

Hi all,

Many of you may be aware of Avi Eisenberg's "highly profitable trading strategy" on Mango Markets. In the aftermath of this manipulation attack, Aave froze reserves of several low liquidity assets including BAL, REN, and CVX.

However, the CRV market was not frozen and it seems that the protocol is now at risk of accumulating significant bad debt due to a tactical short position that Avi entered with the intention of precipitating a short squeeze. This has so far resulted in his initial position accumulating around [\\$1.5 million of CRV denominated bad debt](#). In a worst case scenario, continued price action could lift CRV far above fair market value and allow users to withdraw excessive liquidity from other assets based on inflated collateral value (although CRV liquidation threshold is only 61% so this risk is relatively lower).

I'd like to open discussion on potential mitigation measures to reduce imminent risk to the protocol from manipulation of low liquidity assets. While these parameters could be optimized, I think it's best to avoid analysis paralysis and implement some common sense changes as soon as possible.

Some initial suggestions:

- Reduce liquidation threshold to 80% for any assets that currently have a higher value (DAI, USDC, TUSD, ETH, stETH)
- Reduce max LTV to 75% for any assets that currently have a higher value
- Freeze reserves (prevent new deposits and borrows) and set max LTV (initial margin) to 0% for low liquidity assets at risk of similar short squeezes that are listed as collateral (BAT, CRV, DPI, ENJ, ENS, MANA, MKR, SNX, xSUSHI, YFI, ZRX)

I believe the above changes will significantly reduce risk to the Aave v2 ETH market while further optimizing changes can be considered through governance. Aave v3 includes significant improvements to risk management options, which could allow for greater capital efficiency and wider asset listings once launched on mainnet.

Discussion and other suggestions from the community are welcomed. Hopefully an existing delegate or service provider will be able to submit consensus changes in the coming days, potentially without including the standard Snapshot voting process in the interest of expediency.