Hi everyone,

Some time ago, we've all seen a series of stablecoin depegging fiascoes, most notably the UST one.

As a matter of fact I had some personal funds in[curve.fi](curve.fi) UST pool so I was observing very closely as the events unfold.

My main thought was, that once depegging begun it was enforced by a positive feedback loop, where liquidity providers were closing their positions with the loss out of the fear of suffering an even greater loss if they waited for the peg to be restored. In some sense, I think the mechanism is somewhat similar to a bank run scenario, when even a rumor of a bank going under may actually cause it to go under as a result of sudden spike of withdrawal requests.

Standard, old-school finance had few hundred years to come up with the rules to minimize risks for investors. I think Defi community has a lot to catch up on. I was wondering if maybe this forum is a right place to have a discussion and maybe try to come up with some common set of rules, that would offer better investor protection without the need of calling to life an organization like SEC.

1. To prevent a bank run/everyone trying to withdraw at the same time, the pool should detect depegging event and halt trading that could push the price below the predefined price point. For example, if price of an asset that ought to be 1:1 falls down to 0.95, all LPs are offered a possibility to withdraw. However, they can only withdraw in proportions that the pool is currently at, so if the pool is at say 45/55 ratio, this is the ratio all LPs will receive.

2. Only trades in one direction would be blocked though, the move towards stabilizing the pool should not be discouraged.

This way, in UST scenario all LPs would suffer 55% loss, whilst in normal scenario if someone exited early enough, only lost 5% but investors who lagged behind lost up to 95% of their stake.

I think just this modification would at least remove the time-factor from reasoning of the investors. In the end everyone will get the same deal, regardless of the order in which they close their positions.

But of course there are downsides to this approach as well. Lets discuss those. What rules would you propose to protect market participant better? Or maybe you think AMM pools are good as they currently are?