

Title: Black Thursday Liquidity Crunch Code: NT-110 Author: Gabriel Berlitz  
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#markets #defi #risk

## **Situation Report**

COVID-19 panic triggered a 50% BTC drawdown in under 24 hours, while ETH briefly traded under \$100. Gas prices spiked above 200 gwei, freezing arbitrage and causing MakerDAO auctions to clear collateral for zero DAI because keepers could not submit bids in time.

## **Architecture Notes**

Defi protocols depended on price feeds pushed through congested Ethereum blocks, so oracles lagged real markets by minutes. Liquidation bots that relied on on-chain leverage to pay gas ran out of ETH, revealing circular dependencies between collateral value and system operations.

## **Operational Impact**

Maker held an emergency executive vote to introduce USDC collateral and patch the 4M DAI deficit. Centralized exchanges throttled APIs to protect matching engines, forcing OTC desks back to chat-based trading and manual settlement instructions.

## **Forward Watch**

Risk teams prioritized keeper-of-last-resort designs, batch auctions that tolerate latency, and cross-collateralization strategies so governance never again relies on a single asset's liquidity.