

# Supply/Borrow Caps

This section explain how supply and borrow caps act as protective measures. In an event where one of the underlying collateral collapses faster than the risk team can possibly delist or stop the borrowing of that asset, borrow/supply caps start to play a role in limiting the possible bad debt that could occur from within collateral collapse.

## Borrow Caps

Borrow caps define the maximum amount of an asset that can be borrowed from ZeroLend. It prevents excessive borrowing, especially during volatile market conditions, to avoid the risk of insolvency.

Example: If the borrow cap for a particular asset is set at 500 units and the total borrowed amount reaches 450 units, borrowers cannot initiate new borrowings for that asset.

## Supply Caps

Supply caps define the maximum amount of an asset that can be deposited into [ZeroLend.It](#) limits the protocol's exposure to riskier assets and prevents potential issues from excessive deposits.

Example: If the supply cap for a specific asset is set at 1,000 units and the current deposited amount reaches 900 units, no more of that asset can be added to the protocol.

Supply and borrow caps come into play to limit potential bad debt and protect the protocol from insolvency. Both Supply and Borrow Caps are optional parameters.

## Setting Caps

The default cap for both supply and borrow is set at 0, indicating no cap. Caps can be adjusted based on on-chain liquidity and the total volume of assets in the protocol.

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