

Parasset Protocol

Security Assessment

April 14th, 2021

For:

Parasset Protocol

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- Representation that a Client of CertiK has indeed completed a round of auditing with the intention to increase the quality of the company/product's IT infrastructure and or source code.



Project Summary

Project Name	Parasset Protocol
Description	Decentralized Finance Protocol
Platform	Ethereum; Solidity
Codebase	GitHub Repository
Commits	b4c3be38dda757449c88687b8ad50007a3ea946e

Audit Summary

Delivery Date	April. 14th, 2021
Method of Audit	Static Analysis, Manual Review
Consultants Engaged	2
Timeline	Mar. 12, 2021 - April. 14, 2021

Vulnerability Summary

Total Issues	15
Total Critical	0
Total Major	1
Total Minor	6
Total Informational	5
Total Discussion	3



This report has been prepared for Parasset Protocol smart contract to discover issues and vulnerabilities in the source code of their Smart Contract as well as any contract dependencies that were not part of an officially recognized library. A comprehensive examination has been performed, utilizing Dynamic Analysis, Static Analysis, and Manual Review techniques.

The auditing process pays special attention to the following considerations:

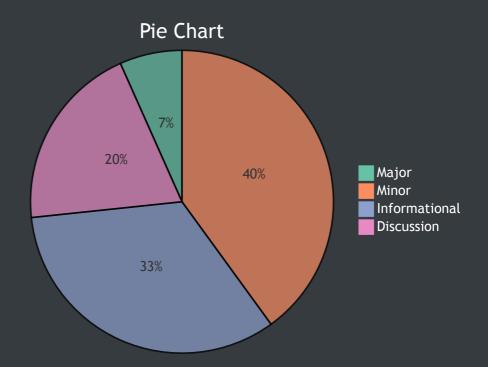
- Testing the smart contracts against both common and uncommon attack vectors.
- Assessing the codebase to ensure compliance with current best practices and industry standards.
- Ensuring contract logic meets the specifications and intentions of the client.
- Cross referencing contract structure and implementation against similar smart contracts produced by industry leaders.
- Thorough line-by-line manual review of the entire codebase by industry experts.



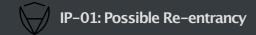
File in Scope

ID	Contract	SHA256-Checksum
IP	InsurancePool.sol	e6c9318c5a06c91ce5f28270698bbc8c8a7db5cdc0d29542ca1c1cf00da35648
MP	MortgagePool.sol	3adab02730af37f37a5dc2ca1aa64bbc17a2f2e377fd5383343f1c9292bb61d3
PT	PToken.sol	d59224e701d8b419a17219966e21df71d3919c557a9bb13ad7a01b4e24ea99cd
PF	PTokenFactory.sol	74a25464fadbc44298ff9ca9c4dfaa912c4387acfc8172a67ab96a9ccfd7c950
PC	PriceController.sol	da78c5252999403f59ed2ce52428ffb48c17fc9c2ad3009c03d0de7dc9fc93e5

Findings



ID	Title	Туре	Severity	Resolved
IP-01	Possible Re-entrancy	Language Specific	●Minor	/
IP-02	pToken Loss	Volatile Code	●Minor	✓
IP-03	Ether Loss	Language Specific	Major	✓
IP-04	Non-zero Amount	Coding Style	●Minor	✓
IP-05	Uncertain Code	Logical Issue	Discussion	✓
IP-06	Better Method Of pToken	Coding Style	Informational	/
IP-07	Wrong Arguments	Logical Issue	● Major	/
IP-08	Replace Declaration	Gas Optimization	Informational	/
MP-01	Bad Debts	Logical Issue	●Discussion	Ü
MP-02	Restrict Arguments	Coding Style	Informational	/
MP-03	Redundant Codes	Dead Code	Informational	/
MP-04	Fee Loss	Logical Issue	●Minor	/
MP-05	Ever-growing Ledger Array	Logical Issue	Discussion	/
MP-06	Transfer Failure	Language Specific	●Minor	/
PC-01	Return Zero	Volatile Code	●Informational	/



Туре	Severity	Location
Language Specific	Minor	InsurancePool.sol L218,L236 L259,L299 ,L350, Mortgage.sol, L306,L356,L398,L438,L474,L509,L550

Transferring ETH to an external address may cause a re-entrancy attack.

In the exchangePTokenToUnderlying() function:

```
function exchangePTokenToUnderlying(address pToken, uint256 amount) public whenActive {
    .....
    payEth(address(msg.sender), pTokenAmount);
    .....
}
```

In the redemptionIns() function:

```
function redemptionIns(address token, uint256 amount) public noStop {
    .....
    if (tokenBalance >= underlyingAmount) {
        payEth(address(msg.sender), underlyingAmount);
        } else {
            payEth(address(msg.sender), tokenBalance);
            .....
}
```

Recommendation:

Using the ReentrancyGuard library, see : ReentrancyGuard.sol

An example revision is shown below:

```
pragma solidity ^0.6.12;
import "https://github.com/OpenZeppelin/openzeppelin-
contracts/blob/master/contracts/security/ReentrancyGuard.sol";

contract InsurancePool is ReentrancyGuard{
    .....
```

The same problem exists in MortgagePool smart contract.

Alleviation:

The development team heeded our advice and resolved this issue in commit



Туре	Severity	Location
Volatile Code	•Minor	InsurancePool.sol L223,L246

When the value of amount is too small, pTokenAmount will be equal to zero. In this case, user will lose funds.

In the exchangePTokenToUnderlying() function:

Examples:

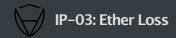
Considering that underlyingToken is USDT, the value of amount must be greater than 1e12.

Recommendation:

Add condition checking about pTokenAmount . An example revision is shown below:

Alleviation:

The development team heeded our advice and resolved this issue in commit



Туре	Severity	Location
Language Specific	Major	InsurancePool.sol L218

The contract of pToken might be maliciously forged. Consider the following scenarios: the attacker creates a fake pToken, then he will obtain ETH.

In the exchangePTokenToUnderlying() function:

Recommendation:

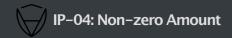
Note that the variables of contracts are initialized to zero by default. One recommended fix is to associate the ETH address to a specific non-zero address. For instance, address(uint256(-1)).

Method 2: Using getUnderlyingToPToken() and getPTokenToUnderlying() to validate the pToken contract. An example revision is shown below:

Alleviation:

The development team heeded our advice and resolved this issue in commit

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Туре	Severity	Location
Coding Style	•Minor	InsurancePool.sol L218,L236,L259, L299

When the amount of subscribing or redeeming insurance by the user is zero, the function execution is meaningless.

These functions are as follows:

Recommendation:

Check amount first. An example revision is shown below:

Alleviation:

The development team heeded our advice and resolved this issue in commit



Туре	Severity	Location
Logical Issue	Discussion	InsurancePool.sol L281

It seems to be different from the formula provided in the technical white paper:

Alleviation:

After discussing with the developer team, we have confirmed that the issue has been resolved.



Туре	Severity	Location
Coding Style	●Informational	InsurancePool.sol

It is recommended that the decimal settings of pToken and token be the same to avoid the problem of losing funds due to fractional conversion. For example, set pUSDT's decimal to 1e6.

Alleviation:

This issue has been discussed and resolved.



Туре	Severity	Location
Logical Issue	Major	InsurancePool.sol, L380

After insNegative[token] is reset to zero, negative assets cannot be eliminated:

```
function _eliminate(address pToken, address token) private {
    PToken pErc20 = PToken(pToken);
    uint256 negative = insNegative[token];
    ......
        insNegative[token] = 0;
        pErc20.destroy(insNegative[token], address(this));
    }
}
```

Recommendation:

Use local variable negative instead of insNegative[token] . An example revision is shown below:

```
function _eliminate(address pToken, address token) private {
    PToken pErc20 = PToken(pToken);
    uint256 negative = insNegative[token];
    ......
        insNegative[token] = 0;
        pErc20.destroy(negative, address(this));
    }
}
```

Alleviation:

The development team heeded our advice and resolved this issue in commit



Туре	Severity	Location
Gas Optimization	•Informational	MortgagePool.sol InsurancePool.sol

The declaration of public functions that are never called by the contract should be declared external to save gas.

For example, some functions are as follows:

```
function getGovernance() public view returns(address) {
    return governance;
}

function getInsNegative(address token) public view returns(uint256) {
    return insNegative[token];
}

function getTotalSupply(address token) public view returns(uint256) {
    return totalSupply[token];
}

function getBalances(address token, address add) public view returns(uint256) {
    return balances[add][token];
}
```

Recommendation:

Use the external attribute for functions never called from the contract.

Alleviation:

The development team heeded our advice and resolved this issue in commit



Туре	Severity	Location
Logical Issue	Discussion	MortgagePool.sol

Since any user can liquidate any account when the conditions are met. Consider the following case: Alice deliberately "increases" her mortgage rate, and if the price of the mortgage asset falls to meet the liquidation criteria, then Alice liquidates her account and spends less pToken.

Given the plummeting price of mortgaged assets, for example (rare but possible), 20% of the original mortgage price, no one will redeem or liquidate the collaterals, resulting in bad debts. No countermeasure would be taken in the system to mitigate such risks.

Alleviation:

No alleviation.



Туре	Severity	Location
Coding Style	•Informational	MortgagePool.sol L356,L398,L438,L474

When the user carelessly enters an amount of zero, a fee will be lost:

Recommendation:

Add condition checks about amount . An example revision is shown below:

The same issue exists in function decrease(), increaseCoinage() and reducedCoinage().

Alleviation:

The development team heeded our advice and resolved this issue in commit

Туре	Severity	Location
Dead Code	Informational	MortgagePool.sol, L387,L427,L463,L499

Debt positions are already created in the function of coin(), and do not need to be checked again.

```
function supplement(address mortgageToken,
                       uint256 amount) public payable whenActive {
        if (pLedger.created == false) {
            ledgerArray[pToken][mortgageToken].push(address(msg.sender));
            pLedger.created = true;
function decrease(address mortgageToken,
                     address pToken,
                     uint256 amount) public payable whenActive {
       if (pLedger.created == false) {
            ledgerArray[pToken][mortgageToken].push(address(msg.sender));
           pLedger.created = true;
function increaseCoinage(address mortgageToken,
                             address pToken,
                             uint256 amount) public payable whenActive {
       if (pLedger.created == false) {
           ledgerArray[pToken][mortgageToken].push(address(msg.sender));
           pLedger.created = true;
function reducedCoinage(address mortgageToken,
                            address pToken,
                            uint256 amount) public payable whenActive {
       if (pLedger.created == false) {
           ledgerArray[pToken][mortgageToken].push(address(msg.sender));
           pLedger.created = true;
```

Recommendation:

Remove the following codes, and add the condition of pLedger.created == true in the beginning. An example revision is shown below:

```
function supplement(address mortgageToken,
                       address pToken,
                        uint256 amount) public payable whenActive {
        require(pLedger.created,"Log:MortgagePool:!created");
       // Remove the following codes
       //if (pLedger.created == false) {
            //ledgerArray[pToken][mortgageToken].push(address(msg.sender));
           //pLedger.created = true;
function decrease(address mortgageToken,
                     address pToken,
                     uint256 amount) public payable whenActive {
     require(pLedger.created,"Log:MortgagePool:!created");
       // Remove the following codes
            //ledgerArray[pToken][mortgageToken].push(address(msg.sender));
function increaseCoinage(address mortgageToken,
                             address pToken,
                             uint256 amount) public payable whenActive {
       // Remove the following codes
       //if (pLedger.created == false) {
            //ledgerArray[pToken][mortgageToken].push(address(msg.sender));
           //pLedger.created = true;
function reducedCoinage(address mortgageToken,
                            address pToken,
                            uint256 amount) public payable whenActive {
       require(pLedger.created,"Log:MortgagePool:!created");
       //if (pLedger.created == false) {
            //ledgerArray[pToken][mortgageToken].push(address(msg.sender));
```

Alleviation:

The development team heeded our advice and resolved this issue in commit

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Туре	Severity	Location
Logical Issue	•Minor	MortgagePool.sol L565

There is no fee charged for liquidating:

Recommendation:

An example revision is shown below:

Alleviation:

The team heeded our advice and added related check. Code change was applied in commit 71bf95eb56af3bd21acfa685401e21bfccbe4eed



MP-05: Ever-growing LedgerArray

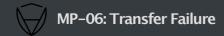
Туре	Severity	Location
Logical Issue	Discussion	MortgagePool.sol L509, L550

Description:

The ledgerArray should pop up after someone redeeming of all mortgages or liquidating.

Alleviation:

The team heeded our advice and added related check. Code change was applied in commit <u>71bf95eb56af3bd21acfa685401e21bfccbe4eed</u>



Туре	Severity	Location
Language Specific	•Minor	MortgagePool.sol L425, L537,L584 IsurancePool.sol L227, L337, L339

Due to the 2300 gas limitation of the transfer() function, these following functions may fail when called through a contract:

```
// these functions located on MortgagePool.sol
function decrease(address mortgageToken,
                      address pToken,
                      uint256 amount) public payable whenActive {
      if (mortgageToken != address(0x0)) {
        ERC20(mortgageToken).safeTransfer(address(msg.sender), amount);
        payEth(address(msg.sender), amount);
function redemptionAll(address mortgageToken, address pToken) public onleRedemptionAll {
        if (mortgageToken != address(0x0)) {
            ERC20(mortgageToken).safeTransfer(address(msg.sender), mortgageAssetsAmount);
            payEth(address(msg.sender), mortgageAssetsAmount);
function liquidation(address mortgageToken,
                         address pToken,
                         address account) public payable whenActive {
      if (mortgageToken != address(0x0)) {
        ERC20(mortgageToken).safeTransfer(address(msg.sender), mortgageAssets);
        payEth(address(msg.sender), mortgageAssets);
```

Recommendation:

Using the TransferHelper library. An example revision is shown below:

```
import './lib/TransferHelper.sol';
// these functions located on MortgagePool.sol
function decrease(address mortgageToken,
                      address pToken,
                      uint256 amount) public payable whenActive {
      if (mortgageToken != address(0x0)) {
       ERC20(mortgageToken).safeTransfer(address(msg.sender), amount);
            safeTransferETH(address(msg.sender), amount);
function redemptionAll(address mortgageToken, address pToken) public onleRedemptionAll {
        if (mortgageToken != address(0x0)) {
            ERC20(mortgageToken).safeTransfer(address(msg.sender), mortgageAssetsAmount);
            safeTransferETH(address(msg.sender), mortgageAssetsAmount);
function liquidation(address mortgageToken,
                         address pToken,
                         address account) public payable whenActive {
      if (mortgageToken != address(0x0)) {
        ERC20(mortgageToken).safeTransfer(address(msg.sender), mortgageAssets);
            safeTransferETH(address(msg.sender), mortgageAssets);
```

The same problem exists in InsurancePool smart contract.

Alleviation:

The development team heeded our advice and resolved this issue in commit

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Туре	Severity	Location
Volatile Code	•Informational	PriceController.sol L62

The price oracle from other contracts, TokenPrice and pTokenPrice, cannot be zero, otherwise they may introduce unpredictable vulnerabilities. One recommended approach is to add checks on the return value in getPriceForPToken() to ensure non-zero prices.

Alleviation:

The development team heeded our advice and resolved this issue in commit

Appendix

Finding Categories

Gas Optimization

Gas Optimization findings refer to exhibits that do not affect the functionality of the code but generate different, more optimal EVM opcodes resulting in a reduction on the total gas cost of a transaction.

Mathematical Operations

Mathematical Operation exhibits entail findings that relate to mishandling of math formulas, such as overflows, incorrect operations etc.

Logical Issue

Logical Issue findings are exhibits that detail a fault in the logic of the linked code, such as an incorrect notion on how block.timestamp works.

Control Flow

Control Flow findings concern the access control imposed on functions, such as owner-only functions being invoke-able by anyone under certain circumstances.

Volatile Code

Volatile Code findings refer to segments of code that behave unexpectedly on certain edge cases that may result in a vulnerability.

Data Flow

Data Flow findings describe faults in the way data is handled at rest and in memory, such as the result of a struct assignment operation affecting an in-memory struct rather than an instorage one.

Language Specific

Language Specific findings are issues that would only arise within Solidity, i.e. incorrect usage of private or delete.

Coding Style

Coding Style findings usually do not affect the generated byte-code and comment on how to make the codebase more legible and as a result easily maintainable.

Inconsistency

Inconsistency findings refer to functions that should seemingly behave similarly yet contain different code, such as a constructor assignment imposing different require statements on the input variables than a setter function.

Magic Numbers

Magic Number findings refer to numeric literals that are expressed in the codebase in their raw format and should otherwise be specified as constant contract variables aiding in their legibility and maintainability.

Compiler Error

Compiler Error findings refer to an error in the structure of the code that renders it impossible to compile using the specified version of the project.

Dead Code

Code that otherwise does not affect the functionality of the codebase and can be safely omitted.

Icons explanation



: Issue resolved



: Issue not resolved / Acknowledged. The team will be fixing the issues in the own timeframe.



: Issue partially resolved. Not all instances of an issue was resolved.