

On November 22, 2022, Aave had its first meaningful insolvency since the launch of V2 and six weeks after the Mango Squeeze on October 11, 2022. The Mango Squeeze heightened community awareness of the preexisting market risks associated with illiquid assets. Below we provide a recap of the community efforts and actions taken.

- 2022-10-11 — Mango Squeeze event
- 2022-10-17 — Gauntlet posted an [ARC](#) to reduce illiquid asset risk
- 2022-10-21 — Gauntlet proposed borrow caps, supply caps, pausing borrow, and LT changes for v2 ETH, v2 Polygon, and v3 Polygon ([AIP 111](#), [AIP 112](#))
- 2022-11-11 — Gauntlet provided [Market Downturn Analysis](#) on protocol performance and risk following the FTX collapse
- 2022-11-11 — Gauntlet provided an [analysis on SNX](#) regarding utilization on the V2 ETH market reaching 100%
- 2022-11-12 — [Gauntlet proposed](#) to freeze REN ([AIP 117](#)) in response to a threat from an FTX attacker with \$300M+ in assets related to REN
- 2022-11-13 — Gauntlet proposed to freeze CVX ([AIP 118](#)) and BAL ([AIP 119](#)) due to concerns with market liquidity and lower liquidity in the market
- 2022-11-17 — Gauntlet posted an [ARC](#) to reduce the liquidation threshold for REN based on risk levels
- 2022-11-21 — Gauntlet proposed [AIP 120](#) to reduce the liquidation threshold for REN based on risk levels
- 2022-11-22 — CRV insolvency event [1]
- 2022-11-22 — MonetSupply proposed a [community discussion](#) to reduce long-tail asset risk
- 2022-11-22 — At 17:37, Gauntlet proposed [AIP 121](#) along with an [ARC](#) to temporarily freeze 17 assets on v2 ETH market
- 2022-11-22 — Gauntlet proposed pausing borrowing for LINK ([AIP 122](#)) and UNI ([AIP 123](#))
- 2022-11-23 — Gauntlet posted a [snapshot](#) to add borrow caps to FRAX, MAI, and LINK on V3 AVAX
- 2022-11-23 — Gauntlet proposed [AIP-124](#) to temporarily freeze assets on v2 Polygon market
- 2022-11-23 — Llama and Gauntlet posted an [ARC](#) to recapitalize the CRV market
- 2022-11-23 — Chaos Labs [snapshot](#) after [ARC](#) to add v3 supply caps for uncapped assets
- 2022-11-24 — BGD proposed a [community discussion](#) to improve reaction speeds
- 2022-11-25 — Llama and Chaos proposed [AIP 125](#) along with an [ARC](#) to amend AIP-121 on 7 assets
- 2022-11-25 — BGD proposed a [community discussion](#) on WBTC's pricing mechanism
- 2022-11-26 — Llama and Chaos proposed [AIP 126](#) along with an [ARC](#) to pause borrowing and temporarily freeze assets on v2 Polygon market
- 2022-11-26 — Llama, Gauntlet, Chaos, BGD, and ItsFreeRealEstate posted an [ARC](#) to halt listings on Aave v1 and v2
- 2022-11-30 — Gauntlet posted an [ARC](#) to adjust interest rate parameters and reserve factors for two assets on v2 ETH (ongoing)

This post will be updated throughout the quarter to provide a source of truth for all risk-related measures taken by the community.

[1] More detail on CRV insolvency event:

- 2022-11-13 — [0x57e0](#) deposits \$38.9M USDC into the Aave v2 market
- 2022-11-13 to 2022-11-21 — The user would borrow ~17M CRV in different increments and offload them across 1inch and other CEXs. A CRV supplier ([0x7a16](#)) had 174M CRV (\$110M) supply balance within the CRV liquidity pool, representing 27% of circulating [supply](#). The CRV market price decreased from \$0.61 to as low as \$0.41 (33% decrease)
- 2022-11-22
- 08:12 UTC, [0x57e0](#) made 4 additional deposits totaling ~\$24M USDC, borrowed 55M CRV valued at \$36M, transferred 30M CRV to CEXs, and swapped further CRV on 1inch.

- 10:35, the CRV market price dropped to its lowest value of \$0.4096.
- 11:00, the CRV market price started to rebound with added momentum from Curve's release of their LLAMMA [whitepaper](#).
- 13:31, the first liquidation to the user took place. The user's USDC collateral position was fully liquidated within the day, with approximately \$63M USDC [liquidated](#) and \$1.7M of bad debt left on the protocol.
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