

Yesterday, on the 16th of April, several accounts were liquidated on AAVE V2 (Ethereum) due to a temporary USDP-USD Chainlink oracle spike to approximately \$1.5. During this event, several large positions were liquidated, including my own, held in wallet 0x34113C84F95717b34D9818dd47821C42e095Bf59, which suffered undue losses due to the liquidation of around \$90k.

Most worryingly, there is risk of this event occurring once more, which could prove highly profitable to a motivated attacker. There still exists \$24m of USDP debt on AAVE V2, most of which could be liquidated by such an attacker for a cost of less than a million dollars, allowing the attacker to liquidate such positions themselves and steal the collateral supplied. This also risks leaving the AAVE V2 Ethereum pool with bad debt. In total, only a couple hundred thousand dollars of volume on Binance was enough to increase the price of USDP by 50%.

Given this, it would be prudent for the protocol to switch to a more reliable oracle for this asset, or delist the asset entirely before any further losses to users and the protocol are incurred. I think it would also be reasonable to discuss potential compensation for myself and the other users that were liquidated due to this unsuitable oracle.