SMART CONTRACT AUDIT REPORT

for

Iron Bank EUR Token

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1 Introduction

Given the opportunity to review the source code of the `Iron Bank EUR (ibEUR)` token contract, we outline in the report our systematic method to evaluate potential security issues in the smart contract implementation, expose possible semantic inconsistency between smart contract code and the documentation, and provide additional suggestions or recommendations for improvement. Our results show that the given version of the smart contract is ERC20-compliant and can be further improved due to the presence of certain issues related to security or performance. This document outlines our audit results.

1.1 About Iron Bank EUR

`Iron Bank EUR` is an ERC20-compliant token that is closely related to the `Iron Bank` protocol in minting currency-backed synthetic tokens. The main functionality includes full ERC20 compatibility with additional extensions that are designed to interact with `Iron Bank` for profit accrual and collection. The basic information of Iron Bank EUR is as follows:

The basic information of the `Iron Bank EUR` token contract is as follows:

Table 1.1: Basic Information of Iron Bank EUR

Item	Description
Name	Iron Bank EUR
Type	ERC20 Token Contract
Platform	Solidity
Audit Method	Whitebox
Audit Completion Date	August 3, 2021

In the following, we show the etherscan link for the `ibEUR` token contract used in this audit. Note this token contract assumes a trustworthy `gov` account that is privileged to mint additional tokens into circulation.

- https://etherscan.io/address/0x96e61422b6a9ba0e068b6c5add4ffabc6a4aae27

1.2 About PeckShield

PeckShield Inc. [7] is a leading blockchain security company with the goal of elevating the security, privacy, and usability of current blockchain ecosystem by offering top-notch, industry-leading services and products (including the service of smart contract auditing). We are reachable at Telegram (https://t.me/peckshield), Twitter (http://twitter.com/peckshield), or Email (contact@peckshield.com).

1.3 Methodology

To standardize the evaluation, we define the following terminology based on OWASP Risk Rating Methodology [6]:

- Likelihood represents how likely a particular vulnerability is to be uncovered and exploited in the wild;
- Impact measures the technical loss and business damage of a successful attack;
- Severity demonstrates the overall criticality of the risk;

Likelihood and impact are categorized into three ratings: *H*, *M* and *L*, i.e., *high*, *medium* and *low* respectively. Severity is determined by likelihood and impact and can be classified into four categories accordingly, i.e., *Critical*, *High*, *Medium*, *Low* shown in Table 1.2.

Table 1.2: Vulnerability Severity Classification

Impact \ Likelihood	*High*	*Medium*	*Low*
High	Critical	High	Medium
Medium	High	Medium	Low
Low	Medium	Low	Low

We perform the audit according to the following procedures:

- Basic Coding Bugs: We first statically analyze given smart contracts with our proprietary static code analyzer for known coding bugs, and then manually verify (reject or confirm) all the issues found by our tool.

- ERC20 Compliance Checks: We then manually check whether the implementation logic of the audited smart contract(s) follows the standard ERC20 specification and other best practices.
- Additional Recommendations: We also provide additional suggestions regarding the coding and development of smart contracts from the perspective of proven programming practices.

Table 1.3: The Full List of Check Items

Category	Check Item
Basic Coding Bugs	Constructor Mismatch
	Ownership Takeover
	Redundant Fallback Function
	Overflows & Underflows
	Reentrancy
	Money-Giving Bug
	Blackhole
	Unauthorized Self-Destruct
	Revert DoS
	Unchecked External Call
	Gasless Send
	Send Instead of Transfer
	Costly Loop
	(Unsafe) Use of Untrusted Libraries
	(Unsafe) Use of Predictable Variables
	Transaction Ordering Dependence
	Deprecated Uses
	Approve / TransferFrom Race Condition
ERC20 Compliance Checks	Compliance Checks (Section 3)
Additional Recommendations	Avoiding Use of Variadic Byte Array
	Using Fixed Compiler Version
	Making Visibility Level Explicit
	Making Type Inference Explicit
	Adhering To Function Declaration Strictly
	Following Other Best Practices

To evaluate the risk, we go through a list of check items and each would be labeled with a severity category. For one check item, if our tool does not identify any issue, the contract is considered safe regarding the check item. For any discovered issue, we might further deploy contracts on our private testnet and run tests to confirm the findings. If necessary, we would additionally build a PoC to demonstrate the possibility of exploitation. The concrete list of check items is shown in Table 1.3.

1.4 Disclaimer

Note that this security audit is not designed to replace functional tests required before any software release, and does not give any warranties on finding all possible security issues of the given smart contract(s) or blockchain software, i.e., the evaluation result does not guarantee the nonexistence of any further findings of security issues. As one audit-based assessment cannot be considered comprehensive, we always recommend proceeding with several independent audits and a public bug bounty program to ensure the security of smart contract(s). Last but not least, this security audit should not be used as investment advice.

2 | Findings

2.1 Summary

Here is a summary of our findings after analyzing the `Iron Bank EUR` token contract. During the first phase of our audit, we study the smart contract source code and run our in-house static code analyzer through the codebase. The purpose here is to statically identify known coding bugs, and then manually verify (reject or confirm) issues reported by our tool. We further manually review business logics, examine system operations, and place ERC20-related aspects under scrutiny to uncover possible pitfalls and/or bugs.

Severity	# of Findings	
Critical	0	
High	0	
Medium	0	
Low	1	■
Informational	1	■
Total	2	

Moreover, we explicitly evaluate whether the given contracts follow the standard ERC20 specification and other known best practices, and validate its compatibility with other similar ERC20 tokens and current DeFi protocols. The detailed ERC20 compliance checks are reported in Section 3. After that, we examine a few identified issues of varying severities that need to be brought up and paid more attention to. (The findings are categorized in the above table.) Additional information can be found in the next subsection, and the detailed discussions are in Section 4.

2.2 Key Findings

Overall, no ERC20 compliance issue was found and our detailed checklist can be found in Section 3. Note that the smart contract implementation can be improved by resolving the identified issues (shown in Table 2.1), including 1 low-severity vulnerability and 1 informational recommendation.

Table 2.1: Key Iron Bank EUR Audit Findings

ID	Severity	Title	Category	Status
PVE-001	Low	approve()/transferFrom() Race Condition	Time and State	Confirmed
PVE-002	Informational	Lack of Emitting Meaningful Events	Coding Practices	Confirmed

Besides recommending specific countermeasures to mitigate these issues, we also emphasize that it is always important to develop necessary risk-control mechanisms and make contingency plans, which may need to be exercised before the mainnet deployment. The risk-control mechanisms need to kick in at the very moment when the contracts are being deployed in mainnet. Please refer to Section 3 for our detailed compliance checks and Section 4 for elaboration of reported issues.

3 | ERC20 Compliance Checks

The ERC20 specification defines a list of API functions (and relevant events) that each token contract is expected to implement (and emit). The failure to meet these requirements means the token contract cannot be considered to be ERC20-compliant. Naturally, as the first step of our audit, we examine the list of API functions defined by the ERC20 specification and validate whether there exist any inconsistency or incompatibility in the implementation or the inherent business logic of the audited contract(s).

Table 3.1: Basic `View-Only` Functions Defined in The ERC20 Specification

Item	Description	Status
name()	Is declared as a public view function	✓
	Returns a string, for example "Tether USD"	✓
symbol()	Is declared as a public view function	✓
	Returns the symbol by which the token contract should be known, for example "USDT". It is usually 3 or 4 characters in length	✓
decimals()	Is declared as a public view function	✓
	Returns decimals, which refers to how divisible a token can be, from 0 (not at all divisible) to 18 (pretty much continuous) and even higher if required	✓
totalSupply()	Is declared as a public view function	✓
	Returns the number of total supplied tokens, including the total minted tokens (minus the total burned tokens) ever since the deployment	✓
balanceOf()	Is declared as a public view function	✓
	Anyone can query any address' balance, as all data on the blockchain is public	✓
allowance()	Is declared as a public view function	✓
	Returns the amount which the spender is still allowed to withdraw from the owner	✓

Our analysis shows that there is no ERC20 inconsistency or incompatibility issue found in the audited token contract. In the surrounding two tables, we outline the respective list of basic `view-only` functions (Table 3.1) and key `state-changing` functions (Table 3.2) according to the widely-

Table 3.2: Key `State-Changing` Functions Defined in The ERC20 Specification

Item	Description	Status
transfer()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token transfer status	✓
	Reverts if the caller does not have enough tokens to spend	✓
	Allows zero amount transfers	✓
	Emits Transfer() event when tokens are transferred successfully (include 0 amount transfers)	✓
	Reverts while transferring to zero address	✓
transferFrom()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token transfer status	✓
	Reverts if the spender does not have enough token allowances to spend	✓
	Updates the spender's token allowances when tokens are transferred successfully	✓
	Reverts if the from address does not have enough tokens to spend	✓
	Allows zero amount transfers	✓
	Emits Transfer() event when tokens are transferred successfully (include 0 amount transfers)	✓
	Reverts while transferring from zero address	✓
	Reverts while transferring to zero address	✓
approve()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token approval status	✓
	Emits Approval() event when tokens are approved successfully	✓
	Reverts while approving to zero address	✓
Transfer() event	Is emitted when tokens are transferred, including zero value transfers	✓
	Is emitted with the from address set to $address(0x0)$ when new tokens are generated	✓
Approval() event	Is emitted on any successful call to approve()	✓

adopted ERC20 specification. In addition, we perform a further examination on certain features that are permitted by the ERC20 specification or even further extended in follow-up refinements and enhancements (e.g., ERC777/ERC2222), but not required for implementation. These features are generally helpful, but may also impact or bring certain incompatibility with current DeFi protocols. Therefore, we consider it is important to highlight them as well. This list is shown in Table 3.3.

Table 3.3: Additional `Opt-in` Features Examined in Our Audit

Feature	Description	Opt-in
Deflationary	Part of the tokens are burned or transferred as fee while on transfer()/transferFrom() calls	—
Rebasing	The balanceOf() function returns a re-based balance instead of the actual stored amount of tokens owned by the specific address	—
Pausable	The token contract allows the owner or privileged users to pause the token transfers and other operations	—
Blacklistable	The token contract allows the owner or privileged users to blacklist a specific address such that token transfers and other operations related to that address are prohibited	—
Mintable	The token contract allows the owner or privileged users to mint tokens to a specific address	✓
Burnable	The token contract allows the owner or privileged users to burn tokens of a specific address	✓

4 Detailed Results

4.1 approve()/transferFrom() Race Condition

- ID: PVE-001
- Severity: Low
- Likelihood: Low
- Impact: Medium
- Target: `FixedEUR`
- Category: Time and State [4]
- CWE subcategory: CWE-362 [2]

Description

As an ERC20 token contract, the `ibEUR` implementation -`FixedEUR` - has two `approve()` and `transferFrom()` functions that are designed to allow a spender to spend the owner's tokens, which is an essential feature in DeFi universe. However, one well-known race condition vulnerability is present in the current implementation [1].

Specifically, suppose `Bob` approves `Alice` for spending his 100 `ibEUR`s and later re-sets the approval to 200 `ibEUR`s, `Alice` could front-run the second `approve()` call with a `transferFrom()` call to spend $100 + 200 = 300$ `ibEUR`s owned by `Bob`.

```
120     function approve(address spender, uint amount) external returns (bool) {
121         allowances[msg.sender][spender] = amount;
122
123         emit Approval(msg.sender, spender, amount);
124         return true;
125     }
```

Listing 4.1: `FixedEUR::approve()`

```
136     function transferFrom(address src, address dst, uint amount) external returns (bool)
            {
137         address spender = msg.sender;
138         uint spenderAllowance = allowances[src][spender];
139
140         if (spender != src && spenderAllowance != type(uint).max) {
141             uint newAllowance = spenderAllowance - amount;
```

```
142             allowances[src][spender] = newAllowance;
143
144             emit Approval(src, spender, newAllowance);
145         }
146
147         _transferTokens(src, dst, amount);
148         return true;
149     }
```

Listing 4.2: `FixedEUR::transferFrom()`

Recommendation Ensure that the allowance is 0 while setting a new allowance. An alternative solution is the implemention of `increaseAllowance()` and `decreaseAllowance()` functions that adjust the allowance instead of directly setting the allowance.

Status The issue has been confirmed.

4.2 Lack of Emitting Meaningful Events

- ID: PVE-002
- Severity: Informational
- Likelihood: N/A
- Impact: N/A
- Target: `FixedEUR`
- Category: Coding Practices [5]
- CWE subcategory: CWE-563 [3]

Description

In `Ethereum`, the `event` is an indispensable part of a contract and is mainly used to record a variety of runtime dynamics. In particular, when an `event` is emitted, it stores the arguments passed in transaction logs and these logs are made accessible to external analytics and reporting tools. `Events` can be emitted in a number of scenarios. One particular case is when system-wide parameters or settings are being changed. Another case is when tokens are being minted, transferred, or burned.

In the following, we use the `FixedEUR` contract as an example. While examining the events that reflect the `FixedEUR` dynamics, we notice there is a lack of emitting related events that reflect important state changes. Specifically, when the `gov` is being changed, there is no respective event being emitted to reflect the transfer of `gov` (line 49).

```
42     function setGov(address _gov) external g {
43         nextgov = _gov;
44         commitgov = block.timestamp + delay;
45     }
46
47     function acceptGov() external {
48         require(msg.sender == nextgov && commitgov < block.timestamp);
```

```
49          gov = nextgov;
50      }
```

Listing 4.3: FixedEUR::setGov()/acceptGov()

```
80      function deposit() external {
81          uint _amount = balances[address(this)];
82          allowances[address(this)][address(ib)] = _amount;
83          liquidity += _amount;
84          require(ib.mint(_amount) == 0, "ib: supply failed");
85      }
```

Listing 4.4: FixedEUR::deposit()

Similarly, the deposit() function can be improved to emit a related event, i.e., Approval(address(this), address(ib), _amount) (right after line 82), when the spending allowance is being changed.

Recommendation Properly emit the related NewGov event when the gov is being updated. Also properly emit the Approval event when the spending allowance is being changed.

Status The issue has been confirmed.

5 | Conclusion

In this security audit, we have examined the design and implementation of the `Iron Bank EUR` token contract. During our audit, we first checked all respects related to the compatibility of the ERC20 specification and other known ERC20 pitfalls/vulnerabilities. We then proceeded to examine other areas such as coding practices and business logics. Overall, although no critical or high level vulnerabilities were discovered, we identified two issues that were promptly confirmed and addressed by the team. In the meantime, as disclaimed in Section 1.4, we appreciate any constructive feedbacks or suggestions about our findings, procedures, audit scope, etc.

References

[1] HaleTom. Resolution on the EIP20 API Approve / TransferFrom multiple withdrawal attack. https://github.com/ethereum/EIPs/issues/738.

[2] MITRE. CWE-362: Concurrent Execution using Shared Resource with Improper Synchronization ('Race Condition'). https://cwe.mitre.org/data/definitions/362.html.

[3] MITRE. CWE-563: Assignment to Variable without Use. https://cwe.mitre.org/data/definitions/563.html.

[4] MITRE. CWE CATEGORY: 7PK - Time and State. https://cwe.mitre.org/data/definitions/361.html.

[5] MITRE. CWE CATEGORY: Bad Coding Practices. https://cwe.mitre.org/data/definitions/1006.html.

[6] OWASP. Risk Rating Methodology. https://www.owasp.org/index.php/OWASP_Risk_Rating_Methodology.

[7] PeckShield. PeckShield Inc. https://www.peckshield.com.