University of Verona

Department of Engineering for Innovation Medicine

Master's degree in Computer Engineering For Robotics And Smart Industry

Thesis title: *Social Engineering and Smart Contracts: Unveiling Vulnerabilities and Fortifying Defenses in Industrial Applications*

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Academic Year. 2023/2024

Abstract

Our lives revolve around connected smart devices: from watches, phones and home systems to other IoT gadgets that all but render mundane everyday activities a thing of the past. This was generally seen as a positive turn of events but sooner than later people realized that this convenience also brought along the risks even if it fits well for smart contracts. Implemented on decentralized blockchain systems, these contracts are supposed to provide safe, transparent and automated operations. But their use is being steadily outstripped by flaws just as humans are still key to many attacks carried out over IT and OT infrastructures; typically, through social engineering that tricks people into giving up information that allow criminals to access the targeted devices or systems.

This work investigates smart contract exploits in industrial use-cases and explains how human error and trust contribute to social engineering attacks. This research goes into the techniques that cyber criminals use, and presents them by doing an extensive literature review, observing real world attacks, as well as talking to some industry experts. The examination reveals the frequency of phishing, impersonation and manipulation methods of individual and corporate attacks that compromise any type of systems regardless of their sophistication.

In addition to identifying the threats, this article proposes practical countermeasures such as continuous education, good security practices and improved protection techniques adapted for smart contracts in an industrial environment. This work underlines the need for protective measures to finally be incorporated by an industry that is already fully going on with utilizing blockchain technology. In a world that is hyperconnected, most innovative technologies, without robust security postures and renewed vigilance, can place an organization at risk of sizeable financial losses and operational interruptions.

Acknowledgments

I would like to express my deepest gratitude to my supervisor, **Prof.Mariano Ceccato**, for his invaluable guidance, continuous support, and encouragement throughout the development of this thesis. His insights and expertise have been crucial in shaping the direction of my work.

I am also grateful to my family and friends for their unwavering support and understanding, particularly during the more challenging times of my research. Their encouragement helped me persevere and remain focused.

Finally, I would like to thanks **ME** that believed in myself and my ambition and never give up no matter what.

Chapter 1: Introduction

1.1 Context and Background

The revolutionary impact of the Internet of Things (IoT)From health-monitoring smartwatches to intelligent home systems and more! IoT devices have moved literally and metaphorically from being just connected, to now participating in larger networks that span industries such as manufacturing and healthcare delivering enhanced productivity to support greater automation. This concern becomes much more significant when under Industry 4.0 and IoT 5.0 which is emerging scale of automation, AI on the role of machines overreaches to a public humanized industry platform Bool which creates further revolutions in these industrial processes (e.g., safety-critical applications during digital twins). IoT becomes the base of almost all monitoring, maintenance and operational systems in Industry, many governed by smart contracts at a process level especially the latest versions. A social engineering breach can cause massive damage like stealing money, shutting down production, or may even pose a safety risk.

Now yielding to the blockchain technology Industry 4.0 era and the imminent IoT 5.0 intelligent automation AI-driven human-centered industrial processes this question is even more stark in such time, IoT (especially in its newer versions) is a lifeline of control, monitoring and management which is the basis for 80% of industrial systems where automatically regulated smart contacts govern a whole bunch technical procedures. The consequences of a social engineering breach can be catastrophic in some cases, resulting in everything from financial loss to production shutdowns or even safety hazards for those who just recently started using blockchain technology that provides trust and transparency through smart contracts—self-executing programs which automatically carry out the terms of any agreement between parties based on pre-defined dispute . This is a boon especially in industries where trust and transparency matter, such as finance or logistics and supply chains.

Despite the advancements brought about by IoT and Industry 4.0, smart contracts continue to represent a significant vulnerability in industrial systems. These concerns are further heightened as we transition into the era of IoT 5.0, where industrial processes are increasingly reliant on automation, artificial intelligence, and human-centered technologies. In its latest iterations, IoT plays a pivotal role in the monitoring, maintenance, and operation of numerous industrial systems, many of which are governed by smart contracts.

A successful social engineering attack in this context can have catastrophic consequences, ranging from financial losses and production shutdowns to safety risks. These risks are particularly pronounced in today's technological landscape, where the integration of automation and AI into industrial systems introduces additional complexities.

Moreover, social engineering attacks often exploit human vulnerabilities by deceiving individuals into disclosing sensitive information or performing actions that compromise security. For instance, attackers may trick users into entering their private keys or login credentials on fraudulent websites through phishing schemes, thereby undermining the trust and security that blockchain technology seeks to establish.

Moreover, these concerns are magnified in the context of Industry 4.0 and the upcoming IoT 5.0, where automation, artificial intelligence, and human-centric technologies push industrial revolutions to unprecedented limits. IoT, particularly in its most recent iterations, underpins the monitoring, maintenance, and operations of numerous industrial systems, many of which are governed by smart contracts. A successful social engineering attack in this context could lead to serious consequences, ranging from financial losses and production shutdowns to compromised safety.

As the industry transitions further into the realms of Industry 4.0 and IoT 5.0, the integration of automation, AI, and human-centered technologies

introduces new complexities into industrial systems. These advancements, while transformative, also increase the potential for vulnerabilities. In modern IoT systems, where many processes are regulated by smart contracts, the risk of a social engineering attack can have devastating consequences, such as financial losses, operational disruptions, or even safety hazards.

With IoT 5.0 poised to introduce deeper automation, AI-driven processes, and human-centered innovations, the stakes are even higher. The reliance on IoT for critical functions like monitoring, maintenance, and operations in industrial systems highlights the need for enhanced security measures. Social engineering breaches targeting these systems can lead to catastrophic outcomes, including financial loss, production downtime, and severe safety incidents.

It is therefore imperative to address these vulnerabilities, particularly in the context of smart contract implementations, which often represent a weak link in the cybersecurity chain. The identification and mitigation of these risks are essential as we move further into the era of industrial IoT and smart contracts. This thesis aims to explore how such attacks operate and proposes solutions to neutralize social engineering threats.

1.2 Thesis Statement and Aims

The expected outcomes of this work include an exploration of weaknesses in smart contracts, particularly those used in industrial applications, and how these vulnerabilities can be exploited through social engineering attacks. The research also aims to propose practical measures for enhancing the security of these contracts. Specifically, this thesis seeks to address the following question:

How are smart contracts vulnerable to social engineering attacks, and how can they be better protected in industrial settings?

To answer this question, the following objectives have been outlined:

1. Case Studies of Real-World Examples: Investigate documented cases where social engineering attacks led to breaches in blockchain-based systems, with a focus on human error.
2. Literature Review: Conduct a critical review of the literature regarding security gaps in smart contracts and assess the effectiveness of current defense strategies.
3. Propose Improved Defense Strategies: Develop and recommend stronger security measures tailored to protect smart contracts from social engineering attacks, focusing on practical solutions for industrial applications.
4. Recommend Continuous Education: Provide recommendations for ongoing education and awareness programs to minimize human errors, a key factor in social engineering attacks. Reducing these errors will enhance the security of smart contracts.

This structure allows for a comprehensive investigation of smart contract vulnerabilities and the development of effective solutions to enhance their security in industrial applications.

1.3 Significance of the Study

The significance of this study lies in its focus on the dynamic and ever-evolving field of cybersecurity, particularly within blockchain and IoT technology. As industries increasingly adopt these technologies to streamline operations, improve efficiency, and reduce costs, the risks associated with their misuse grow correspondingly.

To ensure the safety of enterprises relying on these technologies, it is critical to understand the vulnerabilities of smart contracts, particularly in terms of

social engineering attacks. Should such attacks occur in industries utilizing IoT and smart contracts, the consequences could be catastrophic. These breaches could lead to the theft of sensitive data, unauthorized access to vital infrastructure, or even financial sabotage. By identifying the weaknesses in modern smart contract implementations and offering effective countermeasures, this research aims to equip organizations with the tools needed to prevent and defend against these threats.

Additionally, this study seeks to bridge the gap between technical security measures and the human element in cybersecurity. While much focus in cybersecurity is on building robust technical defenses, social engineering attacks target the often-overlooked human aspect. This research highlights the need for continuous training and awareness, stressing that technological solutions alone are insufficient to combat cybercrime. Addressing the human element is crucial for completing any security strategy.

The findings from this research will benefit a wide range of individuals, from blockchain developers and security professionals implementing these protective techniques, to industry leaders who can use these insights to develop educational programs that reduce the risk of social engineering attacks. Ultimately, this research aims to contribute to the ongoing effort to secure IoT and blockchain technologies in an increasingly interconnected world.

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Chapter 2: History

2.0 Introduction to Smart Contracts in Ethereum

The rapid advancements in **Industry 4.0** and the emerging **IoT 5.0** are transforming industrial processes through automation, AI, and human-centered technologies. In this era, **IoT** serves as the backbone of monitoring and operations in industries, with **smart contracts** governing many processes. A smart contract is a **self-executing program** stored on a blockchain, designed to automate agreements when predefined conditions are met, eliminating the need for intermediaries.

The importance of **blockchain** lies in its decentralized nature, ensuring that the contract's terms are immutable, transparent, and tamper-proof. Smart contracts are **trustless** since they do not rely on external parties to enforce the agreement, making them secure and self-sufficient. Transactions are **encrypted and recorded** on the blockchain, ensuring security and reducing the risk of fraud.

Smart contracts are increasingly used in sectors like **finance, supply chains, insurance, and real estate**. However, **social engineering** breaches pose significant threats, potentially leading to financial losses or operational disruptions.

2.1 Theoretical Background of the Techniques

Smart contracts have been one of the most groundbreaking revolutions in the world of blockchain technology. Proposed by Nick Szabo in 1994, the idea of using a cryptographically secure mechanism to digitize and enforce traditional paper/legal contracts for use in electronic commerce transactions is what smart contracts are all about (Szabo, 1997). In simple terms, smart contract is a self-executing digital contract wherein the agreement between the parties is directly written into code. If the pre-defined conditions of the contract are satisfied, then the agreement gets enforced by computer network automatically with no need for manual intervention. (10) Hence, this type of

contract is self-enforced so no one can cheat or do not adhere to the agreement and hence automatically both parties in the agreement become accountable.

Smart contracts work on top of decentralized blockchain platforms, notably Ethereum whose mainnet launched in 2015 that specifies smart contracts and decentralized applications (dApps) (Buterin, 2013). Solidarity — A Turing-complete programming language, enabling developers to write high complexity smart contracts capable of doing almost anything on Ethereum. The best contracts are the ones stored on the block chain, and that implies you have a transparent, immutable, secure computer program (Luu et al.

Smart contract features

- Decentralized: Smart contracts are native to blockchain networks, which means a central party is not needed for the contracts to be executed, thus reducing requirement of intermediaries like banks, brokers or lawyers (Werner et al., 2020).

Transparency: Smart contracts executed on a public blockchain make the contract terms clear and non-editable once deployed (Tsankov et al., 2018).

- Security: Smart contracts use cryptographic protocols to guarantee the security of transactions, which means once a transaction is enacted it is virtually impossible for any single entity or group of arbitrary entities alter it and its outcomes (Atzei, Bartoletti& Cimoli, 2017).

– Automation and Efficiency: Automatically executes when the desired conditions are met, so there are no delays to due human intermediacy, leading to transaction cost reduction (Luu et al., 2016)

- Immutability: A smart contracts code will, once deployed to the blockchain, be stuck there forming a type of immutable law which means it will always run exactly as programmed without the possibility of frauds or third parties between users and the businesses they share transactions with (Buterin 2013).

Smart contracts rest on a technical basis, which orients itself towards the consensus mechanisms of blockchain, namely Proof of Work (PoW) or Proof of Stake (PoS). Consensus Protocols- these are rules to which all nodes (participants) rest on, that agree upon the order and value of transactions included in blocks (Blockchain Technology Overview - NIST Special Publication 800–207).

2.1.2 Development Of Smart Contracts

The idea of smart contract was first popularized by Bitcoin which introduced a basic form of script to its transactions. However, the design of Bitcoin's scripting language was kept intentionally minimal for reasons both related to security and to prevent overly complicated or potentially flawed contracts (Werner et al., 2020). When the restrictions that Bitcoin hand mechanical feature potential turned into clear Ethereum was made to offer a sophisticated platform for AI based on blockchain performance to make clever contracts (Buterin, 2013).

The release of Ethereum in 2015 represented a quantum leap forward for smart contract technology. Ethereum was built with the Solidity programming language which enabled developers to code highly conditional logic within a contract, creating use-cases from basic payments all the way to decentralized autonomous organizations (DAOs) (Daian et al., 2019). Together with other advantages, Ethereum being the first-ever platform supporting a Turing-Complete contract language has realized these flexible contracts, leading to the quick adoption of for example DeFi (Decentralized Finance), games, Supply Chain Management etc. (Chen et al., 2020).

And the rest, as they say is history: the Ethereum ecosystem has blossomed into a vast and varied network of developers building new applications on top of smart contracts (Qin et al., 2020). If you have noticed Ethereum alternatives like Hyperledger, EOS or even Cardano you know what I mean. Some platforms aim to resolve the problems of Ethereum (e.g., scalability and transaction costs) while keeping intact the values it inherits, namely decentralization and security (Atzei et al. 2017).

2.2 Social Engineering

2.2.1 Definitions And Explanation

Social engineering is the practice of tricking humans into revealing personal information or taking actions that undermine security. It affects a different area than traditional hacking that mainly focuses on exploiting technical vulnerabilities. Inquiring about the human element instead. (Abass & Kacem, 2020). If social engineers exploit human psychology, what hope is there even the sleekest security controls.

Thinking fundamentally, social engineering is based on trust. Victims might be tricked by what looks like a legitimate and trusted scheme, that causes sensitive information (e.g., passwords, security codes, or private keys) to leak to the attackers. Many of these attacks leverage impersonation, obfuscation and social engineering that are hard to understand (Zheng et al., 2017).

Social engineering attacks can take many forms, for example from low-tech in-person manipulations to higher tech and technologically mediated campaigns (Jagatic, Johnson, Jakobsson & Menczer, 2007). These attacks, which are different from each other in diversity, carry a common goal of exploiting the human element in cybersecurity. Social engineering attacks which use phishing emails, phone calls or fake websites, will get the victims to unknowingly help an attacker and reach a target system/network.

2.2.2. Types of Social Engineering Attacks

Examples of social engineering attacks

Spear Phishing: Spear phishing involves sending fraudulent messages, often via email, that appear to come from a trusted supplier. These messages typically encourage the recipient to click on a malicious link, download an infected file, or provide sensitive information such as login credentials (Zhao, Zhang, & Wang, 2020).

Spear Phishing: Spear phishing is a more targeted form of phishing aimed at specific organizations. Attackers conduct prior research on their targets to

craft personalized messages that increase the likelihood of success (Siegel et al., 2018).

Baiting: This type of attack manipulates victims into revealing personal information or inadvertently enabling a security breach by offering a lure, such as free software or downloads (Abass & Kacem, 2020).

Pretexting: In pretexting, the attacker constructs a fabricated scenario to deceive the victim into disclosing sensitive information.

Quid Pro Quo: Quid pro quo attacks involve offering a service or benefit in exchange for valuable information (Chen et al., 2020).

Tailgating (Piggybacking): Tailgating occurs when an unauthorized individual gains physical access to a secure area by following someone with legitimate access, exploiting their entry.

2.3 Real World Smart Contracts and Social Engineering Attacks

Smart contracts are also becoming more popular targets for social engineering attacks. These attacks are the ones using human error or they manipulate themselves through these complex and sound security systems. This list is going to talk about some of the more prominent examples of compromised smart contracts and draw out lessons to be learned from them as well potential things that can be done to prevent these types of incidents.

2.3.1 The Nexus Mutual Hack (2020)

A social engineering attack occurred in 2020 on the Ethereum-based decentralized insurance platform called Nexus Mutual, losing $8 million of NXM tokens (CoinTelegraph, 2020). Unlike typical smart contract vulnerabilities, this attack was entirely based on social engineering. Using sophisticated spear-phishing methods, the attacker focused on Nexus Mutual founder Hugh Karp and managed to trick him into signing a malicious

transaction drafted to look like an ordinary MetaMask wallet interaction. After the attacker took control of Karp's wallet, they siphoned off his balance (Zhao et al).

It is proof the blockchain industry has become an imminent target by advanced social engineering have to realized someone targeting own self so awareness shall be more secure while dealing with decentralized protocol. Smart contract protocols are secure but however, they can be exploited through human manipulation. Running these risks requires additional security measures, as it is) Triziure provisions must strengthen to face phishing attacks (Chen et al., 2020).

2.3.2. Sustained Phishing Attacks Aimed at MetaMask Users

A popular interface to interact with dApps on Ethereum, the MetaMask browser wallet has thus far been trolled by multiple phishing attacks. Imitators pretending to be MetaMask support also pursue similar tactics by developing fake clones of MetaMask that try tricking users into revealing their private keys and seed phrases (CoinTelegraph, 2020). After coming to know of this detail, the attackers can withdraw the funds from the user (Siegel et al., 2018).

Examples of phishing attacks against MetaMask users illustrate the critical role user education and awareness play in preventing socially engineered exploits. Regarding security, the biggest example of user vigilance is MetaMask — while they make it very clear that users should never disclose their seed phrase and suggest using hardware wallets for stronger security, they still need some human effort (Zhao et al., 2020).

2.4 Key Smart Contract Vulnerabilities and Remedy

The blockchain technology underneath is secure, but the complexity and immutability of smart contracts open a few clever attack vectors to bad actors. This chapter will cover common attack vectors and impact areas of smart contracts due to human factors, and ways to mitigate them to reduce the risk.

2.4.1 Social Engineering Vulnerability

While that seems very well in terms of security provided by smart contracts, those are still weak against social engineering attacks. These attacks are not against the tech itself, but rather exploiting human psychology to get users to share sensitive data like private keys or interacting with malicious contracts. They could use methods like phishing attacks, or they might pretend to be other people and convince the user into revealing their credentials or authorizing wrong operation. Because attacks to transactions in blockchain are typically immutable, which can lead to financial loss in an irreversible manner (Chen et al., 2020; Xu et al Transformed., 2019), detection of the attacks is better be done ahead of time.

Mitigation Strategies:

User training: Giving users information about what to look for is one of the most effective defenses against phishing and other cybercrime postures. By this, I mean educating users to be able to detect fake emails, sites or contracts that request information related to the organization. On a positive note, ordinary customer awareness campaigns and even interactive training can make all the difference in reducing the likelihood of successful attacks.

- **Multi-Factor Authentication (MFA)**– MFA increases security by applying an additional layer of protection to your blockchain platforms. Adding more steps of verification, such as biometric authentication or one-time codes for example, makes it even more daunting to those with malicious intent to gain unauthorized access; thus, rendering them helpless in the event of a successful theft of the login credentials.
- **Promoting the Use of Hardware Wallets**: Encouraging users to store private keys in hardware wallets, which are disconnected from the internet, can help minimize the risks associated with phishing and other social engineering attacks. Since these wallets require physical access

to confirm transactions, they provide a robust defense against unauthorized transactions.

- **Ongoing Security Training**: Beyond initial education, continuous training is necessary to keep users informed about the evolving tactics of social engineering. Organizations can implement mandatory refresher courses and simulated phishing attacks to test and reinforce users' vigilance.

By focusing on these preventive measures, industries can better protect themselves from the significant financial and operational consequences that result from social engineering attacks in the blockchain ecosystem.

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Chapter 3: Related Work

3.1 Introduction

A significant amount of research has been conducted in the field of security to strengthen blockchain technology, particularly in securing smart contracts, which are a critical component of the blockchain ecosystem. While blockchain offers decentralized security, making it an attractive technology for development, it is still not impervious to threats. One area of concern that has gained considerable research attention is social engineering—a human-centered vulnerability that targets users rather than the technology itself.

Social engineering attacks focus on exploiting human behavior to bypass security controls, representing a severe technological threat to blockchain and smart contract platforms. These attacks are not constrained by the robustness of the system but exploit trust, decision-making, and other human factors, making them difficult to mitigate through purely technical means.

This chapter surveys the existing body of work related to social engineering vulnerabilities in blockchain systems. It examines core academic and industry research to highlight how attackers exploit human behaviors, trust, and decision-making processes. The review emphasizes why addressing the human element is equally important as securing the technical aspects of blockchain and proposes various models for mitigating social engineering threats.

3.2 Social Engineering in Blockchain Systems

Originally, even though security of the blockchain was considered from a technical perspective in its early research phase, we have come to realize that it is important to look at the human angle of this space. Social engineering is one of the most dangerous attacks in Blockchain, largely because humans are preyed upon and not technological systems to gain access.

3.3 Phishing and Human Factors in Blockchain Attacks

The most ubiquitous type of social engineering attacks in the blockchain ecosystem is phishing. According to Zheng et al. According to Abu-Salma et al. This is a great threat in the blockchain systems as transactions are irreversible and generally, funds cannot be retrieved back after hacking Kumar et al. One study from 2018 found that more than half of cryptocurrency exchange breaches went down through phishing, not technical bugs. We noted that exchanges with poor user education and MFA were especially pawnable by phishing, pubs.

In a separate study, Siegel and co[colon] [5]. In 2018, Bhattacharjee et al. to investigate the psychological factors that make end-users more venerable to phishing [2]. This includes a lack of basic security understanding around checking wallet applications and knowing how to spot a phishing email, which in turn exposes users to phishing scams. To circumvent this problem, that group of topics recommended for the blockchain applications, a more suitable interface so you could not draw users and security alerts, which would prevent giving in social engineering attempts.

3.3.1 Social Engineering in Smart Contract Deployments

Social engineering attacks can extend to smart contract development and deployment as well. Xu et al. (2019) describes scenarios insinuating by becoming security auditors and targeting attackers against developers or auditors. In such cases, attackers would convince developers to add insecure parts in smart contracts like backdoors or unchecked function calls that could be later exploited after the contract is deployed. This demonstrates how vital it is that safe and secure, underlying communication layers are put in place with on chain validation which results in strict verification during the development stage (contract audit) as well as post contract execution (good logic but bad down steam business rule).

3.4 Defense Mechanisms Against Social Engineering in Blockchain

3.4.1 User Education and Awareness

As with other cybersecurity fields, one of the most effective defenses against social engineering is improving user education. Jakobsson et al. (2019) analyzed several successful phishing attacks and concluded that many of these incidents could have been prevented with better user awareness and training. They emphasized the need for comprehensive educational programs to teach users how to recognize phishing attempts, avoid risky links, and use security features such as multi-factor authentication and hardware wallets to protect their assets.

In addition, Zhao et al. (2020) proposed blockchain-based solutions to enhance transparency and accountability in transactions. Tools such as multi-signature wallets and time-delayed transactions provide users with additional time to verify the legitimacy of a transaction, giving them the opportunity to detect and prevent potential fraud before completing irreversible actions.

3.4.2 Multi-Signature Wallets and Decentralized Access Control

The main line of defense against social engineering are multi-signature (multisign) wallets. Gennaro et al. provided with a scenario shown above how multisign wallet requires more parties before making transaction which make difficult for attacker to perform phishing so that kind of impersonation attacks successful. Even if a thief manages to get hold of one user account, he will still need another user account to sign the transaction, so no money is stolen These days, multisign wallets are commonplace in decentralized autonomous organizations (DAOs) so there is a benefit as they can act as additional guards against social engineering attacks by giving control to more parties.

3.4.3 Improve Auditing and Verification

Alongside vulnerability assessments, security audits are a crucial mechanism in the fight against social engineering. Wüst et al. Audits should not just audit for technical vulnerabilities (2021); they should also check the communication means & are developers practicing secure coding? (This fact makes smart contracts improvement essential especially with checks into potential socially engineered vectors, like formal verification techniques. Organizations can achieve this by using these practices to minimize the risk posed by vulnerabilities in people, thus making it more difficult for social engineering attacks to succeed.

3.5 Examples of Social Engineering attacks in Blockchain communities

How social engineering attacks in real life make the case for further development of security practices, as blockchain technology progresses. This makes incidents like the above further proof of why human factors need be kept at top of mind around blockchain security.

3.5.1 The Nexus Mutual Hack (2020)

Last year, the decentralized insurance platform built on Ethereum, Nexus Mutual was attempting a social engineering attack. The hacker spear phished the CEO of Nexus Mutual, Hugh Karp, into signing a transaction falsely appearing to be a standard MetaMask wallet interaction. As a result, the hacker was able to take away $8 million in NXM tokens. The real issue regarding this case is the great risks of human error and manipulation in decentralized systems, even before the underlying smart contract protocols have been exploited. The attack highlights the need for security features, such as hardware and multi-signature wallets to prevent these types of exploits — coming from phishing or social engineering (CoinTelegraph, 2020).

3.5.2 Phishing Attacks against MetaMask Users

MetaMask, a popular wallet for interacting with Ethereum-based decentralized applications (dApps) through supported browsers, has become a frequent target for phishing attacks. Scammers often create fake MetaMask websites or support pages, tricking users into revealing their private keys or seed phrases, which attackers then use to steal funds from users' wallets. The consequences of such breaches are often severe, as stolen cryptocurrency is typically unrecoverable due to the immutable nature of blockchain transactions [1].

The need to educate users and raise awareness around social engineering attacks in the blockchain ecosystem is critical. Phishing remains a prevalent and evolving threat, as attackers continuously refine their techniques to appear more legitimate and convincing. Although MetaMask actively warns users about the importance of safeguarding their seed phrases and encourages the use of hardware wallets for added security, phishing attacks still pose a persistent risk [2].

To mitigate these risks, researchers have proposed various strategies to protect users from phishing attacks. These approaches range from silently neutralizing threats through advanced detection techniques to actively warning users about potential dangers. Another essential measure is ongoing user education, teaching individuals how to identify and avoid phishing schemes. One promising approach is a hybrid detection technique that combines multiple methods to achieve both quick response times and high accuracy in identifying phishing attempts [3].

Additionally, blockchain-oriented frameworks have been explored to enhance security, particularly in cloud-assisted systems. These frameworks aim to build more secure environments for blockchain technologies and have potential applications in the development of secure smart cities. By integrating such frameworks, the blockchain ecosystem can become more resilient to

social engineering attacks, ensuring that both individuals and organizations are better protected from phishing and other forms of manipulation [4].

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Chapter 4: Methodology

4.1 Introduction

This chapter explains the methodology we used for analyzing vulnerabilities in smart contracts, referring mostly to social engineering attacks and how defensive mechanisms have been adapted to reduce those risks. The process is composed of three main parts: data collection, data analysis and vulnerability discovered by the method of social engineering.

The purpose of this technique is to be able to systematically identify and research the exposure and mitigation of social engineering risks (quantitative/qualitative) within blockchain ecosystems.

4.2 Data Collection

This study is a mixed-method effort featuring both qualitative and quantitative evidence; doing so helps provide a holistic insight to the underexplored area of social engineering leakages in smart contracts, and blockchain systems. By doing so, this work intends to study practical side effects of social engineering-based attacks on blockchain platforms and suggest possible defenses.

4.2.1 Case Studies

Data Collection The first element of this analysis starts with case studies, and real examples from the wild where smart contract bugs were exploited via social engineering. The purpose of these case studies is to provide an impression of what challenges are typically encountered by, users and developers in practice when exposed to social engineering attacks on blockchain technologies.

Selection Citeria for Case Studies:

This Loss of funds or reputation due to social engineering in smart contracts.

Case studies of social engineering in the real world that has lead to various security breaches.

Covers multiple blockchain platforms (eg Ethereum, Binance Smart Chain) and application areas – DeFi protocols, Decentralized Autonomous Organizations [DAOs], etc.

Case Study Examples:

So far, we have had an [Nexus Mutual Hack (2020)]: This attack included a complex social engineering where the hacker targeted the Nexus Mutual CEO tricking him to sign on malicious transactions then causing about $8 millions in NXM token loss (Cointelegraph, 2020).

MetaMask Phishing Attacks: This story covers some phishing attacks which aimed to scan our users. Fake MetaMask interfaces: Attackers created fake versions of MetaMask and extracted private keys or seed phrases from users, resulting in unauthorized access to funds (Cointelegraph 2021).

The case studies will highlight the general social engineering tactics leveraging systemic human factors before delving into preventive steps that were taken over time to rid the attacks.

4.2.2 Literature Review

The case studies and interviews were supplemented by a comprehensive literature review. In this review, we outlined academic research and industry reports, as well as security audits with an emphasis on social engineers posing a threat to blockchain systems.

Literature Review Sources:

Academic Journals: IEEE Xplore and Google Scholar peer-reviewed papers about blockchain security, smart contract vulnerabilities and social engineering tactics (Zheng et al., 2017; Kumar et al., 2018)

- Industry Reports: Detailed reports from blockchain security firms like CertiK, Trail of Bits and ConsenSys Diligence regarding vulnerabilities observed in the field (CertiK 2020),

– Security Audits: Drafts of security audits by top blockchain security firms that detail incidents and recommendations (Trail of Bits,).

4.3 Data Analysis

The data gathered and analyzed to provide qualitative and quantitative analysis to understand the vulnerabilities in smart contracts affected by social engineering schemes.

4.3.1 Analyst Coding and Thematic Analysis

This project involved analysis of qualitative data from case-studies and expert interviews, with an initial phase where a set of attacks and defense mechanisms were identified by studying the patterns that occur in social-engineering attacks using coding and thematic analysis.

Steps in Thematic Analysis:

1. Familiarizations The study was carried out by a single researcher who first read case studies and interviewer transcripts to become familiar with the data.

2. First round coding: Initial codes consisted of high-level concepts like phishing, impersonation, and user error that were used to categorize individual attacks and defenses in the CSCE.

3. Identifying Themes: Themes including Human-Centered Vulnerabilities and Phishing and Impersonation Tactics could be drawn from the coding.

4. Refinement of Themes: In previous stages, themes were refined in relation to the existing literature and expert input for accuracy and appropriateness (Jakobsson et al., 2019).

4.3.2 Statistical Analysis

Objective: This article aims to present the results of an analysis performed on quantitative data extracted from security audits, research reports, and the

literature to infer patterns and relationships among social engineering vulnerabilities and defensive strategies.

Key Statistical Methods:

- Time Analysis: This research investigates how the vulnerability window to social engineering attacks (e.g. phishing attempts targeting users during important platform upgrades) can be influenced by smart contracts using time-based analysis (Qin et al., 2020).

- Correlation Analysis: It investigated the relationship between certain defense mechanisms (e.g., multisignature wallets) and the success rate of social engineering attacks. This research helps to identify best practices for mitigating social engineering risk (Wüst et al., 2021).

4.4 .0 Limitations

Like any research methodology, this study is not without its limitations. In the following, we will address the weaknesses built into this strategy and discuss which research results in this study are and are not valid.

4.4.1 Case Studies with Limited Scope

Case studies, despite being rich with insights, are few and far between. Note that the blockchain space is so rapidly changing, and this research might be missing new vulnerabilities or different types of social engineering attacks. Moreover, the prioritization of Ethereum-based smart contracts might also limit the generalizability of this approach to other platforms like Hyperledger or Solana (Zhao et al., 2020).

4.4.2. The quick evolution of blockchain technology (DLT with a strengthened cryptographic mechanism) is situation

The landscape that is blockchain technology, smart contract security and social engineering tactics advances so rapidly. This research might get outdated because new tools/frameworks/attack vectors are emerging every

day in this field. To overcome this issue, the current research and expert opinions are referenced inline which ensures that the result remains timely (Qin et al., 2020).

4.4.3 Quantitative Data Availability

Quantitative data can be sparse, as blockchain security audits are typically held in private and not available for public feedback. The types of statistical analyses that can be performed using multi-linear regression are restricted. But it also utilizes open-source data and de-identified reports whenever possible (CertiK, 2020).

4.5 Conclusion

This chapter presents the methodology for analyzing social engineering vulnerabilities in smart contracts. This paper takes a mixed-method approach and provides an overall perspective on human factors in blockchain security incidents. Some limitations, especially with respect to quantitative data and generalization of case studies, are there; however, this methodology proves as a good find to understand the social engineering risks towards blockchain systems. This research explores the use qualitative data and quantitative data to further the knowledge on how these types of attacks might be counteracted in decentralized environments.

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CHAPTER 5: ANALYSIS OF RESULTS

5.1 Introduction

In this chapter, we show a detailed examination of social engineering attacks on blockchain platforms and smart contracts. It attacks human psychology to create a breach, and it bypasses through the break created as it does not depend on any technical vulnerability in the code or protocol used, target individuals are attracted to use them. One of the reasons "the attacks" are so insidious is because they attack vulnerabilities in human system interactions, rather than typically secure systems.

The three main case studies we will start with are **the Nexus Mutual Attack (2020)**, **the Bitgrail Exchange Hack (2018)** and **Phishing Campaigns Against MetaMask Users**. These cases show the use of common social engineering by attackers to perform an attack and defense strategies to avoid such a thing happening again.

5.2 Social Engineering Attack Case Studies

5.2.1 Nexus Mutual Attack (2020)

Background

Nexus Mutual: A decentralized insurance platform on Ethereum for smart contract failure and DeFi risks. Last month, Hugh Karp, founder and CEO of Nexus Mutual, was the victim of a, which has still not been resolved. With Karp, the attacker exploited the compromised MetaMask to sign a bad transaction and stole about $8 million worth of NXM tokens.

Attack Process

In this case, the attacker lured Karp to manipulate a forged MetaMask extension or website. Using phishing techniques, the attacker was then able to remotely gain access to Karp's computer and subsequently convince him to approve a malicious transaction leading the attacker to get their hands on

Karp's MetaMask wallet. This only emphasizes that even individuals with a high amount of technical savvy can fall for well-crafted social engineering ruses.

Impact and Response

Although the event caused reputational damage to Nexus Mutual, the funds of the platform itself was never compromised. However, the event highlighted the need for heightened personal security among even industry folks with relatively high profiles. Nexus Mutual had issued a public statement confirming the incident and stated that no platform funds were harmed in the breach.

Lessons Learned

1. High-Profile Individuals are Targeted: Leaders in the blockchain space will serve as prime targets for social engineering, so it is crucial to have strong personal security.

2. Phishing Awareness: You may think that every employee should be able to recognize a phishing message, but savvy tech folks often get duped by these social engineering tactics instead it is still important today and ongoing to educate on phishing.

3. Hardware Wallets: Provide Better Security Than Software Wallets (MetaMask): Higher value assets are kept in hardware wallets which can be accessed just from physical gadgets, rather that software wallet for instances MetaMask – seemed to be most vulnerable to phishing.

5.2.2 Bitgrail Exchange Hack 2018

Background

Bitgrail was an Italian cryptocurrency exchange that mainly dealt in NANO (then called RaiBlocks). In that incident alone, the security breach resulted in around $170 million of NANO being removed from the exchange and hackers up till now are still successfully fencing millions of laundered dollars in 28 exchanges so far. Characterized initially as a technical attack, follow-up

investigations showed that at least some percentage of the incident was the result of human factors — possibly even sophisticated social engineering.

Attack Process

As yet to be disclosed in details, social engineering seems likely. This is most likely because of the phishing and impersonation process followed by an attacker to attain the credentials of an employee that enabled access into the systems. Among these techniques, attackers managed to bypass the company's internal security controls and steal virtual cash (cryptocurrency).

Impact and Response

That hack caused Bitgrail to go insolvent, resulting in extensive losses for users. His company, and it's CEO Francesco Firano, were accused of having neglected proper security management. Moreover, it highlights the importance of having internal security like access controls and regular audits to do not suffer from a leak.

Lessons Learned

1. Strong internal security control, multi-signature wallets and routine security audit are mandatory to combat unauthorized access An additional requirement)set.

2. Employee Phishing: Employees are easily tricked into phishing scams and pretending to be someone they are not, which can allow the attacker access into crucial systems.

3. Transparency Post-Breach: Transparency and clear communication with a sense of urgency is key after a breach. Bitgrail Chose To Remain Mysterious And This Is What Hurt The Most In The End Of Everything That Followed Post-Hack Press Releases from Bitgrail.

5.2.3 Phishing Attacks Against MetaMask Users

Background

Phishing and scams targeting MetaMask, a widely used Ethereum wallet, have become increasingly prevalent. Hackers impersonate MetaMask support, distributing fraudulent links or even creating fake websites to steal private keys or seed phrases from unsuspecting users. Despite MetaMask's repeated warnings advising the public to avoid these scams, millions in digital assets have been stolen through such phishing attacks.

Attack Process

A common phishing technique involves scammers posing as the MetaMask team and sending malicious links. Once users enter their private keys or seed phrases, the attackers gain full access to the victims' wallets, enabling them to transfer funds. These attacks are particularly effective because they exploit the trust users place in reputable platforms, making the attackers' false identities appear credible.

Impact and Response:

Due to the irreversible nature of blockchain transactions, once funds are stolen, they cannot be recovered. Despite MetaMask's ongoing efforts to raise awareness and caution users, many individuals continue to fall victim to these phishing schemes. The combination of user trust and the irreversibility of blockchain transactions makes these attacks exceptionally damaging.

Lessons Learned

1. User Education: Wallet providers must remain proactive in educating users on how to identify phishing attempts and recognize potentially fraudulent websites. Continuous user education is essential in mitigating the risk of phishing attacks.

2. Multi-Factor Authentication (MFA): Implementing MFA significantly reduces the likelihood of successful phishing attacks by adding an additional layer of security beyond passwords or private keys.

3. Irreversibility of Transactions: Given the irreversible nature of blockchain transactions, the use of hardware wallets and other advanced security measures is crucial for protecting user funds from unauthorized access.

5.2.4 The Twitter Bitcoin Scam (2020)

Background

In July 2020, one of the most famous social engineering attacks targeted high-profile Twitter accounts, including those of Elon Musk, Bill Gates, and Barack Obama. The attackers hacked Twitter's internal systems and posted messages on these accounts offering to double Bitcoin sent to specific addresses, ultimately scamming victims out of around $120,000 in Bitcoin.

Attack Process

The attack was initiated by exploiting Twitter employees using social engineering techniques, which gave the hackers access to internal tools and privileges. They tricked employees into revealing login credentials, likely through phishing or phone-based schemes. Once inside, the attackers manipulated the most prominent accounts and tweeted from these verified profiles to enhance their credibility.

Impact and Response

This scam had massive implications beyond direct financial loss, as it raised concerns about the security of social media platforms, particularly when high-profile accounts are compromised. Twitter responded quickly by locking the affected accounts and performing an internal investigation, which led to the arrests of the attackers.

Lessons Learned

1. High-Profile Targets Attract Social Engineers: Accounts belonging to prominent individuals are frequently targeted for these attacks to maximize the impact.

2. Internal Controls: Companies like Twitter need to implement stronger internal controls, limiting employee access to sensitive tools and requiring additional security measures.

3. Two-Factor Authentication: Social engineering attacks could be mitigated by enforcing strong authentication measures for sensitive account access.

5.2.5 The Ledger Data Breach (2020)

Background

Ledger, a popular cryptocurrency hardware wallet manufacturer, experienced a major data breach in 2020. The attackers stole over 270,000 customer data entries, including emails, addresses, and phone numbers. Although the attackers did not access users' wallets directly, they used this personal information for targeted phishing attacks.

Attack Process

Hackers gained access to Ledger's customer database and began sending fraudulent emails to victims, claiming to be from Ledger support. These phishing emails directed users to enter their recovery phrases into a fake website, giving the attackers control over their hardware wallets.

Impact and Response

The breach led to significant reputational damage for Ledger, as customers' private information was exposed. Although users' funds were not immediately at risk due to the hardware wallet's security, phishing campaigns resulted in victims being tricked into giving away their recovery phrases. Ledger issued multiple warnings about these phishing scams and worked to strengthen their database security.

Lessons Learned

1. Data Breaches Can Lead to Social Engineering: Even if sensitive financial data isn't directly compromised, personal information can be used for phishing attacks.

2. Recovery Phrase Protection: Users should never share their recovery phrases, no matter how legitimate an email or website may appear.

3. Improved Customer Communication: Companies must provide clear communication during breaches to help customers identify phishing attempts.

5.2.6 The CoinDash ICO Hack (2017)

Background

CoinDash, an Israeli cryptocurrency platform, was launching its initial coin offering (ICO) in 2017 when attackers changed the wallet address on their website, redirecting investments to the hacker's wallet. As a result, investors sent $7 million worth of Ethereum to the wrong address during the ICO launch.

Attack Process

The hackers exploited CoinDash's web vulnerability and social engineering tactics by tampering with the displayed Ethereum wallet address. Unknowing investors trusted the official website and sent funds to what appeared to be the legitimate ICO address. The attackers took advantage of the trust placed in the company's official site, making the scam hard to detect in real time.

Impact and Response

While CoinDash was quick to respond and took the website down, the damage was already done, with $7 million lost in the process. CoinDash later promised to reimburse its investors for the loss, but this incident underscored how fragile trust can be in blockchain environments.

Lessons Learned

1. Website Security: Companies must secure their websites and take extra precautions, especially during high-stakes events like ICOs.

10 steps to ensure your website's safety in 2024

As cyber threats multiply, fortifying your digital defenses is essential. Here are 10 steps to build robust countermeasures against cybercriminals.

1. Prevent spam

Spam overwhelms inboxes, comment sections, contact forms, and forums. Beyond being frustrating to read, search engine crawlers collecting and storing webpage data also interpret spam as poor-quality content, jeopardizing your website's ranking and relevance.

Spam also carries a security risk. Cybercriminals disguised as reputable companies that send bulk marketing emails urging recipients to act, for example, form the backbone of phishing scams, leading unsuspecting users to expose sensitive information. To prevent this, integrate CAPTCHA challenges and honeypots — tools offering straightforward tasks only humans can complete — to deter and trap spam bots and ensure authentic webpage access. Distinguishing genuine users from bots diminishes spam threats and lets you install content moderation systems for sustained security.

2. Protect your website from DDoS attacks

Distributed denial-of-service (DDoS) attacks flood websites with traffic, causing servers to crash and leaving sites temporarily out of action. This downtime disrupts normal website functions and allows hackers to inject malicious code.

For robust defense against these attacks, choose a trusted web hosting provider

3. Block brute force attacks

Brute force attacks involve hackers cycling through numerous username–password combinations until they find a match and breach a site. Prevent this by creating a strong password combining uppercase and lowercase letters, numbers, and special characters such as the ampersand (&) or hash (#). You can further fortify defense by limiting login attempts and deploying CAPTCHA tests following consecutive unsuccessful attempts to make it difficult for hackers to use brute force bots. Implementing two-factor authentication (2FA) also adds an extra layer of login protection.

4. Safeguard your site from cross-site scripting

Cross-site scripting (XSS) attacks occur when cybercriminals embed scripts into a webpage's code. During regular browsing operations, like page rendering and executing JavaScript code, browsers such as Google Chrome and Mozilla Firefox can unintentionally download and process malicious code. This exposes users to malware and can even allow attackers to manipulate webpage content to their benefit, undermining site security and diminishing user trust.

Defend your website and browsers from XSS threats by installing content security policies (CSPs) that filter out hazardous scripts and questionable websites, ensuring browsers and servers only execute secure code.

5. Beware of SQL injection

SQL, short for Structured Query Language, is a programming language that lets users store, retrieve, and alter data in relational databases. Many companies rely on SQL to manage vast datasets, including product specifics, customer details, and business analytics.

However, cybercriminals can exploit these databases with SQL injections, which introduce harmful commands that extract sensitive information, bypass login credentials, or expose database structures through user input fields such as contact forms and login pages. SQL injections jeopardize user privacy and

security and allow cybercriminals to manipulate or delete vital data, undermining website functionality.

Counteract this threat by implementing parameterized queries and regular database audits. Parameterized queries interpret user inputs as data and not executable code, reducing the risk of running unintended commands. Routine database audit, on the other hand, identifies anomalous and suspicious activity early on, verifying legitimate database actions and confirming preventive measures like parameterized queries work correctly.

6. Install an SSL certificate

Integrating a Secure Sockets Layer (SSL) certificate bolsters your website's security by encrypting data between browsers and your site, protecting sensitive information like passwords and financial details. Activating this certificate transitions your website from using Hypertext Transfer Protocol (HTTP) to Hypertext Transfer Protocol Secure (HTTPS) and provides an added layer of protection against hacker data interception by ensuring data remains unreadable to unauthorized parties.

7. Back up website data

Hackers can cause data loss, but so can technical glitches and accidental erasures. For peace of mind, select a web hosting service that automatically creates and stores website backups.

8. Follow ISO 27018 compliance

ISO 27018 sets the global benchmark for web safety with guidelines to secure personal data in cloud storage. These standards include notifying customers about government requests for data, implementing strict data access controls, and maintaining a comprehensive record of data processing activities.

9. Use reliable online payment gateways

Payment gateways are secure platforms that authenticate and facilitate online transactions, acting as the intermediary between buyers and sellers to securely process payment data and protect sensitive financial information.

By using recognized third-party payment processors such as Stripe and PayPal, you adhere to the Payment Card Industry Data Security Standard (PCI DSS), a global set of security standards ensuring all companies accept, process, store, or transmit credit information in a secure environment. The PCI DSS establishes mandatory procedures and safeguards to protect cardholder data, such as encryption methods and access controls, guaranteeing secure and trustworthy transactions.

10. Regularly update your website

Regularly updating your content management system (CMS), plugins, and themes closes security vulnerabilities. Outdated software often has known weaknesses that cybercriminals can exploit, and consistently auditing and patching your website prevents hackers from taking advantage of these vulnerabilities.

Keep your website updated by setting routine website security checks to catch and address any issues promptly. Integrations and plugins help you monitor site performance, while site performance optimization maintains site speed, functionality, and responsiveness, enhancing the user experience and deterring potential security threats from lag or glitches.

5.2.3.1 Verification of Payment Details:

Investors should verify wallet addresses through multiple channels, such as social media or company updates, before sending funds.

The point "Verification of Payment Details" refers to the critical step that investors or users should take to ensure the accuracy and legitimacy of any wallet address before transferring funds, particularly during high-risk events like ICOs (Initial Coin Offerings), token sales, or any cryptocurrency transactions. Here's a detailed explanation of why this is important and how to verify payment details through multiple channels:

Why Verification of Payment Details is Important:

In the world of cryptocurrency, wallet addresses are long strings of alphanumeric characters that represent a user's account on the blockchain. Because blockchain transactions are irreversible (once a payment is sent, it cannot be recalled), attackers may exploit situations where users are expected to send funds, like during ICOs or other investment opportunities.

Hackers often take advantage of these moments by:

- Tampering with websites: They may hack into a company's website and change the official wallet address to their own.

- Sending phishing emails or messages: Hackers impersonate the company, sending fraudulent emails that contain fake wallet addresses, luring unsuspecting investors to send their funds to the wrong place.

Once funds are sent to an attacker’s wallet, there’s no recourse, which can result in significant financial losses.

How to Verify Wallet Addresses Through Multiple Channels:

To avoid falling victim to such scams, it is recommended that investors cross-verify the wallet address using multiple, independent sources. Here's how to do this:

1. Official Website Check:

- Always ensure you’re accessing the official website using the correct URL (not a phishing site).

- Check for security measures like HTTPS encryption and valid SSL certificates, ensuring the site is genuine.

- Be cautious of last-minute changes or updates to the wallet address, especially during critical periods like ICOs.

2. Cross-Check on Social Media:

- Reputable companies usually maintain official social media accounts (e.g., Twitter, Facebook, LinkedIn). Before making a payment, check their posts or announcements to verify if the same wallet address is listed there.

- This helps ensure the address hasn't been altered on the website due to a hack. However, be cautious of fake social media accounts pretending to be official.

3. Email and Newsletters:

- Companies often send newsletters or important updates to their subscribers before token sales or other events. Cross-check the wallet address listed in these emails.

- However, beware of phishing emails—always confirm that the email originates from the company's official domain and doesn't contain any suspicious links.

4. Community Channels and Forums:

- Check with the community: Many companies have communities on platforms like Discord, Telegram, or Reddit. Before sending funds, ask for a verification of the wallet address in official channels.

- Admins or moderators of these forums often have the latest information and can quickly verify whether the wallet address is correct.

5. Multiple Sources:

- Cross-reference the wallet address across multiple sources—the official website, social media, newsletters, and community forums. If any of these sources list a different address, it could be a red flag of a potential scam.

- Always confirm the consistency of the wallet address across all channels before making any transfers.

Why This Matters?:

The consequences of failing to verify wallet addresses can be severe:

- Financial loss: Cryptocurrency transactions, once completed, are final and cannot be undone.

- Reputation risk: Sending funds to the wrong address could also damage an investor's relationship with the company or project, especially during events like ICOs where missing a payment can mean missing out on an investment opportunity.

Real-World Example:

The CoinDash ICO hack(discussed in your chapter) is a perfect example of why this step is so important. During their ICO in 2017, attackers tampered with CoinDash's website and replaced the official wallet address with their own. Investors who failed to verify the wallet address across multiple channels lost their Ethereum to the hackers. By the time CoinDash realized the breach, $7 million worth of ETH had been stolen. If investors had verified the payment address through multiple official sources, some might have caught the discrepancy before sending funds.

Best Practices for Investors:

- Always verify wallet addresses through multiple trusted sources (official website, social media, community channels).

- Enable two-factor authentication (2FA) for added security on any accounts where you're storing cryptocurrency.

- Avoid last-minute changes: Be suspicious if the wallet address is changed just before a transaction deadline, and always re-verify it if so.

- Consider using hardware wallets to avoid falling prey to phishing attacks that target software wallets like MetaMask.

By taking these steps, investors can reduce the risk of sending their funds to a fraudulent wallet address and protect themselves from social engineering attacks that exploit trust in legitimate platforms.

5.2.4. Real-Time Monitoring:

Having systems in place to monitor and detect unauthorized changes in real time can prevent or mitigate the impact of similar attacks.

5.3 Conclusion

Social engineering attacks brings to the forefront just how crucial it is for a blockchain security strategy to take multiple angles into account. Technical vulnerabilities are a hot topic in the smart contract world, but human-oriented security issues still represent the most significant portion of those. Obviously, Social engineering attacks are very dangerous because they avoid nearly all technical defenses by preying upon trust and the commitment of dissolute people.

Better security protocols, on-going education and regular exercise of strong security mechanisms are needed to enhance the safety of decentralised systems. Constant surveillance of user behaviors, as well as the interactions that occur on these blockchain platforms should also be done frequently — to detect any signs of potentially abnormal behavior that could raise a red flag or an exploit attempt. To counter and protect against these ongoing attackers will require a holistic tackle that addresses both technical vulnerabilities, as well as how humans engage with this technology.

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CHAPTER 6: DISCUSSION

6.1 Introduction

This chapter will take a sober look at social engineering attacks against blockchain systems, concentrating on smart contract vulnerabilities. Our goal is to uncover the role that social engineering plays in exploiting these weak points and what can be done to help protect against social engineers. We then relate the findings to existing literature and their implications for higher-level blockchain security. This and similar research further underscore the importance of human factors in conjunction with technical security vulnerabilities in social engineering attacks.

6.2 Complexity of Social Engineering Attacks

Social engineering, not a standalone attack from the above review of previous chapters one can conclude that social engineering is not an independent attack but rather universal weapon of hackers aiming at different vulnerabilities in blockchain systems. Just talked like humans are the weakest link (and somehow homomorphic) social engineering plays to human trust, lack of knowledge about a subject and the known unknowns. Social engineering increases the likelihood of an effective attack by taking advantage of the technical vulnerabilities that exists, but more importantly it leverages the complicity of the victims themselves opening areas in security they would not be able to reach.

Key Findings:

Human Trust Exploitation — Social engineering exploits the trust hardwired into being human, for example even having secure smart contracts did not stop an attacker manipulating through human nature and causing theft of funds like what happened to Nexus Mutual.

-Knowledge Gaps: These attacks often leverage gaps in users' and developers' knowledge of smart contracts and blockchain technology. The phishing attack

on MetaMask users, for example, took advantage of users' lack of understanding of private keys and browser extensions, resulting in stolen funds.

6.3 Social Engineering in Governance and Control

Social engineering is one of the most pivotal aspects in governance manipulation within a decentralized autonomous organization (DAO) and other similar systems. Social engineering attacks are particularly dangerous in instances of DAOs, voting-based collective decision-making. This allows bad players to easily gain control over the consensus layer by purchasing governance tokens through fraudulent means, i.e., social engineering to vote for them.

Key Findings:

Elite Evolution: Attackers can manipulate the way de-centralized governance works by pretending to be members or spreading information that could aid them manipulating the process of voters.

Trust in Decentralized Systems: Even though DAOs are intended to operate trustless systems, trust is still incredibly important. This trust can be socially engineered as well — consider the ways that bad actors will attempt to influence DAO votes.

6.4 Requirement for Holistic Defensive Strategies

This shows that the security of a blockchain system cannot be ensured by technical defenses alone. Organizations may have implemented secure technical defenses to help thwart these cyberattacks but the fact that the human error is not being addressed properly means there are cracks in this security approach. In the specifically Nexus Mutual incident, Hugh Karp still had multisign and cold storage, but he was tricked into signing a malicious transaction get text characters.

Key Findings:

Professional Hardening — Cryptocurrency platforms require a level of both technical and user-focused security mechanisms, including multisignwallets, secure coding methods, and regular audits.

User Education and Awareness: The research reveals a recurring theme in that users are unaware of basic security practices. At the user-education level, knowledge of phishing, credentialed social engineering attacks, and platform legitimacy can contribute greatly to their reduction.

6.5 Comparison to Literature

Previous blockchain security research has mostly concentrated on specialized vulnerabilities, including access control vulnerabilities and price oracle manipulation. Nonetheless, the standout deliverable from this paper would be its exploration of social engineering attacks — an angle not often emphasized in blockchain security.

Technical Vulnerabilities vs. Human Factors: prior work by Luu et al. suggestions that reduced popularity does not drive failures, however most failed elite coins had minimal usage thus it is unclear if technical vulnerabilities are the primary cause or human factors such as regulation, Luu et al. (2016) and Tsankov et al. (2018) dealt extensively with identifying and mitigating technical flaws in smart contracts,

This study emphasizes the human element in blockchain security. It demonstrates how attackers use social engineering to manipulate human behavior and interactions to exploit these technical vulnerabilities. Instead of relying solely on flaws in the code, attackers can deceive users and developers into bypassing security measures or compromising sensitive information, making social engineering a powerful attack vector that must be addressed alongside technical fixes.

A Persistent Threat: Our work continues and extends previous studies, such as those of Zheng et al. on phishing (2017) and Kumar et al. In(2018)

Phishing was referred to as one of the main security threats within such systems blockchain. This research reinforces that conclusion, as it demonstrates how successful phishing still is because once a fraudulent transaction has been committed by the victim, there is no way to undo such blockchain transactions. While technical measures to defend against phishing become increasingly effective, social engineering tactics like phishing exploit the human element of trust and lack of awareness in interacting with blockchain platforms.

6.6 Implications for Future Research

From these results, the reviewers say that future research can help fortify blockchain security in several directions:

Human-Centric Security Models: Incorporating human behavior models on blockchain security remains a topic for future areas of research. In the simplest terms social engineering attacks may be prevented by mitigating these vulnerabilities on the individual basis and gaining insights about more general societal trends orientated towards information security.

Results: The results confirm that decentralized governance can be heavily influenced by social engineering, even when considering the protections in place designed to reduce this. Further research could explore alternative models of governance, such as multi-layer voting schemes and the use of automated audits to detect potential malfeasance while voting.

Better User Education — Research should be directed to more effective user education. Education can raise awareness of social engineering methods such as phishing and impersonation, so users are more likely to spot and avoid scams.

6.7 Conclusion

Reading through this chapter, it became crystal clear that blockchain security is full stack and includes not just defense at the last mile, but also an equally important approach to fix human factors as well. In spite of the fact that social engineering attacks as a threat is generally ignored in favor of technical weaknesses, it is something which is suitable to overlook at your peril. Through educating users, building strong governance models and monitoring them regularly blockchain systems can be made secure from social engineering attacks. These threats are highly likely to continue evolving, but future research should take the form of both technical/human-centric paths towards better management of these risks.

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Chapter 7: Recommendations & Solutions

7.1 Introduction

In the previous chapters, we discussed the vulnerabilities in blockchain systems, especially in smart contracts, and how attackers exploit human weaknesses to carry out social engineering attacks. The results of the study emphasized the need to address both technical and human vulnerabilities. This chapter offers pragmatic strategies to mitigate the risks of social engineering attacks, with a focus on user education and technical defenses. It also includes recommendations for future research aimed at improving smart contract security and blockchain ecosystems.

7.2 Mitigating Risk Strategies

7.2.1 User Education and Awareness

User education is one of the most effective strategies to mitigate social engineering attacks. Many of the attacks analyzed, such as phishing and impersonation, take advantage of users' lack of understanding of basic security practices. Increasing user awareness can significantly reduce the risks of these attacks.

Key Recommendations:

1. Educational Efforts: Blockchain platforms, wallet providers, and decentralized finance (DeFi) protocols should prioritize educating users on recognizing phishing emails, verifying platform authenticity, and managing private keys securely. Tutorials and interactive guides should be integrated into user onboarding processes.

2. Security Reminders: Wallet providers should periodically remind users to verify their recovery phrases, check connected decentralized applications (dApps), and follow security best practices, such as enabling two-factor authentication (2FA) and using hardware wallets.

3. Multi-Factor Authentication (MFA): MFA is essential for protecting user wallets and accounts. Platforms should enforce MFA for all users, especially for high-value transactions. Biometrics or hardware tokens should be used to strengthen account security and prevent unauthorized access through phishing.

4. Promotion of Hardware Wallets: Hardware wallets provide an additional layer of security for large transactions. Platforms should incentivize users to store high-value assets in hardware wallets, as these are not connected to the internet and are therefore less susceptible to phishing or hacking attempts.

7.2.2 Auditing and Formal Verification of Smart Contracts

Smart contract vulnerabilities are often the result of poor testing or insufficient reviews. Audits and formal verification tools play a critical role in identifying and mitigating these vulnerabilities before they can be exploited by attackers.

Key Recommendations:

1. Mandatory Audits: High stakes blockchain applications, such as DeFi protocols and governance contracts, should be audited regularly by professional security firms. Audits are essential to identify vulnerabilities like access control issues or logic errors before they are exploited.

2. Use of Formal Verification Tools: Tools like CertiK, K Framework, and VerX should be used to mathematically verify the correctness of smart contracts. These tools ensure that the contract behaves as expected under all conditions, preventing social engineering attacks from exploiting hidden vulnerabilities.

3. Continuous Monitoring: Platforms should implement continuous monitoring systems that detect suspicious behavior or contract upgrades in real time. This proactive approach can help identify attacks early, minimizing the damage caused by social engineering tactics.

7.2.3 Securing Governance Mechanisms within DAOs

Decentralized Autonomous Organizations (DAOs) are vulnerable to social engineering attacks that manipulate governance processes. To prevent these attacks, DAOs must adopt new governance models and protective mechanisms.

Key Recommendations:

1. Time-Locked Voting: DAOs should implement time-locked voting mechanisms to prevent malicious governance proposals from being passed without proper review. This delay allows the community to scrutinize proposals and detect any social engineering attempts before they are executed.

2. Multi-Signature Voting: For high-impact governance decisions, DAOs should require multi-signature authorization from multiple trusted members before executing a proposal. This reduces the likelihood of a single member being manipulated into making a harmful decision.

3. Reputation-Based Voting: Implementing reputation systems can ensure that only trusted members with a track record of positive contributions can participate in governance decisions. This helps mitigate the risk of bad actors manipulating governance through social engineering.

7.3 Blockchain Security & Behavioral Economics

Understanding how users make decisions in blockchain environments can provide valuable insights for designing more secure systems. Behavioral economics can help explain why users fall victim to social engineering attacks and guide the development of user interfaces that reduce cognitive biases and improve security.

Key Psychological Factors:

1. Trust and Familiarity: Users tend to trust platforms that appear familiar or authoritative. Blockchain applications should build trust through consistent design, official verification badges, and warning signals for unverified dApps .

2. cognitive overload: Poor choices are made by inexperienced users due to the cognitive overload caused by complex blockchain transactions. User interfaces should be made intuitive and explicit whenever a critical action happens for the first time, like smart contract permissions.

3. Fear of Missing Out (FOMO): Attackers capitalize on urgency to fool users into taking hasty actions — be it opting for fake investments or playing with malicious platform. Such platforms should introduce confirmation delays, reminders to help users double check their actions before proceeding.

4. Confirmation Bias: When new information that confirms one's beliefs is more trustworthy even if the information is misguiding. Done right, these platforms will also arm the user with unbiased information — positive or negative — so the user can make a fair decision for themselves.

5. Authority Bias: Users have what is termed authority bias where they trust figures of authority without questioning them. This is often exploited by attackers who pose as successful developers or platform operators. Verification: Platforms should provide verification channels so that users can check that they are really providing sensitive information to the entity in question.

7.4 Conclusion

In this chapter, the recommendations cover technical vulnerabilities and human factors causing social engineering attacks on blockchain systems. Through user education, technology defenses, and governance enhancements blockchain platforms can more safely crafted ecosystems. Further research is encouraged in both integrating behavioral economics into UI design and improving the decentralized governance mechanisms to reduce social engineering vulnerabilities. Protecting these systems from malicious intent requires a holistic approach combining technical measures and human centric defenses.

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CHAPTER 8 SUMMARY

8.1 Problem and Approach

We aimed to better understand how vulnerabilities in smart contracts and blockchain systems are exploited through social engineering, with a particular emphasis on the decentralized applications (dApps) and governance mechanisms that underpin the burgeoning decentralized finance (DeFi) ecosystem. Blockchain technology is becoming more prevalent and impacting more industries, so this trend will continue to change as security concerns transform. As these social attacks focus on influencing human behaviors and judgment through trickery, they have proven to be more potent than a passive attack vector compared to the more direct approach of outsmarting smart contracts.

To tackle this problem, the study used case studies of social engineering attacks from phishing schemes to more sophisticated governance manipulations in decentralized autonomous organizations (DAOs). This analysis allowed the research to pinpoint these vulnerabilities in both a technical way and in a human-centric way, as these are what cause social engineering attacks to work. The study also noted current security tools and practices, as well as more sophisticated approaches—including the use of artificial intelligence (AI) and reputation systems—to address these risks.

The research methodology is a mixed methods design comprising of qualitative case study analysis and technical literature review on existing vulnerabilities solution using blockchain. I hope that provided a more rounded view of the issue by considering not only blockchain platforms and how they attack this way or another, but also actual human behavior to find vulnerabilities on it.

8.2 Summary of Key Findings

Results: Social Engineering Attacks in the Blockchain Ecosystem

One of the most significant threats to blockchain platforms is social engineering, which has become increasingly prevalent. Social engineering attacks, including phishing, impersonation, and governance manipulation, pose substantial risks to the security and integrity of decentralized systems. These attacks exploit the inherent trust and biases of individuals, taking advantage of the decentralized nature of blockchain, where human vulnerabilities become critical points of failure.

Reputation Systems / Governance Safeguards: Enhanced reputation-based systems and governance mechanisms such as time locked voting, automated auditing, etc. are critical to protect DAOs while also making more decentralized governance platforms robust against manipulative behavior. The additional features would also be able to provide voters information on the proposed effort behind each proposal in advance of a vote. These elements are filtered and countered to remove it from future decision-making processes or making the process transparent and safer.

Add AI and Machine learning — with deep technologies behind cyber security (what have protected your email in the last years) to avoid at least 70% of the anomalies associated to voting and risk prediction, allows also that be used for audit smart contracts automation. All these technologies are designed to inhibit the manipulation of DAO governance systems by social engineering hackers.

Common theme: A major theme that did come up was the need to teach users how social engineer's work. We can be more successful presence awareness and training about Blockchain security, phishing and errors will increase needlessly credential theft.

Holistic Security Models: Overall, the study highlighted holistic security models for addressing both human and technical attack vectors. To protect

blockchain platforms from technical exploits melded with social manipulation attacks, it is recommendable to use MFA alongside hardware wallets, formal verification tools and an ongoing security audit regime.

8.3 Implications of the Study

The implications of the study are broad reaching and include all areas of decentralized governance and DeFi platforms in which poll requests happen.

More Robust Governance Systems: DAOs and other forms of decentralized governance will need to become more sophisticated by adding some form of automated audit, reputation systems, or time locked voting mechanisms. In practice, this would serve to bring a new level of transparency and certainty to governance processes and protect influencing them in an unauthorized way that critical decisions are confirmed securely with the involvement of established participants.

Security Steps Forward: The implementation of AI and Machine learning in blockchain security frameworks is a viable answer to several existing exploits. In time, such technologies could even offer real-time monitoring, anomaly detection and predictive threat analysis that might enable platforms to spot new attack vectors before they become an issue.

One of the primary reasons social engineering attacks work so well is that they prey on common human behavior and/or a lack of awareness regarding basic computer security. From a system point of view, increasing user education, making user interfaces better and encapsulating reminders about security in the platforms themselves can cut down a huge proportion of the phishing and credential theft that we see in this space. We give the people building and using that software better tools to understand and protect themselves against those risks.

Cross Chain Security Needs Assessment: The more a blockchain can be integrated into the fabric of our society, both in dechain and multi-platform De-Fi protocols, the greater the risk for social attacks. Moreover, for the future,

developments in cross chain security should be standardized to prevent cross platform vulnerability chaining.

8.4 Closing Thoughts

Block chain and decentralized systems have undergone transformative growth. As the industry has matured, so have the tactics attackers are using to compromise it. Although the technical failure mode of smart contracts is well known, human hacks that exploit vulnerabilities in the hearts and minds of the people playing with these systems are an increasingly dangerous and overlooked attack vector. Blockchain is a decentralized system and while this has its own strong suits, it also leaves these platforms extremely vulnerable to manipulation as there are no central authorities that can investigate any breaches/patterns in the database.

In this study, a multilayer security approach that integrates state-of-the-art technical tools with greater insights into human factors has been put forward. AI, reputation systems and education of users can help blockchain platforms to protect themselves both against technical vulnerabilities as well as attacks exploiting the popular mistakes.

As blockchain heads down the mainstream path, security should be imperative at every level from a single user to intricate DeFi protocols and governance systems. The potential of decentralized systems can be realized only by running innovative solutions and proactive defense strategies together, as trust and security are crucial components for long-term success.

This concludes the study. The findings from these social engineering attacks and the suggestions provided together paint a way towards a safe, robust blockchain supply.

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