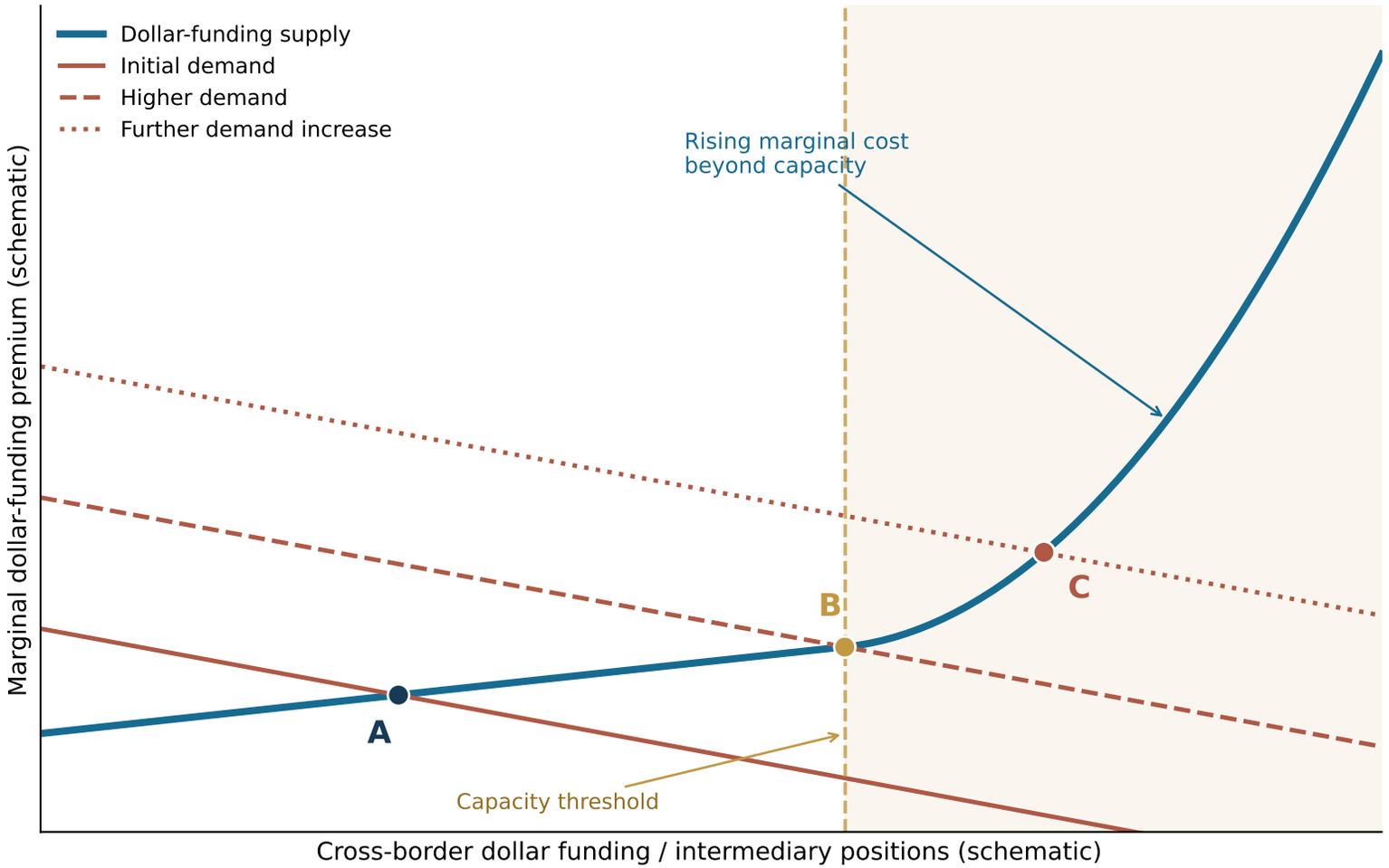
1 | Nonlinear dollar-funding transmission

Equal increases in funding demand before and after intermediation becomes constrained



A | Slack capacity

Funding is accommodated at a relatively low marginal premium.

B | Capacity threshold

A first demand increase causes only a modest premium rise.

C | Binding capacity

An equally sized further demand shift produces a much larger premium increase.