



SMART CONTRACT AUDIT REPORT

for

FDUSD Token

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1 | Introduction

Given the opportunity to review the design document and related source code of the `FDUSD` 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 FDUSD

`FDUSD` is a stablecoin pegged 1:1 with the U.S. dollar, issued by First Digital Labs (a Hong Kong-based financial technology company). It is designed to offer stability in the volatile cryptocurrency market, making transactions more efficient by being backed by reserves of cash or cash equivalents. `FDUSD` is used for global payments, decentralized finance, and is listed on major exchanges like Binance. This audit covers the token contract and examines its compatibility of the `ERC20` specification as well as other known `ERC20` pitfalls and vulnerabilities. The basic information of the audited `FDUSD` token is as follows:

Table 1.1: Basic Information Of FDUSD Token

Item	Description
Name	<code>FDUSD</code>
Website	https://firstdigitallabs.com/
Type	<code>ERC20</code> Token Contract
Platform	<code>Solidity</code>
Audit Method	Whitebox
Audit Completion Date	December 9, 2025

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/pull/4> (fb30be0)

And here is the commit ID after all fixes for the issues found in the audit have been checked in.

- <https://github.com/FD-121/fd-stablecoin/pull/4> (da45535, 2fe46d9)

1.2 About PeckShield

PeckShield Inc. [6] 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 [5]:

- 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.

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 1.2: Vulnerability Severity Classification

		Impact		
		Critical	High	Medium
		High	Medium	Low
		Medium	Low	Low
		High	Medium	Low
		Likelihood		

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.

Table 1.3: The Full List of Check Items

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

2 | Findings

2.1 Summary

Here is a summary of our findings after analyzing the FDUSD 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.

Severity	# of Findings
Critical	0
High	0
Medium	1
Low	0
Informational	1
Total	2

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 and 1 informational recommendation.

Table 2.1: Key FDUSD Token Audit Findings

ID	Severity	Title	Category	Status
PVE-001	Informational	Revisited Storage Layout in Stable-coinV2	Coding Practices	Resolved
PVE-001	Medium	Trust Issue Of Admin Keys	Security Features	Mitigated

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 3.1: Basic [View-only](#) Functions Defined in The ERC20 Specification

Item	Description	Status
name()	Is declared as a public view function	✓
	Returns a string, for example “Tether USD”	✓
symbol()	Is declared as a public view function	✓
	Returns the symbol by which the token contract should be known, for example “USDT”. It is usually 3 or 4 characters in length	✓
decimals()	Is declared as a public view function	✓
	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	✓
totalSupply()	Is declared as a public view function	✓
	Returns the number of total supplied tokens, including the total minted tokens (minus the total burned tokens) ever since the deployment	✓
balanceOf()	Is declared as a public view function	✓
	Anyone can query any address' balance, as all data on the blockchain is public	✓
allowance()	Is declared as a public view function	✓
	Returns the amount which the spender is still allowed to withdraw from the owner	✓

Our analysis shows that there is no ERC20 inconsistency or incompatibility issue found in the

Table 3.2: Key State-Changing Functions Defined in The ERC20 Specification

Item	Description	Status
transfer()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token transfer status	✓
	Reverts if the caller does not have enough tokens to spend	✓
	Allows zero amount transfers	✓
	Emits Transfer() event when tokens are transferred successfully (include 0 amount transfers)	✓
	Reverts while transferring to zero address	✓
transferFrom()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token transfer status	✓
	Reverts if the spender does not have enough token allowances to spend	✓
	Updates the spender's token allowances when tokens are transferred successfully	✓
	Reverts if the from address does not have enough tokens to spend	✓
	Allows zero amount transfers	✓
	Emits Transfer() event when tokens are transferred successfully (include 0 amount transfers)	✓
	Reverts while transferring from zero address	✓
	Reverts while transferring to zero address	✓
approve()	Is declared as a public function	✓
	Returns a boolean value which accurately reflects the token approval status	✓
	Emits Approval() event when tokens are approved successfully	✓
	Reverts while approving to zero address	✓
Transfer() event	Is emitted when tokens are transferred, including zero value transfers	✓
	Is emitted with the from address set to <i>address</i> (0x0) when new tokens are generated	✓
Approval() event	Is emitted on any successful call to approve()	✓

audited FDUSD Token. 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

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

4 | Detailed Results

4.1 Revisited Storage Layout in StablecoinV2

- ID: PVE-001
- Severity: Informational
- Likelihood: N/A
- Impact: N/A
- Target: StablecoinV2
- Category: Coding Practices [4]
- CWE subcategory: CWE-1126 [1]

Description

The new FDUSD token contract is upgradeable with freeze and gas-less transaction capability. While examining its storage layout, we notice the token contracts follows the best practice of reserving extra slots for future upgrades. However, the reserved space size can be revisited for the intended alignment of having 50 slots for each contract.

```

11 contract StablecoinV2 is Stablecoin {
12
13     using ECDSAUpgradeable for bytes32;
14     using AddressUpgradeable for address;
15
16     // State variable for tracking used authorization nonces
17     // This uses bytes32 nonces to allow for flexible nonce strategies
18     mapping(address => mapping(bytes32 => bool)) private _authorizationStates;
19
20     bool public eip7598EnableFlag;
21
22     ...
23
24     /**
25      * @dev Gap for future upgrades
26      * Total storage slots: 50 - 1 (mapping) = 49
27      */
28     uint256[49] private __gap;
29 }
```

Listing 4.1: The Storage States in StablecoinV2

To elaborate, we show above current storage states of `StablecoinV2`. With that, we can map the respective storage layout, i.e., `_authorizationStates` (1 slot) and `eip7598EnableFlag` (1 slot), hence $50 - 2 = 48$ slots for the `__gap` field (not current 49 slots at line 60).

Recommendation Revisit the above `__gap` field so that the states of `StablecoinV2` occupy 50 slots.

Status This issue has been fixed in the following commits: `da45535` and `464bd7b`.

4.2 Trust Issue Of Admin Keys

- ID: PVE-002
- Severity: Medium
- Likelihood: Low
- Impact: High
- Target: Stablecoin, StablecoinV2
- Category: Security Features [3]
- CWE subcategory: CWE-287 [2]

Description

In the audited 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. 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.

```

55     function enableEIP7598() external onlyOwner {
56         emit EIP7598Enabled();
57         eip7598EnableFlag = true;
58     }
59
60     /**
61     * @dev disable eip7598 support
62     * Can only be called by the owner.
63     */
64     function disableEIP7598() external onlyOwner {
65         emit EIP7598Disabled();
66         eip7598EnableFlag = false;
67     }
68
69     /**
70     * @dev See {ERC20-_mint}.
71     * @param to Mint to address
72     * @param amount Mint amount
73     * @return True if successful
74     * Can only be called by the current owner.
75     */

```

```

76     function mint(address to, uint256 amount) external onlyOwner notFrozen(to) returns (
77         bool) {
78         _mint(to, amount);
79         emit Mint(_msgSender(), to, amount);
80         return true;
81     }

```

Listing 4.2: Example Privileged Functions in `StablecoinV2`

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.

In the meantime, we notice the current token contract is deployed as a proxy, which means it can be upgraded with a completely different tokenomics if it is upgraded to a different implementation. Therefore, this trust issue is also applicable to the trust of the associated proxy admin.

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 FDUSD 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

- [1] MITRE. CWE-1126: Declaration of Variable with Unnecessarily Wide Scope. <https://cwe.mitre.org/data/definitions/1126.html>.
- [2] MITRE. CWE-287: Improper Authentication. <https://cwe.mitre.org/data/definitions/287.html>.
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- [5] OWASP. Risk Rating Methodology. https://www.owasp.org/index.php/OWASP_Risk_Rating_Methodology.
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