SMART CONTRACT AUDIT REPORT

for

Stablecoin Contract

Prepared By: Xiaomi Huang

PeckShield
May 10, 2023
Document Properties

<table>
<thead>
<tr>
<th>Client</th>
<th>FD121 LIMITED</th>
</tr>
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<tr>
<td>Title</td>
<td>Smart Contract Audit Report</td>
</tr>
<tr>
<td>Target</td>
<td>Stablecoin Contract</td>
</tr>
<tr>
<td>Version</td>
<td>1.0</td>
</tr>
<tr>
<td>Author</td>
<td>Patrick Lou</td>
</tr>
<tr>
<td>Auditors</td>
<td>Patrick Lou, Xuxian Jiang</td>
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<tr>
<td>Reviewed by</td>
<td>Xiaomi Huang</td>
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<tr>
<td>Approved by</td>
<td>Xuxian Jiang</td>
</tr>
<tr>
<td>Classification</td>
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Version Info

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<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Author</th>
<th>Description</th>
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</thead>
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<tr>
<td>1.0</td>
<td>May 10, 2023</td>
<td>Patrick Lou</td>
<td>Final Release (Amended #1)</td>
</tr>
<tr>
<td>1.0</td>
<td>April 19, 2023</td>
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<td>Final Release</td>
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</table>

Contact

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

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<th>Xiaomi Huang</th>
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</thead>
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<td>+86 183 5897 7782</td>
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</tbody>
</table>
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1 Introduction

Given the opportunity to review the design document and related source code of the FD121 LIMITED Stablecoin token contract, we outline in the report our systematic method to evaluate potential security issues in the smart contract implementation, expose possible semantic inconsistency between smart contract code and the documentation, and provide additional suggestions or recommendations for improvement. Our results show that the given version of the smart contract can be further improved due to the presence of certain issues related to either security or performance. This document outlines our audit results.

1.1 About Stablecoin Contract

Stablecoin is the token issued by FD121 LIMITED. It is upgradeable ERC20 token which the owner can mint and burn tokens, pause the contract and freeze the specific user action.

The basic information of the audited Stablecoin token is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>FD121 LIMITED</td>
</tr>
<tr>
<td>Type</td>
<td>ERC20 Token Contract</td>
</tr>
<tr>
<td>Platform</td>
<td>Solidity</td>
</tr>
<tr>
<td>Audit Method</td>
<td>Whitebox</td>
</tr>
<tr>
<td>Audit Completion Date</td>
<td>May 10, 2023</td>
</tr>
</tbody>
</table>

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

- https://github.com/FD-121/fd-stablecoin/blob/main/src/Stablecoin.sol (ec35f7c)
1.2 About PeckShield

PeckShield Inc. [4] is a leading blockchain security company with the goal of elevating the security, privacy, and usability of current blockchain ecosystem 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).

1.3 Methodology

To standardize the evaluation, we define the following terminology based on OWASP Risk Rating Methodology [3]:

- **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.

Table 1.2: Vulnerability Severity Classification

<table>
<thead>
<tr>
<th>Impact</th>
<th>Likelihood</th>
<th>Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Critical</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

We perform the audit according to the following procedures:

- **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.
• ERC20 Compliance Checks: We then manually check whether the implementation logic of the audited smart contract(s) follows the standard ERC20 specification and other best practices.

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

Table 1.3: The Full List of Check Items

<table>
<thead>
<tr>
<th>Category</th>
<th>Check Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Coding Bugs</td>
<td>Constructor Mismatch</td>
</tr>
<tr>
<td></td>
<td>Ownership Takeover</td>
</tr>
<tr>
<td></td>
<td>Redundant Fallback Function</td>
</tr>
<tr>
<td></td>
<td>Overflows &amp; Underflows</td>
</tr>
<tr>
<td></td>
<td>Reentrancy</td>
</tr>
<tr>
<td></td>
<td>Money-Giving Bug</td>
</tr>
<tr>
<td></td>
<td>Blackhole</td>
</tr>
<tr>
<td></td>
<td>Unauthorized Self-Destruct</td>
</tr>
<tr>
<td></td>
<td>Revert DoS</td>
</tr>
<tr>
<td></td>
<td>Unchecked External Call</td>
</tr>
<tr>
<td></td>
<td>Gasless Send</td>
</tr>
<tr>
<td></td>
<td>Send Instead of Transfer</td>
</tr>
<tr>
<td></td>
<td>Costly Loop</td>
</tr>
<tr>
<td></td>
<td>(Unsafe) Use of Untrusted Libraries</td>
</tr>
<tr>
<td></td>
<td>(Unsafe) Use of Predictable Variables</td>
</tr>
<tr>
<td></td>
<td>Transaction Ordering Dependence</td>
</tr>
<tr>
<td></td>
<td>Deprecated Uses</td>
</tr>
<tr>
<td></td>
<td>Approve / TransferFrom Race Condition</td>
</tr>
<tr>
<td>ERC20 Compliance Checks</td>
<td>Compliance Checks (Section 3)</td>
</tr>
<tr>
<td>Additional Recommendations</td>
<td>Avoiding Use of Variadic Byte Array</td>
</tr>
<tr>
<td></td>
<td>Using Fixed Compiler Version</td>
</tr>
<tr>
<td></td>
<td>Making Visibility Level Explicit</td>
</tr>
<tr>
<td></td>
<td>Making Type Inference Explicit</td>
</tr>
<tr>
<td></td>
<td>Adhering To Function Declaration Strictly</td>
</tr>
<tr>
<td></td>
<td>Following Other Best Practices</td>
</tr>
</tbody>
</table>

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 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 additionally build a PoC to demonstrate the possibility of exploitation. The concrete list of check items is shown in Table 1.3.
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.
2 | Findings

2.1 Summary

Here is a summary of our findings after analyzing the Stablecoin token contract. 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 ERC20-related aspects under scrutiny to uncover possible pitfalls and/or bugs.

<table>
<thead>
<tr>
<th>Severity</th>
<th># of Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>0</td>
</tr>
<tr>
<td>High</td>
<td>0</td>
</tr>
<tr>
<td>Medium</td>
<td>1</td>
</tr>
<tr>
<td>Low</td>
<td>0</td>
</tr>
<tr>
<td>Informational</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
</tr>
</tbody>
</table>

Moreover, we explicitly evaluate whether the given contracts follow the standard ERC20 specification and other known best practices, and validate its compatibility with other similar ERC20 tokens and current DeFi protocols. The detailed ERC20 compliance checks are reported in Section 3. After that, we examine a few identified issues of varying severities that need to be brought up and paid more attention to. (The findings are categorized in the above table.) Additional information can be found in the next subsection, and the detailed discussions are in Section 4.
2.2 Key Findings

Overall, no ERC20 compliance issue was found, and our detailed checklist can be found in Section 3. Also, though current smart contracts are well-designed and engineered, the implementation and deployment can be further improved by resolving the identified issue (shown in Table 2.1), including 1 medium-severity vulnerability.

<table>
<thead>
<tr>
<th>ID</th>
<th>Severity</th>
<th>Title</th>
<th>Category</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PVE-001</td>
<td>Medium</td>
<td>Trust Issue Of Admin Keys</td>
<td>Security Features</td>
<td>Mitigated</td>
</tr>
</tbody>
</table>

Beside the identified issue, 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 4 for details.
3  ERC20/BEP20 Compliance Checks

The ERC20 specification defines a list of API functions (and relevant events) that each token contract is expected to implement (and emit). The failure to meet these requirements means the token contract cannot be considered to be ERC20-compliant. Naturally, as the first step of our audit, we examine the list of API functions defined by the ERC20 specification and validate whether there exist any inconsistency or incompatibility in the implementation or the inherent business logic of the audited contract(s).

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>name()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns a string, for example &quot;Tether USD&quot;</td>
<td>✓</td>
</tr>
<tr>
<td>symbol()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns the symbol by which the token contract should be known, for example &quot;USDT&quot;. It is usually 3 or 4 characters in length</td>
<td>✓</td>
</tr>
<tr>
<td>decimals()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns decimals, which refers to how divisible a token can be, from 0 (not at all divisible) to 18 (pretty much continuous) and even higher if required</td>
<td>✓</td>
</tr>
<tr>
<td>totalSupply()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns the number of total supplied tokens, including the total minted tokens (minus the total burned tokens) ever since the deployment</td>
<td>✓</td>
</tr>
<tr>
<td>balanceOf()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Anyone can query any address' balance, as all data on the blockchain is public</td>
<td>✓</td>
</tr>
<tr>
<td>allowance()</td>
<td>Is declared as a public view function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns the amount which the spender is still allowed to withdraw from the owner</td>
<td>✓</td>
</tr>
</tbody>
</table>

Our analysis shows that there is no ERC20 inconsistency or incompatibility issue found in the
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>transfer()</strong></td>
<td>Is declared as a public function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns a boolean value which accurately reflects the token transfer status</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Reverts if the caller does not have enough tokens to spend</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Allows zero amount transfers</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Emits Transfer() event when tokens are transferred successfully (include 0</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>amount transfers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reverts while transferring to zero address</td>
<td>✓</td>
</tr>
<tr>
<td><strong>transferFrom()</strong></td>
<td>Is declared as a public function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns a boolean value which accurately reflects the token transfer status</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Reverts if the spender does not have enough token allowances to spend</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Updates the spender’s token allowances when tokens are transferred successfully</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Reverts if the from address does not have enough tokens to spend</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Allows zero amount transfers</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Emits Transfer() event when tokens are transferred successfully (include 0</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>amount transfers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reverts while transferring from zero address</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Reverts while transferring to zero address</td>
<td>✓</td>
</tr>
<tr>
<td><strong>approve()</strong></td>
<td>Is declared as a public function</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Returns a boolean value which accurately reflects the token approval status</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Emits Approval() event when tokens are approved successfully</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Reverts while approving to zero address</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Transfer() event</strong></td>
<td>Is emitted when tokens are transferred, including zero value transfers</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Is emitted with the from address set to address(0x0) when new tokens are generated</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Approval() event</strong></td>
<td>Is emitted on any successful call to approve()</td>
<td>✓</td>
</tr>
</tbody>
</table>
audited Stablecoin Contract. In the surrounding two tables, we outline the respective list of basic view-only functions (Table 3.1) and key state-changing functions (Table 3.2) according to the widely-adopted ERC20 specification. In addition, we perform a further examination on certain features that are permitted by the ERC20 specification or even further extended in follow-up refinements and enhancements (e.g., ERC777/ERC2222), but not required for implementation. These features are generally helpful, but may also impact or bring certain incompatibility with current DeFi protocols. Therefore, we consider it is important to highlight them as well. This list is shown in Table 3.3.

Table 3.3: Additional opt-in Features Examined in Our Audit

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
<th>Opt-in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deflationary</td>
<td>Part of the tokens are burned or transferred as fee while on transfer()/transferFrom() calls</td>
<td>—</td>
</tr>
<tr>
<td>Rebasing</td>
<td>The balanceOf() function returns a re-based balance instead of the actual stored amount of tokens owned by the specific address</td>
<td>—</td>
</tr>
<tr>
<td>Pausable</td>
<td>The token contract allows the owner or privileged users to pause the token transfers and other operations</td>
<td>✓</td>
</tr>
<tr>
<td>Blacklistable</td>
<td>The token contract allows the owner or privileged users to blacklist a specific address such that token transfers and other operations related to that address are prohibited</td>
<td>✓</td>
</tr>
<tr>
<td>Mintable</td>
<td>The token contract allows the owner or privileged users to mint tokens to a specific address</td>
<td>✓</td>
</tr>
<tr>
<td>Burnable</td>
<td>The token contract allows the owner or privileged users to burn tokens of a specific address</td>
<td>✓</td>
</tr>
</tbody>
</table>
4 Detailed Results

4.1 Trust Issue Of Admin Keys

- ID: PVE-001
- Severity: Medium
- Likelihood: Low
- Impact: High
- Target: Stablecoin
- Category: Security Features [2]
- CWE subcategory: CWE-287 [1]

Description

In the Stablecoin token contract, there is a privileged account, i.e., owner, which plays a critical role in governing and regulating the token-related operations. In particular, it has the privilege to mint additional tokens into circulation, burn the tokens, blacklist a specific address and pause the token transfers and other operations. Our analysis shows that the privileged account needs to be scrutinized. In the following, we examine the privileged owner account and its related privileged access in current contract.

```solidity
function mint(uint256 amount) external onlyOwner returns (bool) {
    _mint(_msgSender(), amount);
    emit Mint(_msgSender(), _msgSender(), amount);
    return true;
}

/**
 * @dev See {ERC20--burn}.
 * @param amount Burn amount
 * @return True if successful
 * Can only be called by the current owner.
 */
function burn(uint256 amount) external onlyOwner returns (bool) {
    _burn(_msgSender(), amount);
    emit Burn(_msgSender(), _msgSender(), amount);
    return true;
}
```
To elaborate, we show above the related sensitive operation that is related to owner. We understand the need of the privileged functions for contract maintenance, but it is worrisome if the privileged owner account is a plain EOA account. Note that a multi-sig account could greatly alleviate this concern, though it is still far from perfect. Specifically, a better approach is to eliminate the administration key concern by transferring the role to a community-governed DAO.

**Recommendation** Promptly transfer the privileges of the owner to the intended governance contract. And activate the normal on-chain community-based governance life-cycle and ensure the intended trustless nature and high-quality distributed governance.

**Status** This issue has been mitigated, the team confirms that multi-sig account will be used.
5  |  Conclusion

In this security audit, we have examined the design and implementation of the Stablecoin token contract. During our audit, we first checked all respects related to the compatibility of the ERC20 specification and other known ERC20 pitfalls/vulnerabilities. We then proceeded to examine other areas such as coding practices and business logics. Overall, although no critical or high level vulnerabilities were discovered, we identified one issue of medium severity. In the meantime, as disclaimed in Section 1.4, we appreciate any constructive feedbacks or suggestions about our findings, procedures, audit scope, etc.
References


