Bramah Systems

mStable Public Report

PROJECT: mstable/mStable-contracts

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Prepared For:

James Simpson | mStable Trading, Inc.

james@stabilitylabs.co

Prepared By:

Jonathan Haas | Bramah Systems, LLC.

jonathan@bramah.systems

Table of Contents

mStable Protocol Assessment

Executive Summary

Scope of Engagement

Bramah Systems, LLC was engaged in March of 2020 to perform a comprehensive security review of the mStable Trading, Inc. repository protocol. A review was conducted over the period by a member of the Bramah Systems, LLC. executive staff. During this period, all Solidity smart contract code (*.sol) as of commit **9c43066ec9cec78234d239a6107d9b3571b6606a** was included within scope, along with TypeScript files (*.ts) relevant to testing. TypeScript files were not assessed for their overall security. Bramah Systems completed the assessment using manual, static and dynamic analysis techniques.

Timeline

Audit Commencement: April 14, 2020

Report Delivery: April 17, 2020

Engagement Goals

The primary scope of the engagement was to evaluate and establish the overall security of the mStable system, with a specific focus on trading actions. In specific, the engagement sought to answer the following questions:

- Is it possible for an attacker to steal or freeze tokens?
- Does the Solidity code match the specification as provided?
- Is there a way to interfere with the balancing mechanisms?

- Are the arithmetic calculations trustworthy?

Protocol Specification

A substantial specification document was supplied to the Bramah audit team. This document detailed the interactions between numerous aspects of the code, provided relevant materials containing supporting documentation on aspects of governance and management, and supplied additional information regarding the static analysis performed by the team. The team intends to make certain aspects of this documentation (where not already available) provided to the general public at large.

Overall Assessment

Bramah Systems was engaged to evaluate and identify multiple security concerns in the codebase of the mStable protocol architecture. During the course of our engagement, Bramah Systems noted numerous instances wherein the protocol deviated from established best practices and procedures of secure software development. **With limited exceptions (as described below), these instances were a result of structural limitations of Solidity and not due to inactions on behalf of the development team.**

Overall, the code reviewed is of excellent quality, written with clear awareness of current smart contract development best practices, common security pitfalls, and overall readability. Its interfaces are well designed and its use of patterns display strong code maturity.

In particular, Bramah Systems notes that the code is well commented, particularly in sections where understanding the developer's intent is essential. Additionally, the overall contract organization is consistent throughout (within contracts themselves and their overarching interactions with others).

While during the course of the review Bramah Systems discovered areas worthy of attention by the mStable team, these issues have since been addressed and no significant security concerns remain. We applaud the mStable team for their immense dedication in following security best practices throughout the course of development of their protocol.

Disclaimer

As of the date of publication, the information provided in this report reflects the presently held,

commercially reasonable understanding of Bramah Systems, LLC.'s knowledge of security patterns as they relate to the mStable Protocol, with the understanding that distributed ledger technologies ("DLT") remain under frequent and continual development, and resultantly carry with them unknown technical risks and flaws. The scope of the review provided herein is limited solely to items denoted within "Scope of Engagement" and contained within "Directory Structure". The report does NOT cover, review, or opine upon security considerations unique to the Solidity compiler, tools used in the development of the protocol, or distributed ledger technologies themselves, or to any other matters not specifically covered in this report.
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General Recommendations

Best Practices & Solidity Development Guidelines

Usage of Experimental Solidity Version

A majority of the contracts associated with the protocol make usage of an experimental Solidity version (**pragma experimental ABIEncoderV2**) which enables usage of the new ABI encoder. **ABIEncoderV2** allows for the usage of structs and arbitrarily nested arrays (such as **string[]** and **uint256[][]**) in function arguments and return values.

As no present non experimental version for these constructs exists, one must acknowledge the associated risk in utilizing non release-candidate ("RC) software. It is understood that software in the beta phase will generally have more bugs than completed software as well as speed/performance issues and may cause crashes or data loss.

Usage of Block.timestamp

Miners can affect block.timestamp for their benefits. Thus, one should not rely on the exact value of block.timestamp. As a result of such, **block.timestamp** and **now** should traditionally only be used within inequalities (note: the protocol **does not** follow this strategy).

This is particularly important in the Governance and integration areas in which the presumption that block.timestamp operates in seconds (per documentation via code comment within **DelayedClaimableGovernor.sol**) presents great risk if ownership exchange of the governor address is particularly time sensitive. While this risk is relatively minimal as a deviance of more than roughly 12 seconds from NTP will not allow an individual to connect to the Ethereum network, a time sensitive change (such as an agreed upon exchange of power at a certain time and date) could prove troublesome.

This noted, no particular test in the testing files provided (specifically, within the **DelayedClaimableGovernor.behaviour.ts** file) by mStable suggests particularly *highly* time sensitive features, and confirmation with the team ensured the general risk behind block timestamps is known.

Block numbers and average block time can be used to estimate time, but this is not future proof as block times may change (such as the changes expected during Casper). Substantial

change to the representation of time unfortunately would lead to deviance from intended ideals, but future solutions are expected to make note of this (due to the sensitive nature of time throughout the general corpus of published smart contracts).

Integration and Third Party Code Risk

Third party integrations weigh a significant risk if untrusted parties are to be involved. While the general security stature of organisations mStable has integrated with (and resultantly, built protocol integrations for) is quite high, this report (and present security analysis) cannot say for certain these integrations will be without flaw. It is notable that all integrations have seen some form of security scrutiny (be it a bug bounty, security audit, or security focused testing via the development team). That said, the scope of this audit does not cover the security of these integrations beyond the protocol integrations themselves.

Notably, substantial testing exists for each integration and verification exists for each step of the integration process (primarily through usage of revert) to mitigate the bulk of these concerns.

Highly Privileged Governor Accounts

Much of the power of the smart contract is centralized to the governor, an address granted special privileges to make certain modifications to the smart contract operation. Understandably, this poses a fairly unique challenge of ensuring this wallet (regardless of how it is managed) and the associated keys are secured. This centralization of power should be made clear to the users, especially depending on the level of privilege the contract allows to the owner.

As the team notes, ineffective or malicious governance (as a result of these highly permissive accounts) can cause serious concern, including:

- Augmentation of core protocol functionality (namely **BasketManager**)
- Calling `**addBasset**` with some generic ERC20 token, setting the basket weight to 100%, then redeeming everything else in the basket
- Pausing the `**BasketManager**` before implementing a delayed module upgrade and performing the above attack

This noted, the team has included the delayed change of governance (allowing for cancellation) which does mitigate the overall impact of such privileges.

Variable Naming

Some of the variable naming could potentially be made more clear. For instance, **basketIsHealthy()** could potentially be renamed **basketIsFailed**, as this is the check that is directly performed (on variable **failed**).

Outdated NPM Module Usage

Throughout the project, NPM modules are utilized in order to import various functionality (notably, **OpenZeppelin** contracts). While this practice enables relatively minimal modifications to be made in order to invoke certain functions securely (such as with **SafeMath**), these libraries must be continuously updated in order to ensure they are used securely.

Virtually every non-blockchain application has these issues because most development teams do not focus on ensuring their components/libraries are up to date. In the case of blockchain codebases, however, knowing all outside components utilized is critical.

It is suggested the following steps are followed (as noted by the OWASP project):

1. Identify all components and the versions you are using, including all dependencies. (NPM package lock can help determine these).
2. Monitor the security of these components in public databases, project mailing lists, and security mailing lists, and keep them up to date.
3. Establish security policies governing component use, such as requiring certain software development practices, passing security tests, and acceptable licenses.
4. Where appropriate, consider adding security wrappers around components to disable unused functionality and/ or secure weak or vulnerable aspects of the component.

Specific Recommendations

Unique to the mStable Protocol

Deployment Cost Considerations

Multiple decisions are made throughout the application that increase the relative deployment cost while bolstering the security of the application. **ReentrancyGuard** is one such example, with the design specification specifically denoting that design decisions were made to maximize chance of refund which, over the lifetime of the contract, would ideally eclipse the deployment cost.

Code Duplication in Module.sol & InitializableModule.sol

Multiple modifiers are duplicated within the two primary Solidity files concerning module code, **Module.sol** and **InitializableModule.sol**. In particular, modifiers pertaining to role-based access control granting certain levels of access to the **manager**, **governor**, and **ProxyAdmin** all exist in duplicated code. While this is not an inherent security issue, this code duplication will increase deployment costs.

Time Passage does not Account for Leap Years and Seconds

Multiple variables are set relying upon the premise of time being roughly equivalent to one day, one week, and so on. However, because not every year equals 365 days and not even every day has 24 hours because of leap seconds, this one day/week/year period is inexact. Due to the fact that leap seconds cannot be predicted, an exact calendar library would require updating by an external oracle.

Note, the direct comparison of these variables within their respective functions poses additional concern, as discussed in “Usage of **block.timestamp**” above (namely, a proper comparison may not be set). It is worth noting that this has downstream implications on calculations utilising this passage of time (such as interest rates and APY calculations).

Excess Gas Consumption and Costly Loops in Nexus.sol

If the state variables **.balance** or **.length** are used several times, holding its value in a local variable is more gas efficient (as the variable does not need to be accessed every loop iteration).

Moreover, as Ethereum miners impose a limit on the total number of gas consumed in a block, if

array.length is large enough, the function will exceed the block gas limit, and transactions calling it will never be confirmed. As a result, if an external entity is to influence **array.length**, this could pose an issue (such as an individual adding too many Modules). Where possible, avoiding loops with a large number of iterations (or an unknown number of iterations) is advised.

Most notably, the various Module processing code within **Nexus.sol** falls victim to this attack pattern, although this attack would be incredibly cost prohibitive for the attacker (requiring the addition and subsequent approval of a vast number of modules).

Completion of TODO's & Incomplete Functionality

Throughout the project, there are multiple instances in which TODO is referenced. In each, establish whether or not the goal of the file has been established (e.g. in **contracts/upgradability/DelayedProxyAdmin.sol** it appears the contract is feature complete but the TODO exists to denote code that should be removed).

Adherence to Specification

The smart contracts generally adhere to the provided specification, with some small changes noted, particularly as a result of typographical errors in the code comments. These deviances have been addressed by the team.

Concerns regarding De-Pegging

The mStable team noted a unique concern regarding potential de-pegging of bAsset given potential price deviances. In both scenarios posed by the team, the existence of the Auto-Redistribution event should occur, which ideally will handle potential deviances.

However, we do suggest that further exploration be performed into deeper actions that may

be able to be taken by governance (especially given the nature of governor accounts in the first iteration of the protocol). For example, removal of offending assets from baskets (those which despite having the same general peg seem to vary wildly), the ability to freeze exchange of these assets and any assets tied to them (potentially through a global freeze function, but also simply a freeze on the basket itself).

While not inherently a technical control, a vetting process of which assets can be added on the platform would likely assuage most fears of potential depegging, as all relevant stablecoins are understandably designed to be “stable”, and frequent or recent instability within the stablecoins history could be indicative of potential problems to come.

Concerns regarding Inflation

The team denotes a particular concern regarding hyperinflation surrounding improper validation during the execution of the **checkBalance** function. In our testing, **checkBalance** performed as anticipated, and we did not encounter issues, even when presenting the function with improper data. This noted, we suggest research into external verification of the price of the **bAsset**, potentially through the use of a third-party verification service (assuaging potential fears related to overly permissive governor accounts).

Toolset Warnings

Unique to the mStable Protocol

Overview

In addition to our manual review, our process involves utilizing concolic analysis and dynamic testing in order to perform additional verification of the presence security vulnerabilities. An additional part of this review phase consists of reviewing any automated unit testing frameworks that exist.
The following sections detail warnings generated by the automated tools and confirmation of false positives where applicable, in addition to findings generated through manual inspection.

Test Coverage

The contract repository heavily benefits from substantial unit test coverage throughout. This testing provides a variety of unit tests which encompass the various operational stages of the contract. The mStable protocol (and its relevant components and their respective subcomponents) possesses numerous tests validating functionality and ensuring that certain behaviors (those relating to erroneous or overflow-prone input) do not see successful execution.

In particular, specific focus within the testing suite was placed upon validating that various actions (especially with respect to governance and basket management) cannot occur after a state change or as the result of bad input (such as an invalid address).

The mStable team constructed tests in both TypeScript and native Solidity, allowing for a fairly robust test-suite.

Static Analysis Coverage

The contract repository underwent heavy scrutiny with multiple static analysis agents, including:

- Securify
- MAIAN
- Mythril
- Oyente

- Slither

In each case, the team had mitigated relevant concerns raised by each of these tools. In particular, many tools pointed to potential areas of reentrancy, in which multiple state variables

are written following external calls. For each of these individual calls, Bramah confirmed the existence of a mitigating factor (namely, the usage of **ReentrancyGuard**). In areas in which **ReentrancyGuard** is not used, such as within **DelayedProxyAdmin**, specific efforts by the development team are made to avoid potential for reentrancy (seen within lines 96-97).

Directory Structure

At time of review, the directory structure of the mStable contract (**./contracts**) repository was as follows:

```
├── Migrations.sol
├── governance
│   ├── ClaimableGovernor.sol
│   ├── DelayedClaimableGovernor.sol
│   ├── Governable.sol
│   └── InitializableGovernableWhitelist.sol
├── interfaces
│   ├── IBasketManager.sol
│   ├── IMasset.sol
│   ├── INexus.sol
│   ├── IPlatformIntegration.sol
│   ├── ISavingsContract.sol
│   └── ISavingsManager.sol
├── masset
│   ├── BasketManager.sol
│   ├── Masset.sol
│   ├── MassetToken.sol
│   ├── forge-validator
│   │   ├── ForgeValidator.sol
│   │   └── IForgeValidator.sol
│   ├── mUSD.sol
│   ├── platform-integrations
│   │   ├── AaveIntegration.sol
│   │   ├── CompoundIntegration.sol
│   │   ├── IAave.sol
│   │   ├── ICompound.sol
│   │   └── InitializableAbstractIntegration.sol
```

```
│   │   └── shared
│   ├── MassetHelpers.sol
│   └── MassetStructs.sol
├── nexus
│   └── Nexus.sol
├── savings
│   ├── SavingsContract.sol
│   └── SavingsManager.sol
├── shared
│   ├── CommonHelpers.sol
│   ├── IBasicToken.sol
│   ├── InitializableModule.sol
│   ├── InitializableModuleKeys.sol
│   ├── InitializablePausableModule.sol
│   ├── InitializableReentrancyGuard.sol
│   ├── Module.sol
│   ├── ModuleKeys.sol
│   ├── PausableModule.sol
│   └── StableMath.sol
├── upgradability
│   └── DelayedProxyAdmin.sol
└── z_mocks
    ├── Integration.sol.park
    ├── governance
    │   └── MockGovernable.sol
    ├── masset
    │   ├── MockBasketManager.sol
    │   ├── MockMasset.sol
    │   └── platform-integrations
    │       ├── MockAave.sol
    │       ├── MockCToken.sol

    │       ├── MockCompoundIntegration.sol
```

```
│       └── MockUpgradedAaveIntegration.sol
├── nexus
│   └── MockNexus.sol
├── savings
│   └── MockSavingsManager.sol
├── shared
│   ├── MockCommonHelpers.sol
│   ├── MockERC20.sol
│   ├── MockERC20WithFee.sol
│   ├── MockInitializableModule.sol
│   ├── MockInitializablePausableModule.sol
│   ├── MockModule.sol
│   ├── MockPausableModule.sol
│   ├── MockProxy.sol
│   └── PublicStableMath.sol
└── upgradability
    └── MockImplementation.sol

18 directories, 58 files
```

Appendix

Mythril Detection Capabilities

Issue	Description	Mythril Detection Module(s)	References
Unprotected functions	Critical functions such as sends with non-zero value or suicide() calls are callable by anyone, or msg.sender is compared against an address in storage that can be written to. E.g. Parity wallet bugs.	Unchecked_suicide, Ether_send unchecked_retval	
Missing check on CALL return value		unchecked_retval	Handle errors in external calls
Re-entrancy	Contract state should never be relied on if untrusted contracts are called. State changes after external calls should be avoided.	external calls to untrusted contracts	Call external functions lastAvoid state changes after external calls
Multiple sends in a single transaction	External calls can fail accidentally or deliberately. Avoid combining multiple		Favor pull over push for external calls

	send() calls in a single transaction.		
External call to untrusted contract		external calls to untrusted contracts	
Delegatecall or callcode to untrusted contract		delegatecall_forward	
Integer overflow/underflow		integer	Validate arithmetic
Timestamp dependence		Dependence on predictable variables	Miner time manipulation
Payable transaction does not revert in case of failure			
Use of tx.origin		tx_origin	Solidity documentation, Avoid using tx.origin
Type confusion			
Predictable RNG		Dependence on predictable variables	
Transaction order dependence		Transaction order dependence	Front Running
Information exposure			
Complex fallback function (uses more	A too complex fallback function will		

than 2,300 gas)	cause send() and transfer() from other contracts to fail. To implement this we first need to fully implement gas simulation.		
Use require()instead of assert()	Use assert() only to check against states which should be completely unreachable.	Exceptions	Solidity docs
Use of depreciated functions	Use revert()instead of throw(), selfdestruct() instead of suicide(), keccak256() instead of sha3()		
Detect tautologies	Detect comparisons that always evaluate to 'true', see also #54		
Call depth attack	Deprecated		

Oyente Detection Capabilities

Issue	Description
Re-entrancy	Contract state should never be relied on if untrusted contracts are called. State changes

	after external calls should be avoided.
Timestamp Dependence	The timestamp of the block can be manipulated by the miner, and so should not be used for critical components of the contract. Block numbers and average block time can be used to estimate time, but this is not future proof as block times may change (such as the changes expected during Casper).
Assertion Failure	An assertion is a boolean expression at a specific point in a program which will be true unless there is a bug in the program. Assertion failures as such denote critical instances in which assumptions made by the developer no longer hold to be true.
Callstack Depth Attack	Deprecated
Transaction Order Dependence (TOD)	Since a transaction is in the mempool for a short while, one can know what actions will occur, before it is included in a block. This can be troublesome for things like decentralized markets, where a transaction to buy some tokens can be seen, and a market order implemented before the other transaction gets included.
Parity Multisig Bug 2	Unchecked kill/selfdestruct functions, such as those within the Parity Multisig Bug 2 can lead to destruction of the contract, sending funds to the given address provided.

Slither Detection Capabilities

Detector	What it detects	Impact	Confidence
name-reused	Contract's name reused	High	High
rtlo	Right-To-Left-Override control character is used	High	High
shadowing-state	State variables shadowing	High	High
suicidal	Functions allowing anyone to destruct the contract	High	High
uninitialized-state	Uninitialized state variables	High	High
uninitialized-storage	Uninitialized storage variables	High	High
arbitrary-send	Functions that send ether to arbitrary destinations	High	Medium
controlled-delegatecall	Controlled delegatecall destination	High	Medium
reentrancy-eth	Reentrancy vulnerabilities (theft of ethers)	High	Medium
erc20-interface	Incorrect ERC20 interfaces	Medium	High
erc721-interface	Incorrect ERC721 interfaces	Medium	High
incorrect-equality	Dangerous strict	Medium	High

	equalities		
locked-ether	Contracts that lock ether	Medium	High
shadowing-abstract	State variables shadowing from abstract contracts	Medium	High
tautology	Tautology or contradiction	Medium	High
boolean-cst	Misuse of Boolean constant	Medium	Medium
constant-function-asm	Constant functions using assembly code	Medium	Medium
constant-function-state	Constant functions changing the state	Medium	Medium
divide-before-multiply	Imprecise arithmetic operations order	Medium	Medium
reentrancy-no-eth	Reentrancy vulnerabilities (no theft of ethers)	Medium	Medium
tx-origin	Dangerous usage of tx.origin	Medium	Medium
unchecked-lowlevel	Unchecked low-level calls	Medium	Medium
unchecked-send	Unchecked send	Medium	Medium
uninitialized-local	Uninitialized local variables	Medium	Medium
unused-return	Unused return values	Medium	Medium
shadowing-builtin	Built-in symbol shadowing	Low	High
shadowing-local	Local variables shadowing	Low	High
void-cst	Constructor called not	Low	High

	implemented		
calls-loop	Multiple calls in a loop	Low	Medium
reentrancy-benign	Benign reentrancy vulnerabilities	Low	Medium
reentrancy-events	Reentrancy vulnerabilities leading to out-of-order Events	Low	Medium
timestamp	Dangerous usage of block.timestamp	Low	Medium
assembly	Assembly usage	Informational	High
boolean-equal	Comparison to boolean constant	Informational	High
deprecated-standards	Deprecated Solidity Standards	Informational	High
erc20-indexed	Un-indexed ERC20 event parameters	Informational	High
low-level-calls	Low level calls	Informational	High
naming-convention	Conformance to Solidity naming conventions	Informational	High
pragma	If different pragma directives are used	Informational	High
solc-version	Incorrect Solidity version	Informational	High
unused-state	Unused state variables	Informational	High
reentrancy-unlimited-gas	Reentrancy vulnerabilities through send and transfer	Informational	Medium
too-many-digits	Conformance to numeric notation best practices	Informational	Medium

constable-states	State variables that could be declared constant	Optimization	High
external-function	Public function that could be declared as external	Optimization	High