditing 10 ERC-20 deployments. Most importantly, we provide a concrete implementation of ERC-20 called TokenHook. It is designed to be secure against known vulnerabilities. We test it at Solidity version 0.5.11 (due to the limitation of the audit tools) and also provide it at 0.7.1. TokenHook can be used as template to deploy

[8] `https://bit.ly/33wDENx`

new ERC-20 tokens, migrate current vulnerable deployments, and to benchmark the precision of Ethereum audit tools.

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