Blockchains & Distributed Ledgers

Lecture 04

Dimitris Karakostas



Denial-of-Service

DoS: Griefing

```
// INSECURE
for (uint i = 0; i < investors.length; i++) {
    investors[i].addr.transfer(investors[i].dividendAmount));
}</pre>
```

DoS: Griefing

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// INSECURE
for (uint i = 0; i < investors.length; i++) {
   investors[i].addr.transfer(investors[i].dividendAmount));
}</pre>
```

DoS: Griefing

```
INSECURE
for (uint i = 0; i < investors.length; i++) {</pre>
   investors[i].addr.transfer(investors[i].dividendAmount));
// ALSO INSECURE
for (uint i = 0; i < investors.length; i++) {</pre>
   if (!(investors[i].addr.send(investors[i].dividendAmount))) {
       revert();
```

Error handling

- If a send/transfer call fails, the contract might get stuck
- It is **possible to force** a call to fail (e.g., by getting the victim contract to send to another contract that fails)
- **Errors** need to be **handled**, instead of simply reverting
- transfer is preferable to send, as it returns an error object that can be examined and act upon accordingly

Pull over push: example

```
// BAD DESIGN (PUSH)

function bid() payable {
    require(msg.value >= highestBid);

    if (highestBidder != address(0)) {
        highestBidder.transfer(highestBid);
    }

    highestBidder = msg.sender;
    highestBid = msg.value;
}
```

Pull over push: example

```
// BAD DESIGN (PUSH)

function bid() payable {
    require(msg.value >= highestBid);

    if (highestBidder != address(0)) {
        highestBidder.transfer(highestBid);
    }

    highestBidder = msg.sender;
    highestBid = msg.value;
}
```

```
// PULL DESIGN
function bid() payable external {
      require(msg.value >= highestBid);
      if (highestBidder != address(0)) {
            refunds[highestBidder] += highestBid;
      highestBidder = msg.sender;
      highestBid = msg.value;
function withdrawRefund() external {
      uint refund = refunds[msg.sender];
      refunds[msg.sender] = 0;
      msg.sender.transfer(refund);
```

Pull over push

- Do not transfer ether to users (push) but let the users withdraw (pull) their funds.
- **Isolates** each **external call** into its own transaction.
- Avoids multiple send() calls in a single transaction.
- Reduces problems with gas limits.
- Possibly increases gas fairness (each users pays the gas for receiving their own funds).
- Trade-off between security and user experience.

DoS: Unbounded operation

```
// INSECURE
for (uint i = 0; i < investors.length; i++) {
   investors[i].addr.transfer(investors[i].dividendAmount));
}</pre>
```

- Operation requires more gas as array becomes larger
- After some point, it might be impossible (beyond gas limits) to execute it

Fallback function

Contract A



Withdraw ETH



Fallback function

1. Call withdraw

Withdraw ETH

Contract A





Fallback function

2. Give eth

Withdraw ETH

Contract A





Fallback function

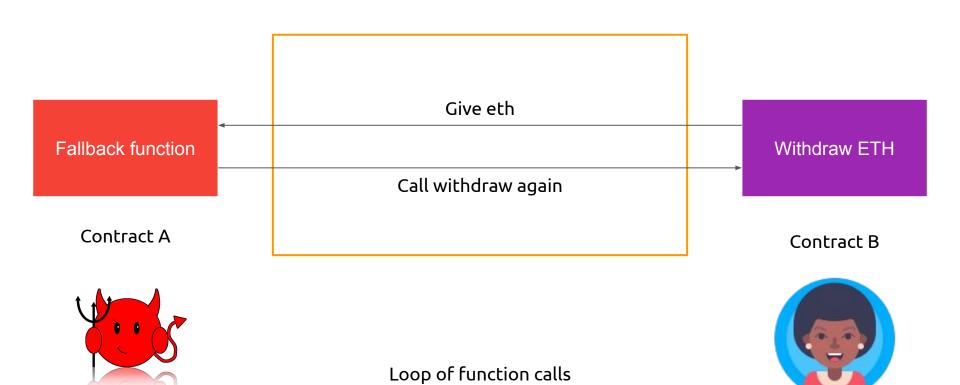
3. Call withdraw again

Withdraw ETH

Contract A







Reentrancy example

```
// INSECURE
mapping (address => uint) private userBalances;
function withdrawBalance() public {
      uint amountToWithdraw = userBalances[msg.sender];
      require(msg.sender.call.value(amountToWithdraw)());
      userBalances[msg.sender] = 0;
```

Reentrancy example

```
// INSECURE
mapping (address => uint) private userBalances;
function withdrawBalance() public {
      uint amountToWithdraw = userBalances[msg.sender];
     require(msg.sender.call.value(amountToWithdraw)());
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```

Reentrancy example

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INSECURE
mapping (address => uint) private userBalances;
function withdrawBalance() public {
      uint amountToWithdraw = userBalances[msg.sender];
      require(msg.sender.call.value(amountToWithdraw)());
      userBalances[msg.sender] = 0;
```

Begin attack by sending eth

```
function receive() payable {
 if (victimContract.balance >= msg.value) {
         victim.withdrawBalance();
```



Re-entrancy in the wild: The DAO

- The DAO (distributed autonomous organization*)
 - Designed by slock.it in 2016
 - Purpose: Create a population of stakeholders
 - Stake (in the form of DAO tokens) enables them to participate in decision making
 - Decision-making to choose which proposals to fund

The DAO

The DAO's Mission: To blaze a new path in business organization for the betterment of its members, existing simultaneously nowhere and everywhere and operating solely with the steadfast iron will of unstoppable code.

^{*}According to the SEC, neither "distributed" nor "autonomous":

THE DAO IS AUTONOMOUS.

1071.36 M

DAO TOKENS CREATED

10.73 M

116.81 M



1.10

CURRENT RATE ETH / 100 DAO TOKENS

15 hours

NEXT PRICE PHASE

11 days

ENDS 28 MAY 09:00 GMT

~150 million USD in ~ 1 month

The DAO Attack (2016)

- 12 June: The reentrancy bug is identified (but stakeholders are "reassured")
- 17 June: Attacker exploits it draining ~\$50Million at the time of the attack
- 15 July: Ethereum Classic manifesto
- 19 July: "Hard Fork" neutralizes attacker's smart contract

I think TheDAO is getting drained right now

self.ethereum

Submitted 1 year ago by ledgerwatch

Reentrancy: solutions

```
// SECURE

mapping (address => uint) private userBalances;

function withdrawBalance() public {
    uint amountToWithdraw = userBalances[msg.sender];

    userBalances[msg.sender] = 0;
    msg.transfer(amountToWithdraw);
```

- Finish all internal work (ie. state changes) and then call external functions
- Checks-Effects-Interactions Pattern
 - Mutexes
 - Pull-push pattern
- Use transfer or send instead of call

Checks-Effects-Interactions Pattern

- 1. Perform **checks** e.g., on inputs, sender, value, arguments etc
- 2. Enforce **effects** and update the **state** accordingly
- 3. **Interact** with other accounts via external calls or send/transfer

Solidity/Ethereum hazards

Forcibly Sending Ether to a Contract

- Possible exploit
 - o misuse of this.balance (when contract relies on it)
- How can you send ether to a contract without firing contact's fallback function?

Forcibly Sending Ether to a Contract

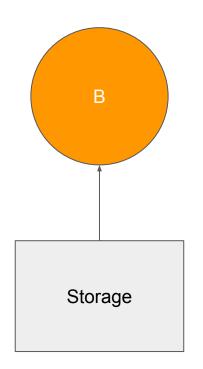
- Possible exploit
 - o misuse of this.balance (when contract relies on it)
- How can you send ether to a contract without firing contact's fallback

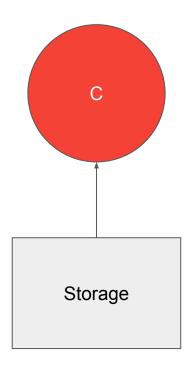
function?

- Contract's address = hash(sender address, nonce): anyone can calculate a contract's address
 before it is created and send ether to it
- **selfdestruct**(victimContractAddress) does **not** trigger fallback
- Set contract's address as recipient of block rewards

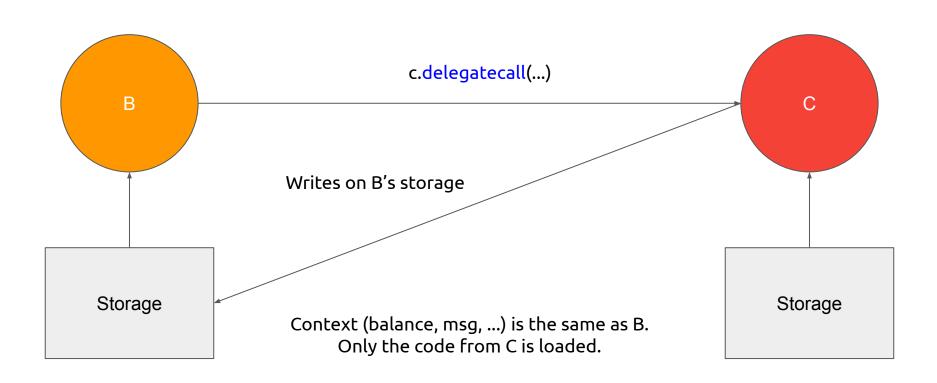
Forcibly Sending Ether to a Contract

- Possible exploit
 - o misuse of this.balance (when contract relies on it)
- How can you send ether to a contract without firing contact's fallback function?
 - Contract's address = hash(sender address, nonce): anyone can calculate a contract's address
 before it is created and send ether to it
 - **selfdestruct**(victimContractAddress) does **not** trigger fallback
 - Set contract's address as recipient of block rewards
- Lesson: Avoid strict equality checks w.r.t. the contract's balance









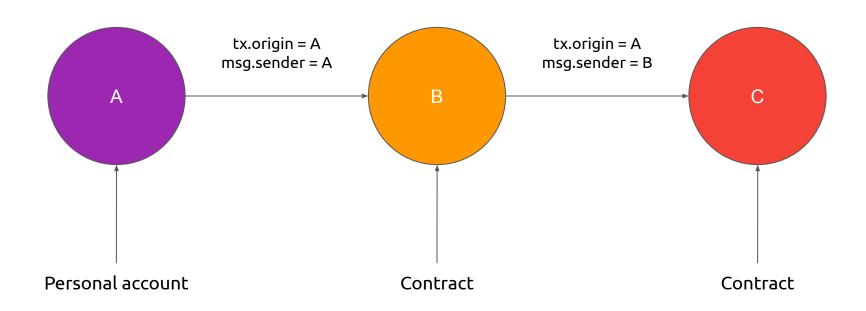


```
address public owner;

constructor (address _owner) public {
  owner = _owner;
}

function pwn() public {
  owner = msg.sender;
}
```

Use of tx.origin



Use of tx.origin

```
// INSECURE
contract Bank {
    address owner;
    constructor() public {
        owner = msg.sender;
    function sendTo(address payable receiver, uint amount)
public {
        require(tx.origin == owner);
        receiver.call.value(amount)();
```





```
INSECURE
contract Bank {
    address owner;
    constructor() public {
        owner = msg.sender;
    function sendTo(address payable receiver, uint amount)
public
       require(tx.origin == owner);
       receiver.call.value(amount)();
```

```
function receive() external payable {
    victim.sendTo(attacker,msg.sender.balance); __
```

Keep fallback function simple

```
// BAD
function receive() payable {
     balances[msg.sender] += msg.value;
}
```

```
function deposit() payable external {
    balances[msg.sender] += msg.value;
}

function receive() payable {
    require(msg.data.length == 0);
    emit LogDepositReceived(msg.sender);
}
```

Solidity's default values

- Solidity does not support None/null types
- Every variable is initialized to a (respective) zero value
 - o uint256: 0
 - bytes32: bytes32(0)
 - 0 ...
- Verifying whether a string is not initialized:
 - bytes(myVariable).length != 0
 - o sha3(myVariable) != sha3("")

- Nomad contract kept:
 - mapping of MTRs to timestamps: mapping(bytes32 => uint256) confirmAt
 - Intended use: Timestamp after which MTR can be used for message validation

```
function acceptableRoot(bytes32 _root) public view returns (bool) {
    // ...
    uint256 _time = confirmAt[_root];
    if (_time == 0) {
        return false;
    }
    return block.timestamp >= _time;
}
```

- Nomad contract kept:
 - mapping of MTRs to timestamps: mapping(bytes32 => uint256) confirmAt
 - Intended use: Timestamp after which MTR can be used for message validation
 - mapping of message hashes to MTRs: mapping(bytes32 => bytes32) messages
 - Intended use: if message is validated, mapping keeps the message's hash and the MTR
 w.r.t. which the validation took place

```
function process(bytes memory _message) public returns (bool _success) {
    // ...
    require(acceptableRoot(messages[_messageHash]), "!proven");
    // ...
}
```

- Nomad contract kept:
 - mapping of MTRs to timestamps: mapping(bytes32 => uint256) confirmAt
 - Intended use: Timestamp after which MTR can be used for message validation
 - mapping of message hashes to MTRs: mapping(bytes32 => bytes32) messages
 - Intended use: if message is validated, mapping keeps the message's hash and the MTR
 w.r.t. which the validation took place
- On 21 June 2022, a new version of the contract was created
 - During initialization, Nomad set: confirmAt[bytes32(0)] = 1
 - Attack!

Another crypto bridge attack: Nomad loses \$190 million in 'chaotic' hack

By Jennifer Korn
Published 12:39 PM EDT, Wed August 3, 2022

How a crypto bridge bug led to a \$200m 'decentralized crowd looting'

Flash mob exploits Nomad's validation code blunder

Hackers Return \$9M to Nomad Bridge After \$190M Exploit

The popular Ethereum to Moonbeam bridge is working with law enforcement and data analytics firms.

By Oliver Knight O Aug 3, 2022 at 10:52 a.m. GMT Updated Aug 3, 2022 at 2:53 p.m. GMT



QSP-19 Proving With An Empty Leaf

Severity: Low Risk

Status: Acknowledged

File(s) affected: Replica. sol

Description: The function Replica.sol:prove accepts the input_leaf and checks if it is part of the Merkle tree. Nomad architecture uses a sparse Merkle tree, in which all the non-used leaves default with empty bytes32. This nature of the sparse Merkle tree makes it possible for one to pass an empty bytes32 as the _leaf and some artificial Merkle proof with a specified index to pass the inclusion check. The "empty leaf" message status can later be flagged as PROVEN, resulting in the messages mapping in an undesired state.

Recommendation: Validate that the leaf input of the function Replica.sol:prove is not empty.

Update: The Nomad team responded that "We consider it to be effectively impossible to find the preimage of the empty leaf". We believe the Nomad team has misunderstood the issue. It is not related to finding the pre-image of the empty bytes. Instead, it is about being able to prove that empty bytes are included in the tree (empty bytes are the default nodes of a sparse Merkle tree). Therefore, anyone can call the prove function with an empty leaf and update the status to be proven.

Source: https://github.com/nomad-xyz/docs/blob/1ff0c55dba2a842c811468c57793ff9a6542ef0f/docs/public/Nomad-Audit.pdf

The Nomad Bridge Hack - Lessons

- Always check user input thoroughly
 - Especially for empty values
- Every object has a value
 - Even if never accessed before, it has a **zero** value
- When an auditor flags a bug, fix it

Binance Bridge Hack

- Binance Bridge used a sophisticated implementation of AVL Merkle Trees
 - AVL trees: self-balancing binary search trees
 - In this implementation, verification contains special *operations* that need to succeed
 - Root hash is computed in a pretty complex manner (<u>source code</u>)

Attacker

- Changed a leaf's value, inserting the malicious payload
- Added an inner node in a way that verification for original MTR passed

Binance Bridge Hack

Binance hit by \$100 million blockchain bridge hack

Carly Page @carlypage / 2:36 PM GMT+1 • October 7, 2022

Key takeaways

- The world's largest crypto exchange, Binance, had to suspend deposits and withdrawals due to a hack.
- BNB is the fifth largest crypto by market cap, and the hack was for 2 million BNB tokens, which resulted in \$570 million.

Binance Hit By \$570 Million Blockchain Bridge Hack

By RAHUL NAMBIAMPURATH Published October 07, 2022

Binance Bridge Hack

- Binance Bridge used a sophisticated implementation of AVL Merkle Trees
 - AVL trees: self-balancing binary search trees
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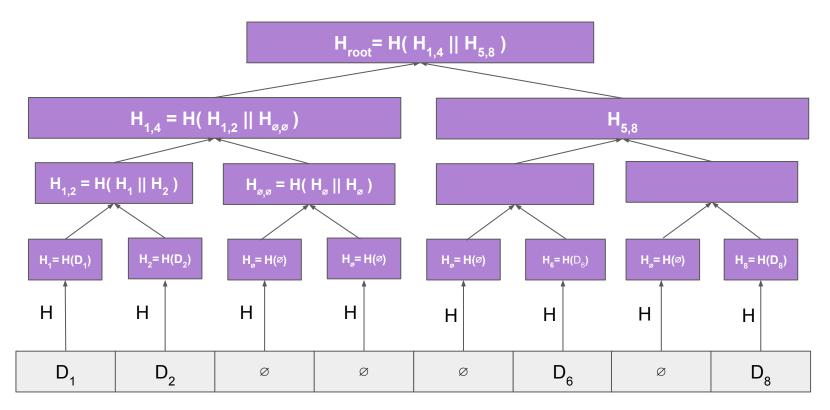
Lessons:

- Keep it simple
- Don't roll your own crypto

Sparse Merkle Trees

- Perfect Binary Merkle Tree
- Unfilled leaves take default values

Sparse Merkle Trees



Sparse Merkle Trees: key-value stores

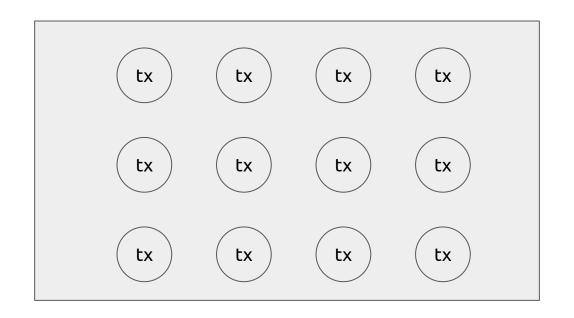
- Assume that keys are 256 bits (e.g., a SHA256 hash)
- Construct a Sparse Merkle Tree with 2²⁵⁶ leaves
- Insert a (key, value) element in the store
 - Insert the value in the leaf that corresponds to the key
 - Construct the root of the new Merkle Tree

Sparse Merkle Trees: key-value stores

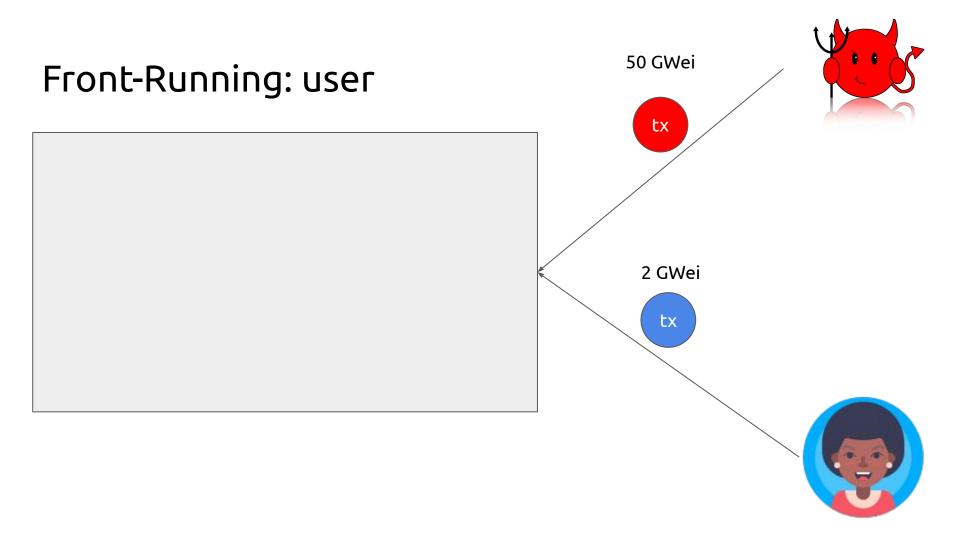
- Assume that keys are 256 bits (e.g., a SHA256 hash)
- Construct a Sparse Merkle Tree with 2²⁵⁶ leaves
- Insert a (key, value) element in the store
 - Insert the value in the **leaf** that corresponds to the **key**
 - Construct the root of the new Merkle Tree
- Proof of inclusion: as usual
- Proof of non-inclusion: prove empty value in leaf for corresponding key
- Constructing such tree for 2^{256} leaves from scratch is extremely **consuming**
 - Optimizations?

Front-running

Front-Running

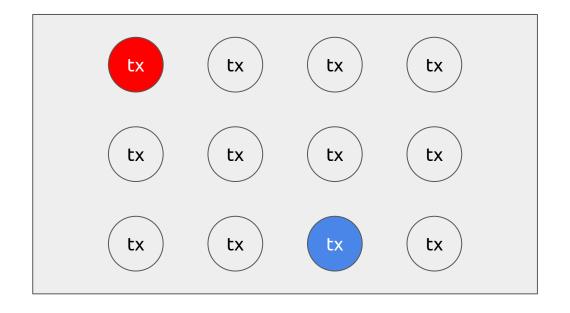


Miner: sortByGasPrice(txs, 'desc')



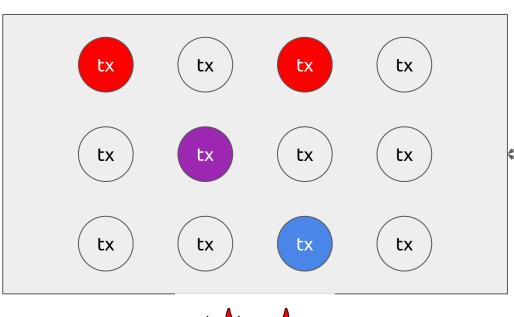
Front-Running: user

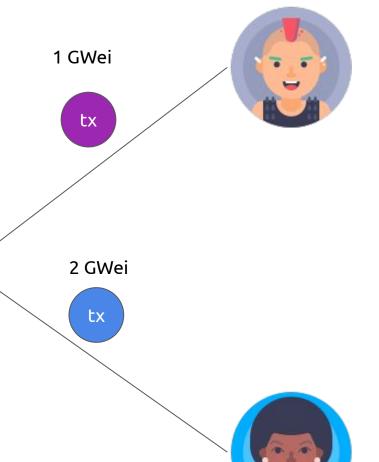






Front-Running: miner





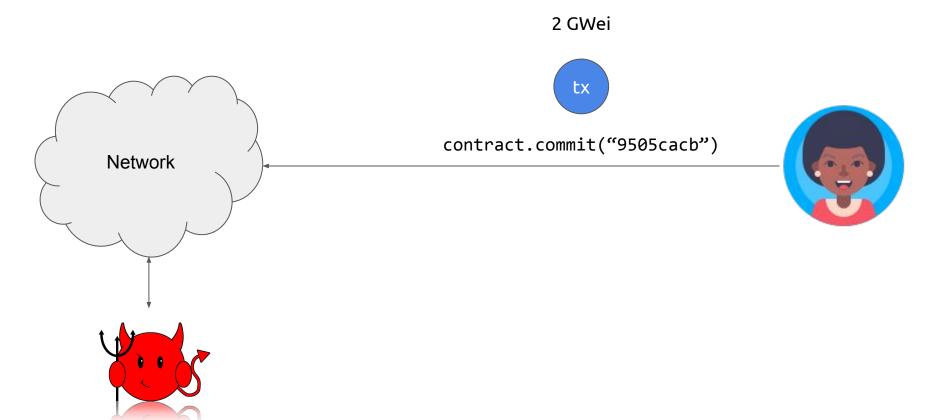


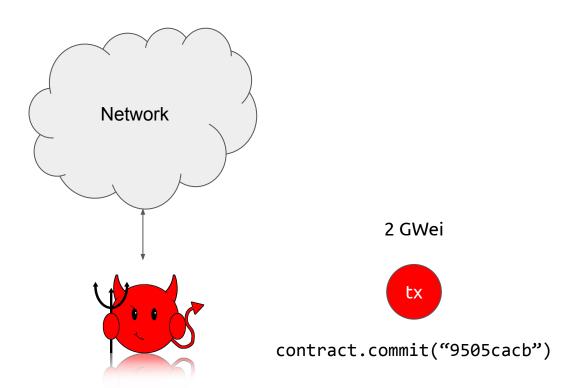
```
// INSECURE
function registerName(bytes32 name) public {
   names[name] = msg.sender;
}
```

Front-Running: solution

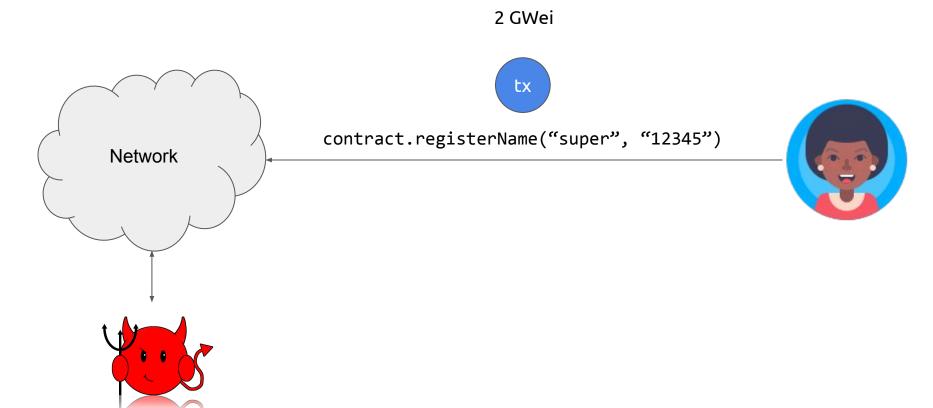
- Employ a cryptographic commitment scheme
- Properties
 - o **Binding**: a commitment can be only opened to its committed value
 - **Hiding**: a commitment reveals no information about its committed value
- Implementation
 - commit: c = hash(<value, nonce>) (Note: nonce space should be large!)
 - o reveal: v = <value', nonce'>
 - o verify: c == hash(v)

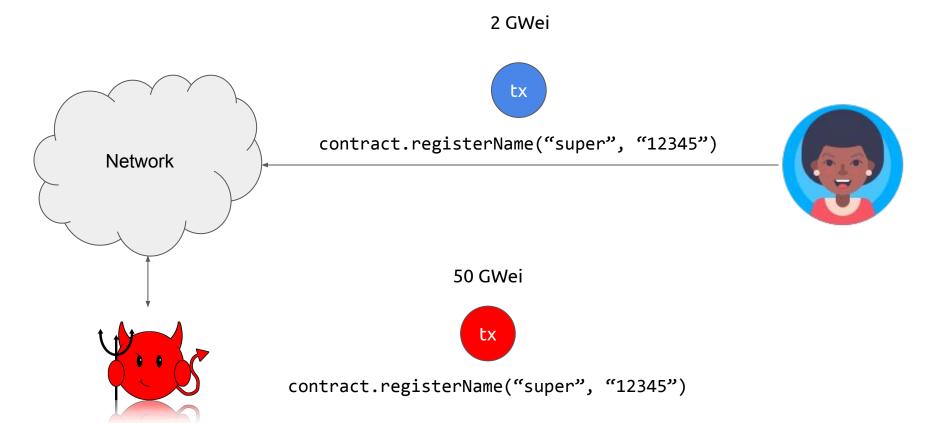
```
// INSECURE
function registerName(bytes32 name) public {
    names[name] = msg.sender;
// MORE SECURE, BUT...
function registerName(bytes32 name, bytes32 nonce) public {
    require(commitments[makeCommitment(name, nonce)] == msg.sender, "Not found!");
    names[name] = msg.sender;
```









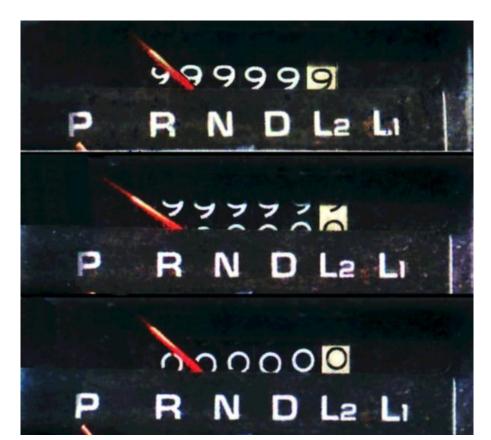


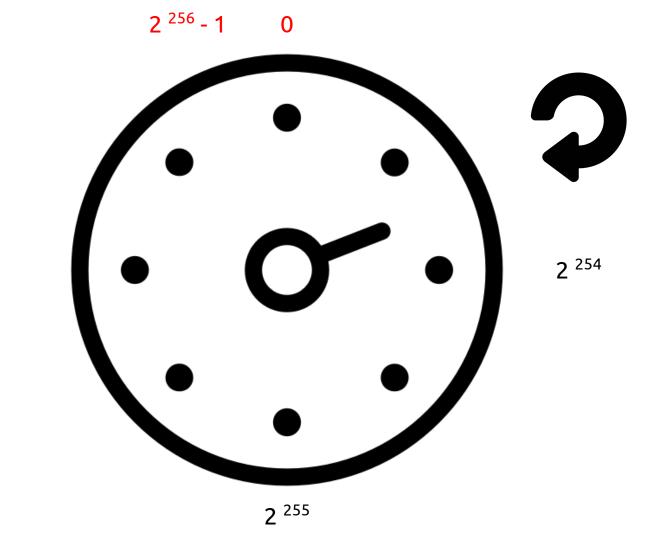
Front-Running: another solution

- Employ a cryptographic commitment scheme
- Keep track of committed values
 - Prevent a user from posting a commitment already posted by another user
- Possible DoS and forced gas cost
 - Attacker can front-run a user's commit operation and post the commitment as their own
 - User is forced to spend extra gas for new tx that posts new commitment
 - Attacker can continue front-running until they run out of money (to pay gas)

Overflow/Underflow

Integer Overflow and Underflow





Integer Overflow and Underflow

```
// INSECURE
function withdraw(uint256 _value) {
    require(balanceOf[msg.sender] >= _value);
    msg.sender.call.value(_value)();
    balanceOf[msg.sender] -= _value;
}
```

Integer Overflow and Underflow

```
// INSECURE
function withdraw(uint256 _value) {
    require(balanceOf[msg.sender] >= _value);
    msg.sender.call.value(_value)();
    balanceOf[msg.sender] -= _value;
}
```





```
function attack() {
  INSECURE
                                                                       performAttack = true;
function withdraw(uint256 _value) {
                                                                       victim.donate(1);
      require(balanceOf[msg.sender] >= value);
                                                                       victim.withdraw(1);
     msg.sender.call.value( value)();
                                                                function() {
      balanceOf[msg.sender] -= value;
                                                                       if (performAttack) {
                                                                             performAttack = false;
function donate(uint256 _value) public payable {
                                                                             victim.withdraw(1);
      require(msg.value == value);
      balanceOf[msg.sender] += value;
```

Integer Overflow and Underflow: solutions

Use OpenZeppelin's SafeMath library

(Solidity 0.8+ protects natively against over/underflows. For older versions, <u>use SafeMath)</u>

```
// OpenZeppelin: SafeMath.sol
function add(uint256 a, uint256 b) internal pure returns
(uint256) {
      uint256 c = a + b;
      require(c >= a, "SafeMath: addition overflow");
      return c;
function sub(uint256 a, uint256 b) internal pure returns
(uint256) {
      require(b <= a, "SafeMath: subtraction overflow");</pre>
      uint256 c = a - b;
      return c;
```

Randomness

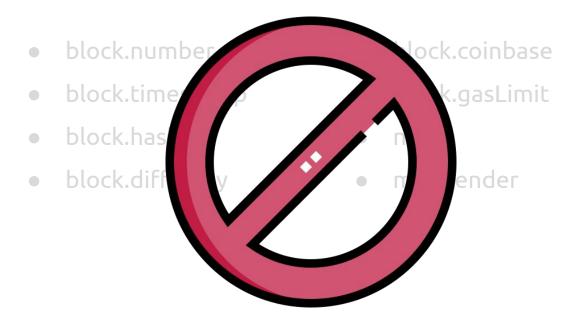
Randomness: sources (?)

- block.number
- block.timestamp
- block.hash
- block.difficulty

- block.coinbase
- block.gasLimit
- now
- msg.sender

uint(keccak256(timestamp msg.sender hash ...)) % n

Randomness: sources (?)



They can be manipulated by a malicious miner. They are shared within the same block to all users.

Randomness

```
// INSECURE
bool won = (block.number % 2) == 0;
// INSECURE
uint random = uint(keccak256(block.timestamp))) % 2;
// INSECURE
address seed1 = contestants[uint(block.coinbase) % totalTickets].addr;
address seed2 = contestants[uint(msg.sender) % totalTickets].addr;
uint seed3 = block.difficulty;
bytes32 randHash = keccak256(seed1, seed2, seed3);
uint winningNumber = uint(randHash) % totalTickets;
address winningAddress = contestants[winningNumber].addr:
```

Randomness: blockhash

```
// INSECURE

uint256 private _seed;

function random(uint64 upper) public returns (uint64 randomNumber) {
    _seed = uint64(keccack256(keccack256(block.blockhash(block.number), _seed), now));
    return _seed % upper;
}
```

Randomness: blockhash

```
Not really private:)
// INSECURE
uint256 constant private FACTOR =
1157920892373161954235709850086879078532699846656405640394575840079131296399;
function rand(uint max) constant private returns (uint256 result) {
     uint256 factor = FACTOR * 100 / max;
     uint256 lastBlockNumber = block.number - 1;
     uint256 hashVal = uint256(block.blockhash(lastBlockNumber));
     return uint256((uint256(hashVal) / factor)) % max;
```

Randomness: intra-transaction information leak

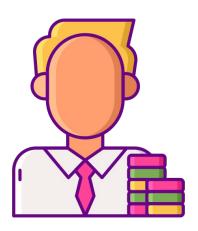
```
if (replicatedVictimConditionOutcome() == favorable)
  victim.tryMyLuck();
```

Sources of randomness

- Block information can be manipulated by miner
- Block information **shared** by all users in the same block
- In Ethereum, **all data** posted on the chain are **visible**
- "private" vars are only private w.r.t. object-oriented programming visibility
- If same-block txs share randomness source, attacker can check whether conditions are favorable before acting

What about future blocks?

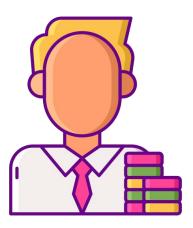




Casino Player



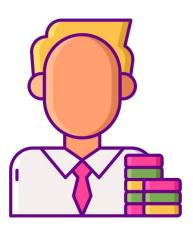
1. Player makes a bet and the casino stores the block.number of the transaction



Casino



2. A few blocks later, player requests from the casino to announce the winning number



Casino



3. Casino uses, as a source of randomness, the block.hash with a block.number produced <u>after</u> the bet is placed

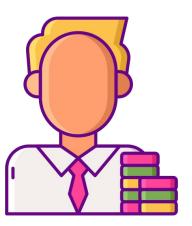


Casino

Validate block.number age!



3. Casino uses, as a source of randomness, the block.hash with a block.number produced <u>after</u> the bet is placed



Casino

Is the hash of a future block a good source of randomness (against a malicious miner)?

- A contract can access the hashes of only the last 256 blocks; blockhash older than that defaults to 0
- Always validate block's age
- With some probability, a malicious miner will create the future block (at the set height)
- A miner can keep newly-mined blocks hidden, until they mine a favorable one

Randomness: towards safer PRNG

- Commitment schemes
- Example:
 - Casino and player each commit to a random value
 - Casino and player reveal their values
 - Casino XORs the random values to produce a seed
 - the seed can also be combined with the hash of a future block
 - If either casino or player honest, then seed is random (why?)

On-chain data is public

- Applications (games, auctions, etc) required data to be private up until some point in time
- Every data that is published on-chain is visible by everyone
- Best strategy: commitment schemes
 - Commit phase: Submit the hash of the value
 - Reveal phase: Submit the value at the time when no longer private
- Watch out for front-running!

(Gas) Fairness

Gas Fairness

Crowdfunding Contract #1

R sets a threshold

Contract collects contributions

When balance exceeds threshold, it sends funds to R and returns any surplus to contributors.

Funding paid by last contributor

Gas Fairness

Crowdfunding Contract #1

R sets a threshold

Contract collects contributions

VS.

When balance exceeds threshold, it sends funds to R and returns any surplus to contributors.

Crowdfunding Contract #2

R sets a threshold

Contract collects contributions

When balance exceeds threshold, it allows R to withdraw the threshold and return any surplus to contributors

Funding paid by last contributor

R pays for funding

Gas Fairness

Crowdfunding Contract #1

R sets a threshold

Contract collects contributions

VS.

When balance exceeds threshold, it sends funds to R and returns any surplus to contributors.

Crowdfunding Contract #2

R sets a threshold

Contract collects contributions

VS.

When balance exceeds threshold, it allows R to withdraw the threshold and return any surplus to contributors

Crowdfunding Contract #3

R sets a threshold

Contract collects contributions

When balance exceeds threshold, it allows R and contributors to withdraw the threshold and surplus respectively

Funding paid by last contributor

R pays for funding

R and contributors pay for funding

A (horribly insecure) 🖐 🖐 🤞 contract

3 pragma solidity >=0.7.0 <0.9.0:

```
contract RockPaperScissors { // Winner gets 1 ETH
       struct round {
           address payable player;
           bytes32 commitment;
           uint256 hand:
10
11
       round[] private rounds;
12
13-
       function commit(uint256 hand) payable public {
           require((hand == 1 || hand == 2 || hand == 3) && (rounds.length < 2));
14
15
           rounds.push(round(payable(msq.sender), sha256(abi.encode(hand)), 0));
16
17
18-
       function open(uint256 hand) public {
19
            require(rounds.length == 2);
20 -
           for (uint256 i = 0; i < 2; i++) {
21-
                if (rounds[i].commitment == sha256(abi.encode(hand))) {
22
                    rounds[i].hand = hand;
23
               if (rounds[(i + 1) \% 2].hand == 0) {
24-
25
26
                    return:
27
28
           if ((rounds[0].hand == 1 && rounds[1].hand == 2) ||
29
                (rounds[0].hand == 2 \&\& rounds[1].hand == 3)
30 -
31
                (rounds[0].hand == 3 && rounds[1].hand == 1)) {
                rounds[0].player.transfer(1 ether);
32
33-
           else if (rounds[0].hand != rounds[1].hand) {
34
                rounds[1].player.transfer(1 ether);
35
36
           selfdestruct(payable(msq.sender));
37
38
```