SECURITY AUDIT REPORT

for

KYOKO-P2P

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1 | Introduction Kyoko-P2P

The Rings were not forged as weapons of war or conquest, that is not their power.
Those who made the Ring did not desire to power, to rule, to gather wealth, but to understand, to make, to heal, to preserve all things untainted.

This document outlines our audit results.

1.1 About Ethereum Smart Contract

The **Ethereum Smart Contract** is simply a program that runs on the Ethereum blockchain. It's a collection of code (its functions) and data (its state) that resides at a specific address on the **Ethereum blockchain**.

Smart contracts are a type of **Ethereum** account. This means they have a balance and they can send transactions over the network. However they're not controlled by a user, instead they are deployed to the network and run as programmed. User accounts can then interact with a smart contract by submitting transactions that execute a function defined on the smart contract. Smart contracts can define rules, like a regular contract, and automatically enforce them via the code. Smart contracts cannot be deleted by default, and interactions with them are irreversible.

1.2 About MatrixSec

MatrixSec Inc. is a top international security company t was founded in September 2019.
Founded by a team with more than 10 years of experience in frontline network security attack and defense.
MatrixSec is committed to providing customers with mature and reliable security solutions with the concept of **"Secure Before You Feel Ready"**.

1.3 About Kyoko.finance-P2P

Kyoko.finance is a cross-chain GameFi NFT lending market for guilds and players.

Kyoko.finance-P2P

P2P is mainly a lending agreement between NFT and ERC20, where the lender (Borrower) pledges NFT to obtain a loan from the specified ERC20, and the lender (Lender) can directly lend or provide different offers, and when multiple offers exist for a NFT pledge, the lender can choose one of them to reach a lending agreement;
the whole lending rate, the The interest rate, borrowing period and ERC20token of the whole loan are customized by the lender and the borrower. When the lender has not repaid the loan after the buffer period, the borrower can directly liquidate the corresponding NFT, which is then transferred directly from the platform to the borrower's address.
A default fee of 1% is charged for one transaction, which is paid by the borrower. The designated ERC20 needs to be added to the whitelist before the borrowing and lending can proceed.

The basic information of Ethereum Smart Contract is as follows:

Table 1.1: Basic Information of Ethereum Smart Contract

Item	Description
Issuer	Kyoko-P2P
Website	https://www.kyoko.finance/
Type	Ethereum Smart Contract
Platform	solidity
Audit Method	Whitebox
Latest Audit Report	January 24, 2022

1.4 Methodology

To standardize the evaluation, we define the following terminology based on the OWASP Risk Rating Methodology [2]:

- 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.

Table 1.2: Vulnerability Severity Classification

Impact	*High*	*Medium*	*Low*
High	Critical	High	Medium
Medium	High	Medium	Low
Low	Medium	Low	Low

Likelihood

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 vulnerability checklist 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 test environment and run tests to confirm the findings. If necessary, we would additionally develop a Proof-of-Concept 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) [1], which is a community-developed list of software weakness types to

Table 1.3: The Full Audit Checklist

Category	Checklist Items
Basic Coding Bugs	Constructor Mismatch
	Redundant Fallback Function
	Overflows & Underflows
	Reentrancy
	Parameters Injection
	Money-Giving Bug
Semantic Consistency Checks	Semantic Consistency Checks
Advanced DeFi Scrutiny	Business Logics Review
	Functionality Checks
	Authentication Management
	Access Control & Authorization
	Oracle Security
	Random Number Security
	Delegate Call Security
	Digital Asset Escrow
	Contract Update Security
	Reordering Attack
	False Top-up
	Timestamp Dependency Attack

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.

1.5 Disclaimer

Note that this audit does not give any warranties on finding all possible security issues of the given smart contract(s), 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 Logic	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 Kyoko-P2P 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	0	
Low	0	
Informational	2	■ ■
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 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 0 critical-severity vulnerability, 0 high-severity vulnerabilities, 0 medium-severity vulnerabilities, 0 low-severity vulnerabilities, and 4 informational recommendations.

Table 2.1: Key Ethereum Smart Contract Audit Findings

ID	Severity	Title	Category	Status
MSVE-001	Info	The lend method borrows without parameter constraints	Others	Fixed
MSVE-002	Info	No constraint in the economic model on the value of NFT	Others	Informed

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 The lend method borrows without parameter constraints

- ID: MSVE-001
- Severity: info
- Likelihood: N/A
- Impact: N/A
- Target: N/A
- Category: Others
- CWE subcategory:N/A

Description

When the lender calls lend, it is equivalent to the lender agreeing to the terms proposed by the lender by default, but the lend method does not have parameters such as **price**, **period**, **buffering**, and **APY**. At this point, the lender can launch a preemptive trade attack by calling the modify method to modify the lender's loan terms. Similar to the preemption attack in **DEX** transactions.

For example: the lender starts with the condition of borrowing **10U, 10 days, 10%(interest rate)** when the lender sends lend to accept this condition of tx, the lender sends a high gasprice modify to modify to 10,000 **USDT**, completing the pre-emption attack, borrowing a loan much higher than the value of NFT.

Recommendation The lend method also adds a borrowing parameter restriction and a deadline parameter.

Status Update : Fixed

```
    function lend(
        uint256 _depositId,
        uint256 _apy,
        uint256 _price,
        uint256 _period,
        uint256 _buffering,
        address _erc20Token
    ) external whenNotPaused {
        DataTypes.NFT memory _nft = nftMap[_depositId];
        require(
            _nft.collateral.apy == _apy &&
            _nft.collateral.price == _price &&
            _nft.collateral.period == _period &&
            _nft.collateral.buffering == _buffering &&
            _nft.collateral.erc20Token == _erc20Token
            , "Bad parameters."
        );
        _lend(_depositId, true, msg.sender);
    }
```

Listing 3.1: Kyoko.sol

3.2 No constraint in the economic model on the value of NFT

- ID: MSVE-002
- Severity: info
- Likelihood: N/A
- Impact: N/A
- Target: N/A
- Category: Others
- CWE subcategory: N/A

Description

There is no constraint on the economic model on the value of NFT.
Here there is the possibility that the price of the lender's NFT plummeted; the borrower did not have to repay the loan to do so, while the borrower took the loss.

Status Update : Informed
Kyoko-P2P will guide the user in setting the price in the expectation that it will cover the user's losses.

4 Conclusion

In this audit, we have analyzed the Kyoko-P2P 's contracts design and implementation.
Except for the lend method which has no borrowing parameter restrictions and economic modeling issues. After audit, the code level without security issues.

As a final precaution, 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.

Finally, Kyoko-P2P 's rigorous and responsible working attitude left a deep impact on us, actively introducing the product features with us and fixing the related problems we mentioned in time.

5 Appendix

5.1 Basic Coding Bugs

5.1.1 Redundant Fallback Function

- Description: Whether the contract has a redundant fallback function.
- Result: Not found
- Severity: Critical

5.1.2 Overflows & Underflows

- Description: Whether the contract has general overflow or underflow vulnerabilities [3, 4, 5, 6, 7].
- Result: Not found
- Severity: Critical

5.1.3 Reentrancy

- Description: Reentrancy [8] is an issue when code can call back into your contract and change state, such as withdrawing ETHs.
- Result: Not found
- Severity: Critical

5.1.4 Parameters Injection

- Description: Injected parameters can be malicious and introduce sever vulnerability if no input sanitization is used.
- Result: Not found

- Severity: Critical

5.1.5 Money-Giving Bug

- Description: Whether the contract returns funds to an arbitrary address.
- Result: Not found
- Severity: High

5.1.6 DoS

- Description: Whether the contract is vulnerable to DoS attack.
- Result: Not found
- Severity: Medium

5.1.7 Random Number Security

- Description: Correctly generated random number is the foundation of the smart contracts.
- Result: Not found
- Severity: Critical

5.1.8 Delegate Call Security

- Description: delegate_call should be used to limit the proxy address.
- Result: Not found
- Severity: Critical

5.1.9 Timestamp Dependency Attack

- Description: Incorrect timestamp can cause rewards lost.
- Result: Not found
- Severity: Medium

5.1.10 False Top-up

- Description: False Top-up can be caused by a delay transaction and results in financial lost .
- Result: Not found
- Severity: Medium

References

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