SMART CONTRACT AUDIT REPORT

for

ArthSwap MasterChef

Prepared By: Xiaomi Huang

PeckShield

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Contact

For more information about this document and its contents, please contact PeckShield Inc.

Name	Xiaomi Huang
Phone	+86 183 5897 7782
Email	contact@peckshield.com

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1 Introduction

Given the opportunity to review the design document and related smart contract source code of the `ArthSwap MasterChef` protocol, we outline in the report our systematic approach to evaluate potential security issues in the smart contract implementation, expose possible semantic inconsistencies between smart contract code and design document, and provide additional suggestions or recommendations for improvement. Our results show that the given version of smart contracts can be further improved due to the presence of several issues related to either security or performance. This document outlines our audit results.

1.1 About ArthSwap MasterChef

`ArthSwap` is a one-stop DeFi protocol aiming to become a leading `DEX` on `Astar Network`. Currently, it supports `swapping`, `staking`, `liquidity mining`, etc. The audited `ArthSwap MasterChef` protocol is one of the core functions of `ArthSwap`, which allows the user to earn the governance token (i.e., `ARSW`) as reward via staking respective LP tokens.

Table 1.1: Basic Information of ArthSwap MasterChef

Item	Description
Target	ArthSwap MasterChef
Type	EVM Smart Contract
Language	Solidity
Audit Method	Whitebox
Latest Audit Report	May 14, 2022

In the following, we show the Git repository of reviewed files and the commit hash value used in this audit.

- https://github.com/ArthSwap/ArthSwap-MasterChef.git (e5758ee)

And this is the commit ID after all fixes for the issues found in the audit have been checked in:

- https://github.com/ArthSwap/ArthSwap-MasterChef.git (ed57306)

1.2 About PeckShield

PeckShield Inc. [5] is a leading blockchain security company with the goal of elevating the security, privacy, and usability of current blockchain ecosystems 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).

Table 1.2: Vulnerability Severity Classification

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

Likelihood

1.3 Methodology

To standardize the evaluation, we define the following terminology based on OWASP Risk Rating Methodology [4]:

- 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.

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 or analysis does not identify any issue, the contract is considered safe regarding the check item. For any discovered issue, we might further

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
Semantic Consistency Checks	Semantic Consistency Checks
Advanced DeFi Scrutiny	Business Logics Review
	Functionality Checks
	Authentication Management
	Access Control & Authorization
	Oracle Security
	Digital Asset Escrow
	Kill-Switch Mechanism
	Operation Trails & Event Generation
	ERC20 Idiosyncrasies Handling
	Frontend-Contract Integration
	Deployment Consistency
	Holistic Risk Management
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

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.

In particular, we perform the audit according to the following procedure:

- 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.

- Semantic Consistency Checks: We then manually check the logic of implemented smart contracts and compare with the description in the white paper.

- Advanced DeFi Scrutiny: We further review business logics, examine system operations, and place DeFi-related aspects under scrutiny to uncover possible pitfalls and/or bugs.

- Additional Recommendations: We also provide additional suggestions regarding the coding and development of smart contracts from the perspective of proven programming practices.

To better describe each issue we identified, we categorize the findings with Common Weakness Enumeration (CWE-699) [3], which is a community-developed list of software weakness types to better delineate and organize weaknesses around concepts frequently encountered in software development. Though some categories used in CWE-699 may not be relevant in smart contracts, we use the CWE categories in Table 1.4 to classify our findings.

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.

Table 1.4: Common Weakness Enumeration (CWE) Classifications Used in This Audit

Category	Summary
Configuration	Weaknesses in this category are typically introduced during the configuration of the software.
Data Processing Issues	Weaknesses in this category are typically found in functionality that processes data.
Numeric Errors	Weaknesses in this category are related to improper calculation or conversion of numbers.
Security Features	Weaknesses in this category are concerned with topics like authentication, access control, confidentiality, cryptography, and privilege management. (Software security is not security software.)
Time and State	Weaknesses in this category are related to the improper management of time and state in an environment that supports simultaneous or near-simultaneous computation by multiple systems, processes, or threads.
Error Conditions, Return Values, Status Codes	Weaknesses in this category include weaknesses that occur if a function does not generate the correct return/status code, or if the application does not handle all possible return/status codes that could be generated by a function.
Resource Management	Weaknesses in this category are related to improper management of system resources.
Behavioral Issues	Weaknesses in this category are related to unexpected behaviors from code that an application uses.
Business Logics	Weaknesses in this category identify some of the underlying problems that commonly allow attackers to manipulate the business logic of an application. Errors in business logic can be devastating to an entire application.
Initialization and Cleanup	Weaknesses in this category occur in behaviors that are used for initialization and breakdown.
Arguments and Parameters	Weaknesses in this category are related to improper use of arguments or parameters within function calls.
Expression Issues	Weaknesses in this category are related to incorrectly written expressions within code.
Coding Practices	Weaknesses in this category are related to coding practices that are deemed unsafe and increase the chances that an exploitable vulnerability will be present in the application. They may not directly introduce a vulnerability, but indicate the product has not been carefully developed or maintained.

2 Findings

2.1 Summary

Here is a summary of our findings after analyzing the `ArthSwap MasterChef` implementation. 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 logic, examine system operations, and place DeFi-related aspects under scrutiny to uncover possible pitfalls and/or bugs.

Severity	# of Findings	
Critical	0	
High	0	
Medium	1	■
Low	2	■ ■
Informational	0	
Total	3	

We have so far identified a list of potential issues: some of them involve subtle corner cases that might not be previously thought of, while others refer to unusual interactions among multiple contracts. For each uncovered issue, we have therefore developed test cases for reasoning, reproduction, and/or verification. After further analysis and internal discussion, we determined a few issues of varying severities that need to be brought up and paid more attention to, which are categorized in the above table. More information can be found in the next subsection, and the detailed discussions of each of them are in Section 3.

2.2 Key Findings

Overall, these smart contracts are well-designed and engineered, though the implementation can be improved by resolving the identified issues (shown in Table 2.1), including 1 medium-severity vulnerability and 2 low-severity vulnerabilities.

Table 2.1: Key ArthSwap MasterChef Audit Findings

ID	Severity	Title	Category	Status
PVE-001	Medium	Timely massUpdatePools During Pool Weight Changes	Business Logic	Fixed
PVE-002	Low	Incompatibility With Deflationary/Rebasing Tokens	Business Logic	Confirmed
PVE-003	Low	Duplicate Pool Detection And Prevention	Business Logic	Fixed

Beside the identified issues, we emphasize that for any user-facing applications and services, 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 should kick in at the very moment when the contracts are being deployed on mainnet. Please refer to Section 3 for details.

3 | Detailed Results

3.1 Timely massUpdatePools During Pool Weight Changes

- ID: PVE-001
- Severity: Medium
- Likelihood: Low
- Impact: High
- Target: `MasterChef`
- Category: Business Logic [2]
- CWE subcategory: CWE-841 [1]

Description

The `ArthSwap MasterChef` protocol provides an incentive mechanism that rewards the staking of the supported assets with the `ARSW` token. The rewards are carried out by designating a number of staking pools into which supported assets can be staked. And staking users are rewarded in proportional to their share of LP tokens in the reward pool.

The reward pools can be dynamically added via `add()` and the weights of the supported pools can be adjusted via `set()`. When analyzing the pool weight update routine `set()`, we notice the need of timely invoking `massUpdatePools()` to update the reward distribution before the new pool weight becomes effective.

```
    function set(
        uint256 pid,
        uint256 allocPoint,
        IRewarder rewarder,
        bool overwrite
    ) external onlyOwner {
        totalAllocPoint = totalAllocPoint.sub(poolInfos[pid].allocPoint).add(
            allocPoint
        );
        poolInfos[pid].allocPoint = allocPoint.to64();
        if (overwrite) {
            rewarders[pid] = rewarder;
        }
        emit LogSetPool(
            pid,
```

```
            allocPoint,
            overwrite ? rewarder : rewarders[pid],
            overwrite
        );
    }
```

Listing 3.1: `MasterChef::set()`

If the call to `massUpdatePools()` is not immediately invoked before updating the pool weights, certain situations may be crafted to create an unfair reward distribution. Moreover, a hidden pool without any weight can suddenly surface to claim unreasonable share of rewarded tokens. Give this, we suggest to invoke `massUpdatePools()` immediately before the pool weights update.

Recommendation Timely invoke `massUpdatePools()` when any pool's weight has been updated.

Status The issue has been addressed in this commit: `ed57306`.

3.2 Incompatibility With Deflationary/Rebasing Tokens

- ID: PVE-002
- Severity: Low
- Likelihood: Low
- Impact: Low
- Target: `MasterChef`
- Category: Business Logic [2]
- CWE subcategory: CWE-841 [1]

Description

In the `ArthSwap` `MasterChef` implementation, the `MasterChef` contract is the main entry for interaction with users. In particular, one entry routine, i.e., `deposit()`, accepts the deposits of the supported assets. Naturally, the contract implements a number of low-level helper routines to transfer assets in or out of the `MasterChef` contract. These asset-transferring routines work as expected with standard ERC20 tokens: namely the vault's internal asset balances are always consistent with actual token balances maintained in individual ERC20 token contracts.

```
    function deposit(
        uint256 pid,
        uint256 amount,
        address to
    ) external {
        PoolInfo memory pool = updatePool(pid);
        UserInfo storage user = userInfos[pid][to];

        // Effects
        user.amount = user.amount.add(amount);
        user.rewardDebt = user.rewardDebt.add(
            int256(amount.mul(pool.accARSWPerShare) / ACC_ARSW_PRECISION)
```

```
        );

        emit Deposit(msg.sender, pid, amount, to);

        // Interactions
        IRewarder rewarder = rewarders[pid];
        if (address(rewarder) != address(0)) {
            rewarder.onARSWReward(pid, to, to, 0, user.amount);
        }
        lpTokens[pid].safeTransferFrom(msg.sender, address(this), amount);
    }
```

Listing 3.2: `MasterChef::deposit()`

However, there exist other ERC20 tokens that may make certain customizations to their ERC20 contracts. One type of these tokens is deflationary tokens that charge certain fee for every `transfer()` or `transferFrom()`. (Another type is rebasing tokens such as `YAM`.) As a result, this may not meet the assumption behind these low-level asset-transferring routines. In other words, the above operations, such as `deposit()`, may introduce unexpected balance inconsistencies when comparing internal asset records with external ERC20 token contracts. Apparently, these balance inconsistencies are damaging to accurate and precise portfolio management of the protocol and affects protocol-wide operation and maintenance.

One possible mitigation is to measure the asset change right before and after the asset-transferring routines. In other words, instead of bluntly assuming the amount parameter in `transfer()` or `transferFrom()` will always result in full transfer, we need to ensure the increased or decreased amount in the `MasterChef` contract before and after the `transfer()` or `transferFrom()` is expected and aligned well with our operation. Though these additional checks cost additional gas usage, we consider they are necessary to deal with deflationary tokens or other customized ones if their support is deemed necessary.

Another mitigation is to regulate the set of ERC20 tokens that are permitted into `ArthSwap MasterChef`. In `ArthSwap MasterChef` protocol, it is indeed possible to effectively regulate the set of tokens that can be supported. Keep in mind that there exist certain assets (e.g., `USDT`) that may have control switches that can be dynamically exercised to suddenly become one.

Recommendation If current codebase needs to support possible deflationary tokens, it is better to check the balance before and after the `transfer()`/`transferFrom()` call to ensure the book-keeping amount is accurate. This support may bring additional gas cost. Also, keep in mind that certain tokens may not be deflationary for the time being. However, they could have a control switch that can be exercised to turn them into deflationary tokens. One example is the widely-adopted `USDT`.

Status The issue has been confirmed by the team. The team decides to leave it as is considering there is no need to support deflationary/rebasing token.

3.3 Duplicate Pool Detection And Prevention

- ID: PVE-003
- Severity: Low
- Likelihood: Low
- Impact: Low
- Target: MasterChef
- Category: Business Logic [2]
- CWE subcategory: CWE-841 [1]

Description

The MasterChef contract provides an incentive mechanism that rewards the staking of the supported assets with the ARSW token. The rewards are carried out by designating a number of staking pools into which supported assets can be staked. Each pool has its allocPoint*multiplier/totalAllocPoint share of scheduled rewards and the rewards for stakers are proportional to their share of tokens in the pool.

In current implementation, there are a number of concurrent pools that share the rewarded tokens and more can be scheduled for addition (via a proper governance procedure or moderated by a privileged account). To accommodate these new pools, the design has the necessary mechanism in place that allows for dynamic additions of new staking pools that can participate in being incentivized as well.

The addition of a new pool is implemented in add(), whose code logic is shown below. It turns out it did not perform necessary sanity checks in preventing a new pool with a duplicate token from being added. Though it is a privileged interface (protected with the modifier onlyOwner), it is still desirable to enforce it at the smart contract code level, eliminating the concern of wrong pool introduction from human omissions.

```
    function add(
        uint256 allocPoint,
        IERC20 lpToken,
        IRewarder rewarder
    ) external onlyOwner {
        uint256 lastRewardBlock = block.number;
        totalAllocPoint = totalAllocPoint.add(allocPoint);
        lpTokens.push(lpToken);
        rewarders.push(rewarder);

        poolInfos.push(
            PoolInfo({
                allocPoint: allocPoint.to64(),
                lastRewardBlock: lastRewardBlock.to64(),
                accARSWPerShare: 0
            })
        );
        emit LogPoolAddition(
```

```
            lpTokens.length.sub(1),
            allocPoint,
            lpToken,
            rewarder
        );
    }
```

Listing 3.3: `MasterChef::add()`

Recommendation Detect whether the given pool for addition is a duplicate of an existing pool. The pool addition is only successful when there is no duplicate.

Status The issue has been addressed in this commit: `ed57306`.

4 Conclusion

In this audit, we have analyzed the `ArthSwap MasterChef` design and implementation. `ArthSwap` is a one-stop DeFi protocol aiming to become a leading `DEX` on `Astar Network`. Currently, it supports `swapping`, `staking`, `liquidity mining`, etc. The audited `ArthSwap MasterChef` protocol is one of the core functions of `ArthSwap`, which allows the user to earn the governance token (i.e., `ARSW`) as reward via staking respective LP tokens. The current code base is well structured and neatly organized. Those identified issues are promptly confirmed and addressed.

Meanwhile, we need to emphasize that smart contracts as a whole are still in an early, but exciting stage of development. To improve this report, we greatly appreciate any constructive feedbacks or suggestions, on our methodology, audit findings, or potential gaps in scope/coverage.

References

[1] MITRE. CWE-841: Improper Enforcement of Behavioral Workflow. https://cwe.mitre.org/data/definitions/841.html.

[2] MITRE. CWE CATEGORY: Business Logic Errors. https://cwe.mitre.org/data/definitions/840.html.

[3] MITRE. CWE VIEW: Development Concepts. https://cwe.mitre.org/data/definitions/699.html.

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

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