



SMART CONTRACT AUDIT REPORT

for

OptionsLM



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August 28, 2021

Document Properties

Client	OptionsLM
Title	Smart Contract Audit Report
Target	OptionsLM
Version	1.0
Author	Xuxian Jiang
Auditors	Xuxian Jiang, Jing Wang
Reviewed by	Yiqun Chen
Approved by	Xuxian Jiang
Classification	Public

Version Info

Version	Date	Author(s)	Description
1.0	August 28, 2021	Xuxian Jiang	Final Release

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1 | Introduction

Given the opportunity to review the design document and related source code of the the OptionsLM 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 is well engineered and 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 OptionsLM

The OptionsLM protocol is an improvement over the classic staking rewards approach. In particular, traditional liquidity mining (LM) can be seen as CALL options with the hardcoded parameters, i.e., `strike = 0`, and `expiry = now`. In comparison, OptionsLM allows these parameters to be modified to allow for discounted, but not free liquidity mining.

Table 1.1: Basic Information of the audited protocol

Item	Description
Name	OptionsLM
Type	Ethereum Smart Contract
Platform	Solidity
Audit Method	Whitebox
Latest Audit Report	August 28, 2021

In the following, we show the repository of reviewed files and the MD5 checksum hash value used in this audit.

- URL: <https://gist.github.com/andreconje/6c3da8b294488001aded528f70bc301>
- MD5: [d616cd61093222d69ad6fc16a2182ff7](#)

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 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	High	Critical	High	Medium
	Medium	High	Medium	Low
	Low	Medium	Low	Low
		High	Medium	Low
		Likelihood		

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.

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 deploy contracts on our private testnet and run tests to confirm the findings. If necessary, we would

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

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) [5], 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 implementation of the `OptionsLM` protocol. 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 DeFi-related aspects under scrutiny to uncover possible pitfalls and/or bugs.

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

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 2 low-severity vulnerabilities.

Table 2.1: Key Audit Findings of OptionsLM Protocol

ID	Severity	Title	Category	Status
PVE-001	Low	Suggested Adherence Of Checks-Effects-Interactions Patterns	Time and State	Fixed
PVE-002	Low	Improved Logic of getReward()	Business Logic	Fixed

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 details.

3 | Detailed Results

3.1 Suggested Adherence Of Checks-Effects-Interactions Patterns

- ID: PVE-001
- Severity: Low
- Likelihood: Low
- Impact: Low
- Target: OptionsLM
- Category: Time and State [4]
- CWE subcategory: CWE-682 [1]

Description

A common coding best practice in Solidity is the adherence of `checks-effects-interactions` principle. This principle is effective in mitigating a serious attack vector known as `re-entrancy`. Via this particular attack vector, a malicious contract can be reentering a vulnerable contract in a nested manner. Specifically, it first calls a function in the vulnerable contract, but before the first instance of the function call is finished, second call can be arranged to re-enter the vulnerable contract by invoking functions that should only be executed once. This attack was part of several most prominent hacks in Ethereum history, including the DAO [9] exploit, and the recent Uniswap/Lendf.Me hack [8].

We notice there are several occasions the `checks-effects-interactions` principle is violated. Using the OptionsLM as an example, the `redeem()` function (see the code snippet below) is provided to externally call a token contract to transfer assets. However, the invocation of an external contract requires extra care in avoiding the above `re-entrancy`.

Apparently, the interaction with the external contract (lines 682 – 683) starts before effecting the update on internal states (lines 684 – 685), hence violating the principle. In this particular case, if the external contract has certain hidden logic that may be capable of launching `re-entrancy` via the very same `redeem()` function.

```
678     function redeem(uint id) external {
679         require(_isApprovedOrOwner(msg.sender, id));
680         option storage _opt = options[id];
```

```

681     require(_opt.expiry >= block.timestamp && !_opt.exercised);
682     _safeTransferFrom(buyWith, msg.sender, treasury, _opt.strike);
683     _safeTransfer(reward, msg.sender, _opt.amount);
684     _opt.exercised = true;
685     options[id] = _opt;
686     emit Redeem(msg.sender, msg.sender, _opt.amount, _opt.strike, id);
687 }

```

Listing 3.1: OptionsLM::redeem()

The same re-entrancy protection is also applicable to other routines, including `_claim()`.

Recommendation Apply necessary reentrancy prevention by following the common checks-effects-interactions (CEI) best practice or making use of the common `nonReentrant` modifier.

Status The issue has been fixed by adding the suggested re-entrancy protection.

3.2 Improved Logic of getReward()

- ID: PVE-002
- Severity: Low
- Likelihood: Low
- Impact: Low
- Target: OptionsLM
- Category: Business Logic [3]
- CWE subcategory: CWE-841 [2]

Description

The current OptionsLM extends the traditional staking rewards approach with the support of `CALL` options. To enable this extension, OptionsLM customizes the `getReward()` function to create a `CALL` option for each claimed reward.

To elaborate, we show below the `getReward()` function. It comes to our attention that this function returns an option `id` that can be used to claim after the specified expiry time. However, when there is no actual reward, the default `id=0` is returned, which may be confusing as the `0` itself is a valid option `id` (especially for the very first user who claims the reward).

```

689     function getReward() public update(msg.sender) returns (uint id) {
690         uint _reward = rewards[msg.sender];
691         if (_reward > 0) {
692             rewards[msg.sender] = 0;
693             id = _claim(_reward);
694         }
695     }

```

Listing 3.2: OptionsLM::getReward()

Recommendation Revise the above `getReward()` to avoid misleading returns of option `ids`

Status This issue has been fixed by removing the return of the option `id`. Instead, the new option is directly saved into `_userOptions[msg.sender]` array for later claims.



4 | Conclusion

In this audit, we have analyzed the design and implementation of the `OptionsLM` protocol, which is an improvement over the classic staking rewards approach. The current code base is well organized and those identified issues are promptly confirmed and addressed.

Meanwhile, we need to emphasize that `Solidity`-based 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.



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