

Offchain Custom Fee Token

Security assessment by HashEye · prepared for Offchain Labs

HASHEYE AUDITED

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This report was produced under HashEye's layered review process – **automated detection**, **pattern correlation**, and **senior manual verification** – with every finding signed off by a human reviewer. Full findings detail and on-chain attestation are available on the report page at hasheye.io/audits/research-offchain-custom-fee-token-2023-09-01-1sajk9.

CustomFeeToken SecurityAssessment(SummaryReport) August1,2024 Preparedfor:
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hashey uses automated testing techniques to rapidly test the controls and security properties of software. These techniques augment our manual security review work, but each has its limitations: for example, a tool may not generate a random edge case that violates a property or may not fully complete its analysis during the allotted time. Their use is also limited by the time and resource constraints of a project. hashey 20ffchainLabsSecurityAssessment PUBLIC

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Project Summary Contact Information The following project manager was associated with this project:

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Thesignificanteventsandmilestonesoftheprojectarelistedbelow. DateEvent September25,2023Pre-
projectkickoffcall October2,2023Deliveryofreportdraft October2,2023Reportreadoutmeeting
August1,2024Deliveryofsummaryreport hashey 40ffchainLabsSecurityAssessment PUBLIC

ProjectTargets Theengagementinvolvedareviewandtestingofthetargetslistedbelow. nitro-contractsPR#19
Repositoryhttps://github.com/OffchainLabs/nitro-contracts/pull/19 Version PR#19(f23c15c...7dc1aa4)
TypeSolidity PlatformEVM token-bridge-contractsPR#33
Repositoryhttps://github.com/OffchainLabs/token-bridge-contracts/pull/33 Version
PR#33(8cb573a...6396a17) TypeSolidity PlatformEVM token-bridge-contractsPR#34
Repositoryhttps://github.com/OffchainLabs/token-bridge-contracts/pull/34 Version
PR#34(32d00e7...9503d3c) TypeSolidity PlatformEVM hashey 50ffchainLabsSecurityAssessment PUBLIC

ExecutiveSummary EngagementOverview

OffchainLabsengagedhasheyetoreviewthesecurityoftheCustomFeeToken implementedinthePRsdetailedintheProjectTargetssection.Thesechangesallownew rollupstobedeployedusingaspecificERC20implementationthatwillbeusedtopay transactionfees. AteamofthreeconsultantsconductedthereviewfromSeptember21,2023toSeptember 29,2023,foratotalofthreeengineer-weeksofeffort.Withfullaccesstosourcecodeand documentation,weperformedamanualreviewofthecodebase. ObservationsandImpact OffchainLabsaddedafeaturetoallowrollupownerstoselectaspecificERC20tokenon theparentchainthatwillbeusedtopayforthetransactionfees,completelyreplacingthe useofETHinthechildchain.Thisnewfeaturerequireschangesinthetokenbridgeand Arb0S,includingnewcodetocorrectlydeploythetokenbridgeinthechain. WefocusedonthechangesineachPR,butwehavenotperformedafullreviewofthe repositoriesinvolved.Wealsoworkedundertheassumptionthatrollupownerswill carefullyreviewtheavailabledocumentationbeforedeployment,inordertoavoidknown issueswithcertainsofttokens(e.g.,rebasingtokens). Thisreviewuncoveredtwohigh- severityissuesrelatedtotheassumptionsabouthow ERC20shouldbehave(TOB-ARB-CFT- 001)andhowfundscanflowintothetokenbridge contracts(TOB-ARB-CFT-002). Recommendations WerecommendthatOffchainLabsfixthereportedissuesandensurethatthetokenbridge documentationisuptodatebeforedeploymenttoensurethatrollupownersusesuitable ERC20asfeetokens. hashey 60ffchainLabsSecurityAssessment PUBLIC

SummaryofFindings Thetablebelowsummarizesthefindingsofthereview,includingtypeandseveritydetails. IDTitleTypeSeverity 1DoubleentrypointorDeFiintegratedERC20 tokensshouldnotbeused AccessControlsHigh 2TokenbridgewillreceiveandlocketherUndefined Behavior High 3Cross-chainmessageout-of-orderexecution couldaffectcorrecttokenbridgedeployment Undefined Behavior Medium hashey 70ffchainLabsSecurityAssessment PUBLIC

DetailedFindings 1.DoubleentrypointorDeFiintegratedERC20tokensshouldnotbeused Severity:HighDifficulty:High Type:AccessControlsFindingID:TOB-ARB-CFT-001 Target: src/bridge/ERC20Bridge.sol Description

TheuseofERC20tokenswithtwoormoreentrypointscanallowanattackerdrainthe bridge. TheuseofERC20tokensforpayingfeesintherollup/bridgerequiresanumberofchecks andrestrictionstoavoidlossoffunds.Oneofthesechecksisisimplementedinthebridge whenawithdrawisexecuted: function_executeLowLevelCall(addresssto, uint256value, bytesmemorydata)internaloverride(returns(boolsuccess,bytesmemoryreturnData){

```
//wedon'tallowoutgoingcallstonativenativecontractbecauseitcould
//resultinlossofnativenativetokenswhichareescrowedbyERC20Bridge if(to==nativeToken){
  gvladikamarkedthisconversationasresolved. revertCallTargetNotAllowed(nativeToken); }
//firstreleasenativenative IERC20(nativeToken).safeTransfer(to,value); success=true; ...
```

Figure1.1:Headerofthe_executeLowLevelCall functionin src/bridge/ERC20Bridge.sol Usersarenotallowedtodirectlycallthenativenativeaddress;otherwise,theycould transferfundsout.However,thischeckwillnotbesufficientifthetokenhasmorethanone entrypoint(e.g.,whentwodifferentaddressescanbeusedtoexecuteERC20operations, suchastransfer). hashey 80ffchainLabsSecurityAssessment PUBLIC

AnotherproblematictypeofERC20istightlyintegratedinDeFiapplications.Forinstance, theLUSDERC20tokencontainsthefollowingfunction:

```
functionburn(address_account,uint256_amount)externaloverride{ _requireCallerIsB0orTroveMorSP();
_burn(_account,_amount); }
```

Figure1.2:BurnfunctionfromtheLUSDtoken Thistokencanbemintedorburnedthroughamanagercontract(whichisdifferentfrom thetokencontractitself),therebybypassingtheabovecheck.Inparticular,thisDeFiallows LUSDtokenownerstoopen,close,orrepayvaults,soallofthebridgeERC20LUSDcould beasilymanipulatedusingthelow-levelcallbackwithoutrequiringallowancetobeset up. ExploitScenario Ausercreatesarollupthatusesadoubleentrypointtokensforfees,allowinganyuserto drainthebridgecontract.

Recommendations Shortterm, clearly document this limitation to make sure of this potential security issue. Longterm, review the assumptions required by ERC20 tokens in order to be integrated in each component. References

- Medium-severity bug in Balancer Labs hasheye 90ffchainLabsSecurityAssessment PUBLIC

2. Tokenbridge will receive and lock ether Severity: High Difficulty: Medium
Type: Undefined Behavior Finding ID: TOB-ARB-CFT-002 Target:
tokenbridge/ethereum/gateway/L10rbitERC20Gateway.sol Description
The token bridge's entry point for deposits can receive ether, but the token bridge cannot retrieve it in any way. Users deposit ERC20 tokens using the `outboundTransfer*` functions from the token bridge. An example is shown below: `function outboundTransferCustomRefund(address _l1Token, address _refundTo, address _to, uint256 _amount, uint256 _maxGas, uint256 _gasPriceBid, bytes _callData) public payable override returns (bytes memory) { ...` Figure 1.2: Header of the `outboundTransferCustomRefund` function in `src/tokenbridge/ethereum/gateway/L10rbitERC20Gateway.sol`
This function will trigger the creation of a retryable ticket, so it needs funds to pay fees and gas. These fees can be paid using ether or some specific ERC20, but in different token bridge deployments that share the same interface. In the latter case, the entry function should not receive ether even though it is payable. Exploit Scenario
A user accidentally provides ether to a token bridge associated with a rollup that uses a custom ERC20 token fee. The ether will be locked in the token bridge. Recommendations
Shortterm, add a condition that checks the value provided into the `outboundTransfer` function, and have the function revert if the value is positive.
Longterm, review how funds flow from the user to/from different components, and ensure that there are no situations where tokens can be trapped. hasheye 100ffchainLabsSecurityAssessment PUBLIC

3. Cross-chain message out-of-order execution could affect correct token bridge deployment Severity: Medium Difficulty: High Type: Undefined Behavior Finding ID: TOB-ARB-CFT-002 Target:
tokenbridge/ethereum/L1AtomicTokenBridgeCreator.sol Description Out-of-order execution of outbox transactions on L1 and retryable tickets on L2 can lead to unexpected results when a token bridge is created. This issue relies on the specific ordering of retryable tickets. The token bridge creation requires a retryable ticket to be submitted and executed in a certain order: `/** @notice Deploy and initialize token bridge, both L1 and L2 sides, as part of a single TX. * @dev This is a single entry point of L1 token bridge creator. Function deploys L1 side of token bridge and then uses * 2 retryable tickets to deploy L2 side. 1st retryable deploys L2 factory. And then 'retryable sender' contract * is called to issue 2nd retryable which deploys and initializes the rest of the contracts. L2 chain is determined * by 'inbox' parameter. * * Token bridge can be deployed only once for certain inbox. Any further calls to 'createTokenBridge' will revert * because L1 salts are already used at that point and L1 contracts are already deployed at canonical addresses * for that inbox. */ function createTokenBridge(address _inbox, address _rollupOwner, uint256 _maxGasForContracts, uint256 _gasPriceBid) external payable { ...` Figure 3.1: Header of the `createTokenBridge` function in `L1AtomicTokenBridgeCreator.sol` hasheye 110ffchainLabsSecurityAssessment PUBLIC

However, a malicious user can leverage the out-of-order execution of retryable tickets to break the assumptions of the token bridge creator and produce a failed deployment. Exploit Scenario
Alice starts the deployment of a canonical token bridge for a new rollup. Even though this deployment and spamming the rollup bridge with transactions to increase the L2 gas cost, and the tickets are not auto-redeemed. Later, Eve can trigger the tickets out of order to produce a broken deployment. Alice will not be able to re-deploy, and no canonical deployment of the token bridge can be used. Recommendations Shortterm, consider migrating part of the deployment steps to L2 and require a single retryable ticket to be executed. Longterm, review all possible ways in which the out-of-order execution of retryable tickets may affect each component and document. hasheye 120ffchainLabsSecurityAssessment PUBLIC

A. Vulnerability Categories

The following table describes the vulnerability categories, severity levels, and difficulty levels used in this document.

Vulnerability Category	Description
Access Controls	Insufficient authorization or assessment of rights
Auditing and Logging	Insufficient auditing of actions or logging of problems
Authentication	Improper identification of users
Configuration	Misconfigured servers, devices, or software components
Cryptography	Breach of system confidentiality or integrity
Data Exposure	Exposure of sensitive information
Data Validation	Improper reliance on the structure or values of data
Denial of Service	As a system failure with an availability impact
Error Reporting	Insecure or insufficient reporting of error conditions
Patching	Use of an outdated software package or library
Session Management	Improper identification of authenticated users
Testing	Insufficient test methodology or test coverage
Timing	Race conditions or other order-of-

operationsflaws UndefinedBehaviorUndefinedbehaviortriggeredwithinthelibrary hashey
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SeverityLevels SeverityDescription

InformationalTheissuedoesnotposean immediateriskbutisrelevanttosecuritybest practices.

UndeterminedTheextentoftheriskwasnotdeterminedduringthisengagement.

LowTheriskissmallorisnotonetheclienthasindicatedisimportant.

MediumUserinformationisatrisk;exploitationcouldposereputational,legal,or moderatefinancialrisks.

HighTheflawcouldaffectnumeroususersandhaveseriousreputational,legal, orfinancialimplications.

DifficultyLevels DifficultyDescription

UndeterminedThedifficultyofexploitationwasnotdeterminedduringthisengagement.

LowTheflawiswellknown;publictoolsforitsexploitationexistorcanbe scripted.

MediumAnattackermustwriteanexploitorwillneedin-depthknowledgeofthe system.

HighAnattackermusthaveprivilegedaccesstothesystem,mayneedtoknow

complexttechnicaldetails,ormustdiscoverotherweaknessestoexploitthis issue. hashey

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B.DevelopmentPractices Inthissection,weprovidebestpracticesregardingcodecomplexitymanagement. •

Whendesigningsmartcontractswiththepurposeofreuse,trytominimize

inheritancewheneverpossible,asitoftencanleadtothecreationofmultiplelevels

ofindirectionandmaketheexecutionflowveryhardtofollow.Whilesomeamount

ofinheritanceisexpected,itcaneasilybeabused.

Anexampleofacomplexinheritancestructurecanbeseenwhentracingthe

internalfunctioncallswhencreatingdepositsto L10rbitERC20Gateway : •

L1GatewayRouter.outboundTransferCustomRefund • super(L1ERC20Gateway).outboundTransferCustomRefund •

super(L1ArbitrumGateway).outboundTransferCustomRefund • L1ArbitrumGateway._parseUserEncodedData

(overloadedin L10rbitERC20Gateway) • L1ArbitrumGateway.calculateL2TokenAddress (overloadedin

L1ERC20Gateway) • L1ArbitrumGateway.getOutboundCallldata (overloadedin L1ERC20Gateway) •

L1ArbitrumGateway._initiateDeposit (overloadedin L10rbitERC20Gateway) •

L1ArbitrumMessenger.sendTxToL2CustomRefund • L1ArbitrumMessenger._createRetryable (overloadedin

L10rbitERC20Gateway) AsshowninfigureB.1,thecallsjumpbackandforthbetweenfourcontractsusing the

super keywordandfunctionoverloading.Abstractionisusefulforseparating

concernsandreducingcodeduplication;however,itshouldnotbeoverused.Too

muchabstractioncanmakefollowingexecutiontracesdifficultandintroduce significantmentaloverhead.

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FigureB.1:ArbitrumGateway'scomplexinheritancestructure hashey 160ffchainLabsSecurityAssessment

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• Whenoverloadingfunctions,aimtoplaceoptionalparametersattheendifpossible.

Thismakesitclearerwhatparametersareoptionalandreducescognitiveby

notshiftingpositionsofotherparameterstoomuch. //.. functionregisterTokenToL2(address_l2Address,

uint256_maxGas, uint256_gasPriceBid, uint256_maxSubmissionCost, uint256_feeAmount

)externalreturns(uint256){ return registerTokenToL2(_l2Address, _maxGas, _gasPriceBid,

_maxSubmissionCost, msg.sender, _feeAmount); } //.. functionregisterTokenToL2(address_l2Address,

uint256_maxGas, uint256_gasPriceBid, uint256_maxSubmissionCost, address_creditBackAddress,

uint256_feeAmount)publicreturns(uint256){ return _registerTokenToL2(_l2Address, _maxGas,

_gasPriceBid, _maxSubmissionCost, _creditBackAddress, _feeAmount); } FigureB.2:Overloading

registerTokenToL2 in L10rbitCustomGateway • Aimtokeepthesameorderwhenpassingonfunctionparameters.

functioncreateOutboundTxCustomRefund(address_refundTo, address_from, uint256,/*_tokenAmount*/

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uint256_maxGas, uint256_gasPriceBid, uint256_maxSubmissionCost, bytesmemory_outboundCallldata

)internalvirtualreturns(uint256){ //WemakethisfunctionvirtualsinceoutboundTransferlogicisthesamefor

manygateways //butsometimes(ieweth)youconstructtheoutgoingmessagedifferently.

//msg.valueissent,but0issettothel2callvalue //theethsentisusedtopayforthetx'sgas return

sendTxToL2CustomRefund(inbox, counterpartGateway, _refundTo, _from,

msg.value, //weforwardthel1callvaluetotheinbox 0, //l2callvalue0bydefault L2GasParams({

_maxSubmissionCost:_maxSubmissionCost, _maxGas:_maxGas, _gasPriceBid:_gasPriceBid }),

_outboundCallldata); } FigureB.3: L2GasParams arenotinorderwithfunctionparameters.(

L1ArbitrumGateway) • Aimtobeconsistentwithfunctionvariablenameswhenpossible,ordeclare

temporaryvariablesandaddcommentsexplainingvariablenameswitching. function_initiateDeposit(

address_refundTo, address_from, uint256, // _amount, thisinfoisalreadycontainedin_data uint256_maxGas,

uint256_gasPriceBid, uint256_maxSubmissionCost, uint256tokenTotalFeeAmount, bytesmemory_data

)internaloverridereturns(uint256){ return sendTxToL2CustomRefund(inbox, counterpartGateway,

_refundTo, _from, tokenTotalFeeAmount, 0, L2GasParams({ hashey 180ffchainLabsSecurityAssessment

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```

_maxSubmissionCost._maxSubmissionCost, _maxGas:_maxGas, _gasPriceBid:_gasPriceBid }, _data ); }
FigureB.4: tokenTotalFeeAmount ismappedto _l1CallValue .( L10rbitERC20Gateway )
functionsendTxToL2CustomRefund( address_inbox, address_to, address_refundTo, address_user,
uint256_l1CallValue, uint256_l2CallValue, L2GasParamsmemory_l2GasParams, bytesmemory_data
)internalreturns(uint256){ //... } FigureB.5: tokenTotalFeeAmount ismappedto _l1CallValue .(
L1ArbitrumMessenger ) • Usenamedparametersortemporarilydeclarenamedvariableswhenpassingin
unnamedconstantsasfunctionparameters. function_initiateDeposit( address_refundTo, address_from,
uint256,//_amount,thisinfoisalreadycontainedin_data uint256_maxGas, uint256_gasPriceBid,
uint256_maxSubmissionCost, uint256tokenTotalFeeAmount, bytesmemory_data
)internaloverridereturns(uint256){ return sendTxToL2CustomRefund( inbox, counterpartGateway,
_refundTo, _from, tokenTotalFeeAmount, 0, L2GasParams({ _maxSubmissionCost:_maxSubmissionCost,
_maxGas:_maxGas, _gasPriceBid:_gasPriceBid }), hasheyeye 190ffchainLabsSecurityAssessment PUBLIC
_data ); } FigureB.6: tokenTotalFeeAmount ismappedto _l1CallValue .( L10rbitERC20Gateway )
function_initiateDeposit( address_refundTo, address_from,
uint256,//_amount,thisinfoisalreadycontainedin_data uint256_maxGas, uint256_gasPriceBid,
uint256_maxSubmissionCost, uint256tokenTotalFeeAmount, bytesmemory_data
)internaloverridereturns(uint256){ //The`_l2CallValue`issetto`0`whenbridgingERC20tokens.
uint256_l2CallValue=0; return sendTxToL2CustomRefund( inbox, counterpartGateway, _refundTo, _from,
tokenTotalFeeAmount, _l2CallValue, L2GasParams({ _maxSubmissionCost:_maxSubmissionCost,
_maxGas:_maxGas, _gasPriceBid:_gasPriceBid }), _data ); } FigureB.7: tokenTotalFeeAmount ismappedto
_l1CallValue .( L10rbitERC20Gateway ) •
Beconsistentwithafunctionnamingconventionofprependinganunderscore“_”
forinternalfunctions.Thiscanhelpdetectwhichfunctionsareimportantforaccess controlchecks.
functioninboundEscrowTransfer( address_l1Token, address_dest, uint256_amount )internalvirtual{
//thismethodisvirtualsincendifferentsubclassescanhandleescrow differently
IERC20(_l1Token).safeTransfer(_dest,_amount); } hasheyeye 200ffchainLabsSecurityAssessment PUBLIC
/** *@devOnlyexcessgasisrefundedtothe_refundToaccount,l2callvalueis alwaysreturnedtothe_toaccount
*/ functioncreateOutboundTxCustomRefund( address_refundTo, address_from, uint256,/*_tokenAmount*/
uint256_maxGas, uint256_gasPriceBid, uint256_maxSubmissionCost, bytesmemory_outboundCalldata
)internalvirtualreturns(uint256){ FigureB.8: inboundEscrowTransfer and createOutboundTxCustomRefund
donotfollow theconventionseenforinternalfunctions.( L1ArbitrumGateway ) hasheyeye
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```