

# Sifchain - CLP Update

Cosmos Security Audit

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Visit: Halborn.com

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#### DOCUMENT REVISION HISTORY

VERSION	MODIFICATION	DATE	AUTHOR
0.1	Document Creation	06/20/2022	Gokberk Gulgun
0.2	Document Updates	06/22/2022	John Saigle
0.3	Document Updates	06/23/2022	Chris Meistre
0.4	Draft Review	06/23/2022	Gabi Urrutia
1.0	Remediation Plan	07/08/2022	Chris Meistre
1.1	Remediation Plan Review	07/08/2022	Gabi Urrutia

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# EXECUTIVE OVERVIEW

#### 1.1 INTRODUCTION

Sifchain engaged Halborn to conduct a security audit on the CLP Cosmos Module Updates beginning on June 1st, 2022 and ending on June 23rd, 2022 . The security assessment was scoped to the Cosmos CLP module changes provided to the Halborn team.

#### 1.2 AUDIT SUMMARY

The team at Halborn was provided nearly four weeks for the engagement and assigned two full-time security engineers to audit the security of the CLP module. The security engineers are blockchain and smart-contract security experts with advanced penetration testing, smart-contract hacking, and deep knowledge of multiple blockchain protocols.

The purpose of this audit to achieve the following:

- Ensure that the refactoring of the mathematical functionality CLP module within Sifchain is sound.
- Identify potential security issues with the recent changes.

In summary, Halborn identified few security risks that were accepted and addressed by the Sifchain team.

#### 1.3 TEST APPROACH & METHODOLOGY

Halborn performed a combination of manual and automated security testing to balance efficiency, timeliness, practicality, and accuracy in regard to the scope of the Sifchain. While manual testing is recommended to uncover flaws in logic, process, and implementation; automated testing techniques help enhance coverage of structures and can quickly identify items that do not follow security best practices. The audit consisted of the following stages:

- Research into architecture and purpose.
- Static Analysis of security for scoped repository, and imported functions. (staticcheck, gosec, errcheck, golangci-lint and semgrep ).
- Manual Assessment for discovering security vulnerabilities on codehase
- Ensuring correctness of the codebase.
- Dynamic Analysis on CLP functions and data types.

#### RISK METHODOLOGY:

Vulnerabilities or issues observed by Halborn are ranked based on the risk assessment methodology by measuring the LIKELIHOOD of a security incident and the IMPACT should an incident occur. This framework works for communicating the characteristics and impacts of technology vulnerabilities. The quantitative model ensures repeatable and accurate measurement while enabling users to see the underlying vulnerability characteristics that were used to generate the Risk scores. For every vulnerability, a risk level will be calculated on a scale of 5 to 1 with 5 being the highest likelihood or impact.

#### RISK SCALE - LIKELIHOOD

- 5 Almost certain an incident will occur.
- 4 High probability of an incident occurring.
- 3 Potential of a security incident in the long term.
- 2 Low probability of an incident occurring.
- 1 Very unlikely issue will cause an incident.

#### RISK SCALE - IMPACT

- 5 May cause devastating and unrecoverable impact or loss.
- 4 May cause a significant level of impact or loss.
- 3 May cause a partial impact or loss to many.
- 2 May cause temporary impact or loss.
- 1 May cause minimal or un-noticeable impact.

The risk level is then calculated using a sum of these two values, creating

a value of 10 to 1 with 10 being the highest level of security risk.

CRITICAL	HIGH	MEDIUM	LOW	INFORMATIONAL
----------	------	--------	-----	---------------

10 - CRITICAL

9 - 8 - HIGH

**7 - 6** - MEDIUM

**5 - 4** - LOW

3 - 1 - VERY LOW AND INFORMATIONAL

#### 1.4 SCOPE

#### IN-SCOPE:

The security assessment was scoped to Sifchain/sifnode repository.

#### Branch

Refactor Commit ID
Diff Commit ID

#### OUT-OF-SCOPE:

External libraries.

IMPACT

# 2. ASSESSMENT SUMMARY & FINDINGS OVERVIEW

CRITICAL	HIGH	MEDIUM	LOW	INFORMATIONAL
0	0	1	2	1

#### LIKELIHOOD

(HAL-01)

(HAL-02)

(HAL-03)

SECURITY ANALYSIS	RISK LEVEL	REMEDIATION DATE
HAL01 - VALIDATION ERROR IN ALLOW-LIST FOR TOKENS THAT CAN BE USED IN LIQUIDITY POOLS	Medium	SOLVED - 07/08/2022
HAL02 - LACK OF ERROR HANDLING	Low	RISK ACCEPTED
HALØ3 - MISSING FUNCTION PARAMETER VALIDATION	Low	RISK ACCEPTED
HAL04 - RE-IMPLEMENTATION OF CORE MATHEMATICAL FUNCTION	Informational	ACKNOWLEDGED

# FINDINGS & TECH DETAILS

# 3.1 (HAL-01) VALIDATION ERROR IN ALLOW-LIST FOR TOKENS THAT CAN BE USED IN LIQUIDITY POOLS - MEDIUM

#### Description:

The CLP module allows users to create liquidity pools by pairing an external token with the native token rowan. The external token's symbol is checked against an allow-list of pre-approved tokens. Additionally, it is forbidden to submit rowan as the symbol for the external token to avoid pairing the native token with itself.

However, it is possible to use the symbol Rowan to create a liquidity pool. (Note the capital 'R' instead of the lowercase 'r'.)

This can be done in the case where a user can add a balance of a fake Rowan token to their account that meets the minimum threshold required to create a pool, as well as a sufficient amount of rowan to form the other half of the pair (and pay transaction fees).

If these conditions are met, a user who creates a pool using the unapproved Rowan token can swap this fake asset for valid assets. This could result in negative financial impact for the protocol and users, as swaps using this token could allow a user to siphon value from the pool as well as manipulate prices.

Several features of Sifchain allow for the impact of this issue to be amplified:

1. Asymmetric pool creation: this feature means that new pools do not need to be created with an equal value of native and external tokens. Instead, a user could create a pool consisting mostly of the fake token Rowan and a minimal value of rowan. This reduces the upfront amount of rowan an attacker would need to invest when creating a pool and allows them to amplify the volume of their swaps for a lower cost.

2. **Cross-chain support**: an attacker could swap the fake Rowan tokens for ceth which represents a wrapped Ethereum token. If they withdraw ceth into their account, they could then transfer the Ethereum value out of the Sifchain ecosystem and reduce liquidity for other users.

#### Examples of correct validation:

```
Listing 1
      --nativeAmount 1000000000000000000000 \
     --from sif --keyring-backend test \
      --fees 10000000000000000000000 \
      --broadcast-mode block \
13 [...]
     --nativeAmount 100000000000000000000000 \
      --from sif --keyring-backend test \
      --fees 10000000000000000000000 \
26 [...]
28 [...]
```

Creating a Rowan liquidity pool

# 

#### Code Location:

These two code locations contain functionality that compare strings. In combination they allow the fake token Rowan to appear as a valid entry in the allow-list of tokens and at the same time not register as the native token rowan.

#### x/clp/types/msgs.go

A case-sensitive comparison is used which detects the string rowan but not Rowan so no error is triggered.

#### x/tokenregistry/keeper/keeper.go

A **case-insensitive** comparison is used (strings.EqualFold) which considers Rowan to be equal to rowan. This allows Rowan to appear as a valid entry in the allow-list.

```
Listing 4: (Line 106)

103 func (k keeper) GetEntry(wl types.Registry, denom string) (*types.

L RegistryEntry, error) {

104    for i := range wl.Entries {

105         e := wl.Entries[i]

106         if e != nil && strings.EqualFold(e.Denom, denom) {

107             return wl.Entries[i], nil

108         }

109    }

110    return nil, errors.Wrap(errors.ErrKeyNotFound, "registry entry

L not found")

111 }
```

#### Risk Level:

#### Likelihood - 2 <u>Impac</u>t - 4

#### Recommendation:

Further validation should be performed on the symbol used for external assets in new liquidity pools. Providing any variation on the word "rowan" should give the same error message as the faketoken example

above. Ensure that case-sensitive string comparisions are use everywhere in the codebase especially with security-sensitive parameters.

#### Remediation Plan:

**SOLVED**: The code was updated to do a strict string equality check in b72bf38.

# 3.2 (HAL-02) LACK OF ERROR HANDLING - LOW

#### Description:

Some sections of the codebase contain calls to functions which may throw errors. However, no error checking is in place.

Failure to handle error conditions may result in unexpected behaviour, information disclosure (such as stack traces), and denial-of-service in the case where the lack of error handling causes a node to crash.

#### Code Location:

**Example 1**: Panic when bit length is too large.

**Example 2**: Panic when sentAmount is negative.

```
Listing 6

1 $ sifnoded tx clp swap --from sif --keyring-backend test --
L sentSymbol cdash --receivedSymbol ceth --sentAmount -1 --
L minReceivingAmount 0 --fees 1000
2 000000000000rowan --chain-id localnet -y
3
4 panic: non-positive integer
```

**Example 3**: Panic when submitting governance proposal.

# Listing 7 1 sifnoded tx gov submit-proposal param-change ./scripts/proposal. L json \ 2 --from sif --keyring-backend test \ 3 --fees 100000rowan \ 4 --chain-id localnet \ 5 --broadcast-mode block \ 6 -y 7 [...] 8 raw\_log: 'panic message redacted to hide potentially sensitive L system info: panic'

**Example 4**: Linting tool errcheck disabled.

x/clp/keeper/migrations.go, Lines 77-78

```
Listing 8

77 // nolint:errcheck
78 m.keeper.SetPool(ctx, &pool)
```

**Example 5:** Comment claims no error can be thrown but the function itself can throw errors.

x/clp/keeper/pmtp.go, Lines 88-89

```
Listing 9

88 // ignore error since it will always be nil
89 _ = k.SetPool(ctx, pool)
```

x/clp/keeper/pool.go, Lines 12-23

```
Listing 10

12 func (k Keeper) SetPool(ctx sdk.Context, pool *types.Pool) error {
13    if !pool.Validate() {
14       return types.ErrUnableToSetPool
15    }
16    store := ctx.KVStore(k.storeKey)
```

```
key, err := types.GetPoolKey(pool.ExternalAsset.Symbol, types.
GetSettlementAsset().Symbol)
if err != nil {
    return err
}
store.Set(key, k.cdc.MustMarshal(pool))
return nil
}
```

#### Risk Level:

Likelihood - 1

Impact - 3

#### Recommendation:

Ensure that errors are handled properly to avoid any potential security impacts. When writing unit tests, consider adding test cases that include unexpected and invalid input to ensure that a greater ranger of errors is caught.

#### Remediation Plan:

**RISK ACCEPTED**: Since the generated panics are from the client side or not possible to produce within the context of their function, the risk has been accepted by the Sifchain Team.

# 3.3 (HAL-03) MISSING FUNCTION PARAMETER VALIDATION - LOW

#### Description:

We found that there are two functions (calculateSlipAdjustment and calcSwap) that are not checking all the parameters passed to it in order to prevent a division by zero error. This kind of error can lead to a "panic" where the node may disclose sensitive information, behave in unexpected ways, or crash.

The functions do no validation on their arguments. Instead, they expect that these values have already been checked before the function is called.

In all cases, the values to these functions are being properly validated before the functions are called. However, it can lead to a problem in the future if another developer is unaware of this convention and uses the functions incorrectly. The requirement for the parameters to be checked before the function is called is not documented within the code.

In calculateSlipAdjustment if r + R = 0 or a + A = 0 there will be a division by zero error on line 273.

In calcSwap if x + X = 0 there will be a division by zero error on line 333.

#### Code Location:

x/clp/keeper/pool.go, Lines 256-278

```
Listing 11: (Line 273)

256 func calculateSlipAdjustment(R, A, r, a *big.Int) *

L, slipAdjustmentValues {

257 var denominator, rPlusR, aPlusA big.Int

258 rPlusR.Add(r, R)

259 aPlusA.Add(a, A)

260 denominator.Mul(&rPlusR, &aPlusA)
```

```
261
262 var RTimesa, rTimesA, nominator big.Int
263 RTimesa.Mul(R, a)
264 rTimesA.Mul(r, A)
265 nominator.Sub(&RTimesa, &rTimesA)
266
267 var one, nom, denom, slipAdjustment big.Rat
268 one.SetInt64(1)
269
270 nom.SetInt(&nominator)
271 denom.SetInt(&denominator)
272
273 slipAdjustment.Quo(&nom, &denom)
274 slipAdjustment.Abs(&slipAdjustment)
275 slipAdjustment.Sub(&one, &slipAdjustment)
276
277 return &slipAdjustmentValues{slipAdjustment: &slipAdjustment,
L, RTimesa: &RTimesa, rTimesA: &rTimesA}
278 }
```

#### x/clp/keeper/pool.go, Lines 322-336

#### Risk Level:

Likelihood - 2

Impact - 2

#### Recommendation:

It is recommended that functions contain code to validate all parameters passed to them. Otherwise, any prerequisites should be documented within the code.

#### Remediation Plan:

**RISK ACCEPTED**: Since both the functions are private and are only called from a single source, the risk has been accepted by the Sifchain Team.

# 3.4 (HAL-04) RE-IMPLEMENTATION OF CORE MATHEMATICAL FUNCTION - INFORMATIONAL

#### Description:

The file x/clp/keeper/pureCalculation.go contains a function Abs() that calculates the absolute value of a signed integer. While no problems were detected in the logic of this code, it is generally advisable to avoid re-implementing fundamental mathematical functions. Instead, it is best to use standard libraries that have been examined and tested by many open-source developers over the course of years. Doing so can also reduce the complexity of the project, as it removes the need to maintain and test functionality that is already solved.

Both CosmosSDK and Go's "bigInt" library contain implementations of an absolute value function that could be used instead.

#### Code Location:

x/clp/keeper/pureCalculation.go, Lines 61-66

```
Listing 13

1 func Abs(a int16) uint16 {
2    if a < 0 {
3       return uint16(-a)
4    }
5    return uint16(a)
6 }</pre>
```

#### Risk Level:

Likelihood - 1 Impact - 1

#### Recommendation:

Use the equivalent function in the CosmosSDK or Go library instead of re-implementing it.

#### Remediation Plan:

**ACKNOWLEDGED**: Since the available Abs() function does not work with the integer type that is in use, the risk has been accepted by the Sifchain Team.

### AUTOMATED TESTING

#### Description:

Halborn used automated testing techniques to enhance coverage of certain areas of the scoped component. Among the tools used were staticcheck, gosec, semgrep, unconvert and LGTM. After Halborn verified all the contracts and scoped structures in the repository and was able to compile them correctly, these tools were leveraged on scoped structures. With these tools, Halborn can statically verify security related issues across the entire codebase.

Semgrep - Security Analysis Output Sample:

```
Listing 14: Rule Set

1 semgrep --config "p/dgryski.semgrep-go" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o dgryski.semgrep
2 semgrep --config "p/owasp-top-ten" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o owasp-top-ten.
L, semgrep
3 semgrep --config "p/r2c-security-audit" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o r2c-security-audit.
L, semgrep
4 semgrep --config "p/r2c-ci" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o r2c-ci.semgrep
5 semgrep --config "p/ci" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o ci.semgrep
6 semgrep --config "p/golang" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o golang.semgrep
7 semgrep --config "p/trailofbits" x --exclude='*_test.go' --
L, max-lines-per-finding 1000 --no-git-ignore -o trailofbits.semgrep
```

#### Semgrep Results:

```
ttp:typesyqueries.pu.gw.go
go.gorilla.security.audit.handler-assignment-from-multiple-sources.handler-assignment-from-
multiple-sources
        tapte-sources
Variable val, ok is assigned from two different sources: 'pathParams["symbol"]' and
'pathParams["lp_address"]'. Make sure this is intended, as this could cause logic bugs if
        they are treated as they are the same object. Details: https://sg.run/gL3y
             val, ok = pathParams["symbol"]
if !ok {
                 return nil, metadata, status.Errorf(codes.InvalidArgument, "missing parameter %s", "symbol")
             protoReq.Symbol, err = runtime.String(val)
        143
144
             if err != nil {
    return nil, metadata, status.Errorf(codes.InvalidArgument, "type mismatch, parameter: %s, error: %v", "symbol", err)
        145
146
             val, ok = pathParams["lp_address"]
             val, ok = pathParams["symbol"]
if !ok {
                return nil, metadata, status.Errorf(codes.InvalidArgument, "missing parameter %s", "symbol")
             protoReq.Symbol, err = runtime.String(val)
             if err != nil {
                 return nil, metadata, status.Errorf(codes.InvalidArgument, "type mismatch, parameter: %s, error: %v", "symbol", err)
             val, ok = pathParams["lp address"]
Findings:
      trail of bits.go.invalid-usage-of-modified-variable.invalid-usage-of-modified-variable\\
          Variable 'lp' is likely modified and later used on error. In some cases this could result in panics due to a nil dereference
          Details: https://sg.run/WWQ2
               lp, err := k.GetLiquidityProvider(ctx, msg.ExternalAsset.Symbol, msg.Signer)
if err != nil {
                    lp = k.CreateLiquidityProvider(ctx, msg.ExternalAsset, lpUnits, addr)
                    ctx.EventManager().EmitEvents(sdk.Events{
                              sdk.NewEvent(
                                        types.EventTypeCreateLiquidityProvider,
sdk.NewAttribute(types.AttributeKeyLiquidityProvider, lp.String()),
sdk.NewAttribute(types.AttributeKeyHeight, strconv.FormatInt(ctx.BlockHeight(), 10)),
                              ),
                    lpUnits = sdk.ZeroUint()
      trailofbits.go.questionable-assignment.questionable-assignment
          Should `protoReq` be modified when an error could be returned?
Details: https://sg.run/qq6y
           52 protoReq.Symbol, err = runtime.String(val)
                protoReq.Symbol, err = runtime.String(val)
               protoReg.Symbol. err = runtime.String(val)
                protoReq.LpAddress, err = runtime.String(val)
                protoReq.Symbol, err = runtime.String(val)
          191
                protoReq.LpAddress, err = runtime.String(val)
                protoReq.LpAddress, err = runtime.String(val)
                protoReq.LpAddress, err = runtime.String(val)
               protoReq.LpAddress, err = runtime.String(val)
               protoReq.LpAddress, err = runtime.String(val)
                protoReq.Symbol, err = runtime.String(val)
          436 protoReq.Symbol, err = runtime.String(val)
```

```
trailofbits.go.invalid-usage-of-modified-variable.invalid-usage-of-modified-variable
  Variable `dispensationCount` is likely modified and later used on error. In some cases this could result in panics due to a nil dereference

Details: https://sg.run/WWQ2
        dispensationCount, err := strconv.ParseInt(args[2], 10, 64)
   117
        if err != nil {
            return fmt.Errorf("invalid dispensation count :%d", dispensationCount)
   120
trailofbits.go.unchecked-type-assertion.unchecked-type-assertion
   Unchecked type assertion.
   Details: https://sg.run/054W
        ret0, _ := ret[0].(error)
    58
        ret0, _ := ret[0].(error)
        ret0, _ := ret[0].(error)
   109
        ret0, _ := ret[0].(error)
        ret0, _ := ret[0].(error)
        ret0, _ := ret[0].(error)
        ret0, _ := ret[0].(*types0.MsgTransferResponse)
   175 ret1, _ := ret[1].(error)
trailofbits.go.unchecked-type-assertion.unchecked-type-assertion
   Unchecked type assertion
   Details: https://sg.run/054W
        ret0, _ := ret[0].(bool)
        ret0, _ := ret[0].(*types.GenesisState)
        ret0, _ := ret[0].(*types.RegistryEntry)
        ret1, _ := ret[1].(error)
    86
        ret0, _ := ret[0].(types.Registry)
   100
        ret0, _ := ret[0].([]types1.ValidatorUpdate)
   114 ret0, _ := ret[0].(bool)
```

#### Gosec - Security Analysis Output Sample:

```
| Company | Comp
```

#### Staticcheck - Security Analysis Output Sample:

keeper/msg\_server.go:373:2: this value of totalliquidityFee is never used (SA4006) types/querier.pb.gw.go:16:2: "github.com/golang/protobuf/descriptor" is deprecated: See the "google.golang.org/protobuf/reflect/protoreflect" package for how to obtain a EnumDescriptor or MessageDescriptor in order to programatically interact with the protobuf type system. (SA1019) types/querier.pb.gw.go:17:2: "github.com/golang/protobuf/proto" is deprecated: Use the "google.golang.org/protobuf/proto" package instead. (SA1019) types/querier.pb.gw.go:33:9: descriptor.ForMessage is deprecated: Not all concrete message types satisfy the Message interface. Use MessageDescriptorProto instead. If possible, the calling code should be rewritten to use protobuf reflection instead. See package "google.golang.org/protobuf/reflect/protoreflect" for details. (SA1019) types/types.go:8:2: should use 'return p.ExternalAsset.Validate()' instead of 'if !p.ExternalAsset.Validate() { return false }; return true' (S1008) types/types.go:56:2: should use 'return l.Asset.Validate()' instead of 'if !l.Asset.Validate() { return false }; return true' (S1008)

#### Unconvert - Security Analysis Output Sample:

2022/06/23 08:53:58 internal error: package "fmt" without types was imported from "github.com/Sifchain/sifnode/x/clp"

#### LGTM - Security Analysis Output Sample:



THANK YOU FOR CHOOSING

