USDT Audit Report

Version 1.0.0

Serial No. 2021101100012011

Presented by Fairyproof

October 11, 2021

FAIRYPROOF

01. Introduction

This document includes the results of the audit performed by the Fairyproof team on the Tether USD Token.

Audit Start Time:

October 11, 2021

Audit End Time:

October 11, 2021

Token's Name:

Tether USD

Token's Symbol:

USDT

Token's Precisions:

6

Token's Ethereum Address:

0xdAC17F958D2ee523a2206206994597C13D831ec7

Audited Source File's Address:

https://etherscan.io/address/0xdAC17F958D2ee523a2206206994597C13D831ec7

The goal of this audit is to review Tether USD's token issurance function, study potential security vulnerabilities, its general design and architecture, and uncover bugs that could compromise the software in production.

We make observations on specific areas of the code that present concrete problems, as well as general observations that traverse the entire codebase horizontally, which could improve its quality as a whole.

This audit only applies to the specified code, software or any materials supplied by the Tether team for specified versions. Whenever the code, software, materials, settings, enviroment etc is changed, the comments of this audit will no longer apply.

— Disclaimer

Note that as of the date of publishing, the contents of this report reflect the current understanding of known security patterns and state of the art regarding system security. You agree that your access and/or use, including but not limited to any associated services, products, protocols, platforms, content, and materials, will be at your sole risk.

The review does not extend to the compiler layer, or any other areas beyond the programming language, or other programming aspects that could present security risks. If the audited source files are smart contract files, risks or issues introduced by using data feeds from offchain sources are not extended by this review either.

Given the size of the project, the findings detailed here are not to be considered exhaustive, and further testing and audit is recommended after the issues covered are fixed.

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— Methodology

The above files' code was studied in detail in order to acquire a clear impression of how the its specifications were implemented. The codebase was then subject to deep analysis and scrutiny, resulting in a series of observations. The problems and their potential solutions are discussed in this document and, whenever possible, we identify common sources for such problems and comment on them as well.

The Fairyproof auditing process follows a routine series of steps:

1. Code review that includes the following
   i. Review of the specifications, sources, and instructions provided to Fairyproof to make sure we understand the size, scope, and functionality of the project's source code.
   ii. Manual review of code, which is the process of reading source code line-by-line in an attempt to identify potential vulnerabilities.
   iii. Comparison to specification, which is the process of checking whether the code does what the specifications, sources, and instructions provided to Fairyproof describe.
2. Testing and automated analysis that includes the following:
   i. Test coverage analysis, which is the process of determining whether the test cases are actually covering the code and how much code is exercised when we run the test cases.
   ii. Symbolic execution, which is analyzing a program to determine what inputs cause each part of a program to execute.

3. Best practices review, which is a review of the source code to improve maintainability, security, and control based on the established industry and academic practices, recommendations, and research.

— Structure of the document

This report contains a list of issues and comments on all the above source files. Each issue is assigned a severity level based on the potential impact of the issue and recommendations to fix it, if applicable. For ease of navigation, an index by topic and another by severity are both provided at the beginning of the report.

— Documentation

For this audit, we used the following source of truth about how the token issurance should work:

https://tether.to/

This was considered the specification.

— Comments from Auditor

No vulnerabilities with critical, high, medium or low-severity were found in the above source code.

Additional notice: 0.

02. About Fairyproof

Fairyproof is a leading technology firm in the blockchain industry, providing consulting and security audits for organizations. Fairyproof has developed industry security standards for designing and deploying blockchain applications.

03. Major functions of audited code

The audited code implements a token issurance function. Here are the details:

Name: Tether USD

Symbol: USDT

Precisions: 6

Max Supply: No upper limit

Flexible Token Supply: the token supply can be increased

Transaction Fee: up to 0.2% or 50 USDT. It is 0 for now.

Other functions:

- A blacklist: blacklisted addresses cannot transfer tokens
- Pausing transactions: transfer of USDT can be paused
- Contract upgradable

04. Admin rights

The Admin's access control has been transferred to `MultiSigWallet` whose address is `0xC6CDE7C39eB2f0F0095F41570af89eFC2C1Ea828` (Ethereum).

The Admin has the following access rights:

- Editing blacklist: the Admin can add/remove addresses to/from the blacklist and burn the USDT tokens held by the blacklisted addresses
- Pausing/Resuming transactions
- Upgrading contracts: for more details please refer to `deprecate`
- Increasing token supply
- Burning USDTs held by the Admin itself
- Setting core parameters such as transaction fees etc

05. Key points in audit

During the audit we reviewed possible vulnerabilities in token issurance.

- Integer Overflow/Underflow

We checked all the code sections, which had arithmetic operations and might introduce integer overflow or underflow if no safe libraries were used. All of them used safe libraries.

We didn't find issues or risks in these functions or areas at the time of writing.

- Access Control

We checked each of the functions that could modify a state, especially those functions that could only be accessed by "owner".

We didn't find issues or risks in these functions or areas at the time of writing.

- Admin Rights

We checked whether or not the Admin had potentially risky rights and whether or not the potentially risky rights had been transferred to multi-sig wallets.

We didn't find issues or risks in these functions or areas at the time of writing.

- State Update

We checked some key state variables which should only be set at initialization.

We didn't find issues or risks in these functions or areas at the time of writing.

06. Coverage of issues

The issues that the Fairyproof team covered when conducting the audit include but are not limited to the following ones:

- Re-entrancy Attack
- DDos Attack
- Integer Overflow
- Function Visibility
- Logic Vulnerability
- Uninitialized Storage Pointer
- Arithmetic Precision

- Tx.origin
- Shadow Variable
- Design Vulnerability
- Token Issurance
- Asset Security
- Access Control

07. Severity level reference

Every issue in this report was assigned a severity level from the following:

Critical severity issues need to be fixed as soon as possible.

High severity issues will probably bring problems and should be fixed.

Medium severity issues could potentially bring problems and should eventually be fixed.

Low severity issues are minor details and warnings that can remain unfixed but would be better fixed at some point in the future.

08. List of issues by severity

A. Critical

- N/A

B. High

- N/A

C. Medium

- N/A

D. Low

- N/A

09. List of issues by source file

- N/A

10. Issue descriptions

- N/A

11. Recommendations to enhance the overall security

We list some recommendations in this section. They are not mandatory but will enhance the overall security of the system if they are adopted.

- Consider Doing Contract Audits Prior to Contract Upgrade

- Consider Using A Safe Library to Transfer and Approve

The `transfer`, `transferFrom` and `approve` functions don't return bool values. Therefore when each of them is called its caller needs to handle its final state, otherwise the transaction may fail. Consider using safe functions in the `TransferHelper` library as follows:

```
// helper methods for interacting with ERC20 tokens and sending ETH that do not
consistently return true/false
library TransferHelper {
    function safeApprove(address token, address to, uint value) internal {
        // bytes4(keccak256(bytes('approve(address,uint256)')));
        (bool success, bytes memory data) =
token.call(abi.encodeWithSelector(0x095ea7b3, to, value));
        require(success && (data.length == 0 || abi.decode(data, (bool))),
'TransferHelper: APPROVE_FAILED');
    }

    function safeTransfer(address token, address to, uint value) internal {
        // bytes4(keccak256(bytes('transfer(address,uint256)')));
        (bool success, bytes memory data) =
token.call(abi.encodeWithSelector(0xa9059cbb, to, value));
        require(success && (data.length == 0 || abi.decode(data, (bool))),
'TransferHelper: TRANSFER_FAILED');
    }

    function safeTransferFrom(address token, address from, address to, uint value)
internal {
        // bytes4(keccak256(bytes('transferFrom(address,address,uint256)')));
        (bool success, bytes memory data) =
token.call(abi.encodeWithSelector(0x23b872dd, from, to, value));
        require(success && (data.length == 0 || abi.decode(data, (bool))),
'TransferHelper: TRANSFER_FROM_FAILED');
    }
}
```