

# Dahlia Finance Security Review Public Report

PROJECT: Dahlia Finance Security Review

July 2021

## **Prepared For:**

Dahlia Finance

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# Dahlia Finance Protocol Review

# **Executive Summary**

# Scope of Engagement

Bramah Systems, LLC was engaged in July of 2021 to perform a comprehensive security review of the Dahlia Finance smart contracts (specific contracts denoted within the appendix). Our review was conducted over a period of five business days by both members of the Bramah Systems, LLC. executive staff.

Bramah Systems completed the assessment using manual, static and dynamic analysis techniques.

#### **Timeline**

Review Commencement: July 12, 2021

Report Delivery: July 16, 2021

# **Engagement Goals**

The primary scope of the engagement was to evaluate and establish the overall security of the Dahlia Finance protocol, with a specific focus on trading actions. In specific, the engagement sought to answer the following questions:

- Is it possible for an attacker to steal or freeze tokens?
- Does the Solidity code match the specification as provided?
- Is there a way to interfere with the contract mechanisms?
- Are the arithmetic calculations trustworthy?

# **Contract Specification**

Specification was provided in the form of code comments. The contracts were provided via GitHub (commit hash e0f68c18f415cbea589d0f553b2ecdb979d64a68 and 1d1e72d82eb8bb7183c14de5ff4db2ed321993a0)



## Overall Assessment

Bramah Systems was engaged to evaluate and identify any potential security concerns within the codebase of the Dahlia Finance protocol. During the course of our engagement, Bramah Systems found multiple instances wherein the team deviated materially from established best practices and procedures of secure software development within DLT. The team has since addressed these issues with a resolution or risk acceptance.





### Disclaimer

As of the date of publication, the information provided in this report reflects the presently held, commercially reasonable understanding of Bramah Systems, LLC.'s knowledge of security patterns as they relate to the Dahlia Finance Protocol, with the understanding that distributed ledger technologies ("DLT") remain under frequent and continual development, and resultantly carry with them unknown technical risks and flaws. The scope of the review provided herein is limited solely to items denoted within "Scope of Engagement" and contained within "Directory Structure". The report does NOT cover, review, or opine upon security considerations unique to the Solidity compiler, tools used in the development of the protocol, or distributed ledger technologies themselves, or to any other matters not specifically covered in this report. The contents of this report must NOT be construed as investment advice or advice of any other kind. This report does NOT have any bearing upon the potential economics of the Dahlia Finance protocol or any other relevant product, service or asset of Dahlia Finance or otherwise. This report is not and should not be relied upon by Dahlia Finance or any reader of this report as any form of financial, tax, legal, regulatory, or other advice.

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# General Recommendations

# Best Practices & Software Development Guidelines

# Solidity version out of date

The Solidity version used within the contracts is out of date (0.5.16) and should be updated in order to include new compiler optimizations and security improvements.

**Resolution**: The team does not intend to update the software version.

# Multiple TODO items remain

A number of **TODO** items remain in the source code, particularly related to any Python related tooling. As they appear to have material impact upon the function of the protocol, these items should be resolved prior to deployment.

**Resolution**: Remove and complete TODO items.

# Unused function parameters should be removed

A number of function parameters reference that they are unused. Where present, such parameters should be removed altogether in order to promote overall clarity and remove potential exploit vectors.

**Resolution**: Compounded functions unused, now removed.



# Specific Recommendations

# Unique to the Dahlia Finance Protocol

# Protocol forks a compromised protocol

The basis for the protocol, while having received prior audits, was <u>compromised</u> via flash-loan vulnerabilities. These concerns should be taken into account when assessing overall security of the protocol.

In particular, the team should acknowledge that the following concerns have been addressed.

- Rounding error has been resolved in borrow code
- Allowance for use of custom spells has been removed
- Public access to resolveReserve function has been removed

**Resolution**: These issues have all been addressed and resolved.

# References to Ethereum and ETH should be updated

In order to avoid generalized confusion, as the protocol is not being deployed on an Ethereum chain, references to Ethereum should be removed or otherwise augmented.

**Resolution**: All references to eth from the homora\_v2\_contracts and fountain\_of\_youth repos have been removed

## Numerous typographical errors

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Throughout the protocol, numerous typographical errors exist in code comments and

documentation. This should be addressed before publication to mainnet.

**Resolution**: Addressed and resolved.

Hardcoded oracle address could have setter function

There are multiple instances of hardcoded oracle addresses. Where applicable, these

addresses could be modified to be set through the usage of a setter function.

**Resolution**: We do this for transparency.

Unbound for loops can lead to resource exhaustion

Throughout the protocol, there are a number of for loops which do not possess an upper bound

on the number of iterations. This can lead to resource (gas) exhaustion if there are too many

iterations through the loops. An upper bound where appropriate should be applied to avoid

these potential concerns.

**Resolution**: An external function that only looks at debt positions.

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# **Toolset Warnings**

# Unique to the Dahlia Finance Protocol

#### Overview

In addition to our manual review, our process involves utilizing static analysis and formal methods in order to perform additional verification of the presence of security vulnerabilities (or lack thereof). An additional part of this review phase consists of reviewing any automated unit testing frameworks that exist.

The following sections detail warnings generated by the automated tools and confirmation of false positives where applicable.

# **Compilation Warnings**

No compilation warnings were encountered during the course of our audit.

# Test Coverage

The contracts possess a number of functional unit tests encompassing various stages of the application lifecycle.

# Static Analysis Coverage

The contract repository underwent heavy scrutiny with multiple static analysis agents, including:

- Securify
- MAIAN
- Mythril
- Oyente
- Slither

# **Directory Structure**

At time of review, the directory structure of the Dahlia Finance smart contracts repository appeared as it does below. Our review, at request of Dahlia Finance, covers the Solidity code (\*.sol) as of commit hash e0f68c18f415cbea589d0f553b2ecdb979d64a68 and 1d1e72d82eb8bb7183c14de5ff4db2ed321993a0

	— Dockerfile
-	— LICENSE
-	— Makefile
$\vdash$	— README.md
-	— audits
	L—trailofbits-CREAMSummary.pdf
-	— check
$\vdash$	— contracts
	CErc20.sol
	CErc20Immutable.sol
	— CToken.sol
	— CTokenInterfaces.sol
	— CarefulMath.sol
	— Comptroller.sol
	— ComptrollerInterface.sol
	— ComptrollerStorage.sol
	EIP20Interface.sol
	EIP20NonStandardInterface.sol
	ErrorReporter.sol
	— Exponential.sol
	—— InterestRateModel.sol
	— JumpRateModelV2.sol
	—— SafeMath.sol



│
ERC20.sol
—— deploy
002_dtoken.ts
— deployments
│
ComptrollerImpl.json
— JumpRateModelV2GS.json
— JumpRateModelV2MS.json
— Unitroller.json
FCELO.json
└── solcInputs
7210072da418b33cbdd6abb9c6b4cf38.json
— docs
CompoundProtocol.pdf
— hardhat.config.ts
jest.config.js
—— package.json
reporterConfig.json
Grammar.pegjs
SCENARIO.md
— package.json
script



L— webpack
src
Accounts.ts
Action.ts
Assert.ts
CompBuilder.ts
ComptrollerImplBuilder.ts
Frc20Builder.ts
PriceOracleBuilder.ts
UnitrollerBuilder.ts
Command.ts
Completer.ts
Contract
CErc20Delegate.ts
CErc20Delegator.ts
CToken.ts
CompoundLens.ts
Comptroller.ts
ComptrollerImpl.ts



		InterestRateModel.ts
	ĺ	Pot.ts
		PriceOracle.ts
		PriceOracleProxy.ts
		Unitroller.ts
		│
		L— builder.js
		Contract.ts
		ContractLookup.ts
		CoreEvent.ts
		— CoreValue.ts
		Encoding.ts
		ErrorReporter.ts
		ErrorReporterConstants.ts
		— Event
		AssertionEvent.ts
		CTokenDelegateEvent.ts
		CTokenEvent.ts
		CompEvent.ts
		ComptrollerEvent.ts
		ComptrollerImplEvent.ts
		Erc20Event.ts
		ExpectationEvent.ts
		InterestRateModelEvent.ts
		InvariantEvent.ts
		PriceOracleEvent.ts
		PriceOracleProxyEvent.ts
		TrxEvent.ts



	UnitrollerEvent.ts
	— Event.ts
	— EventBuilder.ts
	— Expectation
	Changes Expectation.ts
	RemainsExpectation.ts
	Expectation.ts
	—— File.ts
	— Formatter.ts
	— Help.ts
	— HistoricReadline.ts
	— Hypothetical.ts
	—— Invariant
	RemainsInvariant.ts
	StaticInvariant.ts
	SuccessInvariant.ts
	—— Invariant.ts
	—— Invokation.ts
	— Macro.ts
	— Networks.ts
	—— Parser.ts
	—— Printer.ts
	—— Repl.d.ts
	—— Repl.ts
	— Runner.ts
	— Settings.ts
	— Utils.ts
	— Value
	CTokenDelegateValue.ts



CompValue.ts
ComptrollerImplValue.ts
ComptrollerValue.ts
UnitrollerValue.ts
UserValue.ts
Verify.ts
│
│
│
— script
README.md
— build_scenarios
— compile
Coverage
saddle
contractSizer.js
— deployToken.js
— flywheelInit.js
— support



L—tokenConfig.js
scen
deploy.scen
test
│
<del>  a</del> dmin.cvl
frame.cvl
rounding.cvl
CErc20Delegator -> CErc20
— search.cvl
│
Comptroller
comptroller.cvl
L—int.cvl
maximillion.cvl



	│
	L— contracts
	—— CDaiDelegateCertora.sol
	— CErc20DelegateCertora.sol
	CErc20DelegatorCertora.sol
	—— CErc20ImmutableCertora.sol
	—— CEtherCertora.sol
	— CTokenCollateral.sol
	— CompCertora.sol
	— ComptrollerCertora.sol
	— InterestRateModelModel.sol
	— MathCertora.sol
	—— PriceOracleModel.sol
	—— SimulationInterface.sol
	— UnderlyingModelNonStandard.sol
	UnderlyingModelWithFee.sol
$\vdash$	— scenario
	— AddReserves.scen
	Borrow.scen
	Borrow.scen.old
	BorrowBalance.scen
	BorrowCap.scen
	BorrowEth.scen
	— CTokenAdmin.scen
	— ChangeDelegate.scen
	— CollateralCap.scen
	Comp



	Comp.scen
	— CoreMacros
	— EnterExitMarkets.scen
	ExchangeRate.scen
	Fee.scen
	—— Gas.scen
	— HypotheticalAccountLiquidity.scer
	— InKindLiquidation.scen
	— Liquidate.scen.old
	— Mint.scen
	— MintEth.scen
	— MintWBTC.scen
	ReEntry.scen
	Redeem.scen
	RedeemEth.scen
	RedeemUnderlying.scen
	— RedeemUnderlyingEth.scen
	RedeemUnderlyingWBTC.scen
	RedeemWBTC.scen
	ReduceReserves.scen
	RepayBorrow.scen
	RepayBorrowEth.scen
	RepayBorrowWBTC.scen
	—— Seize.scen
	SetComptroller.scen
	—— Supply.scen.old
	—— SupplyCap.scen
	— Tether.scen
	— TokenTransfer.scen



│
0001-comp-distribution-patch
deploy.scen
hypothetical_upgrade.scen
hypothetical_upgrade_post_deploy.scen
hypothetical_upgrade_post_propose.scen
0003-borrow-caps-patch
deploy.scen
hypothetical_upgrade.scen
hypothetical_upgrade_post_deploy.scen
hypothetical_upgrade_post_propose.scen
— test
lend.test.ts
— tests
CompilerTest.js
Comptroller
accountLiquidityTest.js
adminTest.js
assetsListTest.js
comptrollerTest.js
pauseGuardianTest.js
unitrollerTest.js
Contracts
CErc20Harness.sol
ComptrollerHarness.sol
ComptrollerScenario.sol
Const.sol
Counter.sol



ERC20.sol
EvilToken.sol
FalseMarker.sol
├── FaucetToken.sol
Fauceteer.sol
FeeToken.sol
│
├── MathHelpers.sol
│
├── MockMCD.sol
├── MockMasterChef.sol
├── MockSushiBar.sol
├── Structs.sol
├── TetherInterface.sol
│
│
Errors.js
├— Jest.js
— Matchers.js
Models
│
— SpinaramaTest.js
— Tokens
accountPriviledgeTest.js
accrueInterestTest.js
adminTest.js
│
CTokenTest.js



reservesTest.js
setComptrollerTest.js
setInterestRateModelTest.js
│
Utils
Compound.js
├── EIP712.js
— Ethereum.js
InfuraProxy.js
│
— tsconfig.json
└── yarn.lock
— LICENSE
—— audits
Alpha-Homora-v2-Peckshield-audit-report.pdf
Alpha-Homora-v2-Quantstamp-audit-report.pdf
PeckShield-Audit-Report-AlphaStaking-AggregatorOracle-v1.0.pdf
— contracts
Governable.sol
HomoraBank.sol
IbETHRouterV2.sol
L SafaBox sol



— mock
MockCErc20.sol
MockCErc20_2.sol
MockERC20.sol
│
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│
AggregatorOracle.sol
BaseKP3ROracle.sol
CoreOracle.sol
CurveOracle.sol
ERC20KP3ROracle.sol
ProxyOracle.sol
SimpleOracle.sol
UbeswapV1Oracle.sol
UniswapV2Oracle.sol
UniswapV2OracleLibrary.sol
UsingBaseOracle.sol
HalancerSpellV1.sol
HasicSpell.sol
CurveSpellV1.sol
HouseHoldSpell.sol
SushiswapSpellV1.sol
UniswapV2SpellV1.sol



utils
BConst.sol
ERC1155NaiveReceiver.so
FixedPoint.sol
│
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├── WERC20.sol
├── WLiquidityGauge.sol
├── WMasterChef.sol
│
— flake.lock
— flake.nix
— interfaces
Any.sol
IBalancerPool.sol
IBank.sol
IBaseOracle.sol
ICErc20.sol
ICErc20_2.sol
ICEtherEx.sol
IComptroller.sol
ICurvePool.sol
ICurveRegistry.sol
IERC20Ex.sol
IERC20Wrapper.sol
IERC20WrapperOld.sol
IInterestRateModel.sol



	IKeep3rV1Oracle.sol
	—— ILiquidityGauge.sol
	—— IMasterChef.sol
	—— IOracle.sol
	—— IStakingRewards.sol
	—— IStakingRewardsEx.sol
	IUbeswapV1Oracle.sol
	IUniswapV2Factory.sol
	IUniswapV2Pair.sol
	├── IUniswapV2Router01.sol
	IUniswapV2Router02.sol
	IWERC20.sol
	IWETH.sol
	IWMasterChef.sol
	L— IWStakingRewards.sol
$\vdash$	— package-lock.json
$\vdash$	— package.json
$\vdash$	— requirements.txt
$\vdash$	— scripts
	— balancer_oracle_test.py
	balancer_spell_add_remove_1x_test.py
	check_output.py
	curve_oracle_test.py



— curve\_spell\_wgauge\_2\_add\_remove\_1x\_test.py — curve\_spell\_wgauge\_2\_add\_remove\_test.py — curve\_spell\_wgauge\_2\_add\_twice\_test.py — curve\_spell\_wgauge\_2\_harvest\_test.py — curve\_spell\_wgauge\_3\_add\_remove\_1x\_test.py — curve\_spell\_wgauge\_3\_add\_remove\_test.py — curve\_spell\_wgauge\_3\_add\_twice\_test.py — curve\_spell\_wgauge\_3\_harvest\_test.py — curve\_spell\_wgauge\_4\_add\_remove\_1x\_test.py —— curve\_spell\_wgauge\_4\_add\_remove\_test.py — curve\_spell\_wgauge\_4\_harvest\_test.py — dahlia\_add\_oracle\_params.py — dahlia\_add\_uni\_spell.py — dahlia\_addresses.json — dahlia\_deploy\_oracle\_and\_bank.py — dahlia\_deploy\_oracle\_config.py — dahlia\_deploy\_safeboxes.py — dahlia\_deploy\_uniswap\_spell.py — dahlia\_deploy\_wrapped\_staking.py — dahlia\_test\_oracle.py — dahlia\_test\_safebox.py — dahlia\_test\_uni\_spell\_add\_remove.py — dahlia\_test\_uni\_spell\_add\_remove\_1x.py — dahlia\_test\_uni\_spell\_more\_add\_remove.py — dahlia\_test\_uniswap\_wstaking.py — dahlia\_update\_oracle.py — deploy\_agg\_oracle.py — deploy\_oracle.py



deploy\_to\_mainnet.py — deploy\_upgrade.py — deploy\_v2.py — deploy\_v2\_1.py deploy\_v2\_2.py — deploy\_v2\_add\_bank.py — deploy\_v2\_add\_bank\_2.py — deploy\_v2\_oracles.py — deploy\_v2\_oracles\_setting.py — deploy\_v2\_oracles\_setting\_2.py — deploy\_v2\_oracles\_setting\_3.py — deploy\_v2\_safeboxes.py — deploy\_v2\_safeboxes\_2.py fake\_credit\_limit.py --- ibeth\_v2\_router\_test.py — open\_position.py — query\_ibs.py replace\_v1\_to\_agg\_oracle.py ---- safebox\_dai\_2\_test.py — safebox\_dai\_test.py ---- safebox\_eth\_2\_test.py ---- safebox\_eth\_test.py safebox\_usdt\_2\_test.py safebox\_usdt\_test.py sushiswap\_spell\_add\_remove\_test.py — sushiswap\_spell\_wmasterchef\_add\_remove\_1x\_test.py — sushiswap\_spell\_wmasterchef\_add\_remove\_test.py — sushiswap\_spell\_wmasterchef\_add\_twice\_test.py — sushiswap\_spell\_wmasterchef\_harvest\_test.py



	— tokens.py
	— uniswap_lp_oracle_test.py
	— uniswap_spell_add_remove_1x_test.py
	— uniswap_spell_add_remove_test.py
	— uniswap_spell_eth_test.py
	— uniswap_spell_more_add_remove_test.py
	— uniswap_spell_usdc_usdt_test.py
	uniswap_spell_wstaking_add_remove_1x_test.py
	— uniswap_spell_wstaking_add_remove_test.py
	— uniswap_spell_wstaking_add_twice_test.py
	— uniswap_spell_wstaking_harvest_test.py
	— utils.py
	— utils_fork.py
	— wmasterchef_test.py
	wstaking_rewards_test.py
$\vdash$	— shell.nix
$\vdash$	— tests
	— conftest.py
	— helper_uniswap.py
	setup_basic.py
	setup_safebox.py
	setup_uniswap.py
	setup_user.py
	test_core_oracle.py
	test_homora_bank_1.py
	test_homora_bank_2.py
	— test_liquidate.py
	— test_safebox.py



	test_uniswap_add.py
	L— utils.py
L	— yarn.lock

10 directories, 179 files