Research Statement

Francesc Rodriguez Tous
Senior Lecturer in Banking
Bayes Business School, City St. George's, University of London

My research asks two broad questions. How do monetary and regulatory policies transmit through the financial system—through banks, mortgage markets, and into the real economy? And who bears the consequences? The tension between these questions runs through most of my work. Getting policy transmission right matters for financial stability; ignoring distributional effects means missing a large part of what those policies actually do.

Banking, credit, and the financial system. My earlier work established that banks actively reshape their portfolios in response to aggregate shocks rather than passively absorbing them. "Securities Trading by Banks and Credit Supply," published in the *Journal of Financial Economics* (2016, with Puriya Abbassi, Rajkamal Iyer, and José-Luis Peydró), uses German credit registry and securities data to show that banks with greater trading activity during the 2007–09 crisis cut lending to firms—a finding that connects bank portfolio decisions directly to real credit supply.

This observation motivates two ongoing projects. In "Monetary Policy Tightening and Banks' Portfolio Rebalancing" (with Debosmita Chatterjee), we study all US tightening cycles since 1984 and show that deposit flows drive heterogeneous portfolio rebalancing: banks that lose deposits face higher funding costs and shift from securities into loans, strengthening the price channel of monetary policy but potentially weakening the lending channel. In "Monetary Policy and the Resolution of Distressed Credit" (with Angela Gallo), we examine what happens after borrowers default. Using confidential data on over 80,000 default events and exploiting high-frequency monetary policy shocks, we find that contractionary shocks significantly increase the probability that a defaulted loan cures—revealing a post-default transmission channel through which monetary conditions shape losses on bank balance sheets.

Macroprudential policy and distributional consequences. A second major strand examines macroprudential policy—tools designed to contain systemic risk—with a focus on who these policies affect and how. "Macroprudential Policy, Mortgage Cycles and Distributional Effects," published in the *Review of Financial Studies* (2024, with José-Luis Peydró, Jagdish Tripathy, and Arzu Uluc), uses loan-level data to study the UK's 2014 loan-to-income limit. The policy reduced high-LTI lending, but its effects were concentrated among lower-income borrowers and impacted house-prices in the lower-end of the distribution. A companion paper surveys evidence on borrower-based tools across countries and is forthcoming as a chapter in the *Research Handbook of Macroprudential Policy*.

These results motivate a current solo project, "Heterogeneous House Price Cycles," in which I construct distributional house price indices tracking multiple percentiles within local markets over time. Lower-priced properties are substantially more pro-cyclical than higher-priced ones in the same market and exhibit much larger responses to monetary policy shocks. The mechanism is borrowing constraints: constrained borrowers are concentrated in the lower end of the distribution, amplifying price movements there. The implication for macroprudential policy is direct—leverage restrictions that bind more tightly for entry-level borrowers interact with the housing cycle in ways that standard aggregate models usually miss.

Monetary policy and the real economy. A third strand examines how monetary policy reaches household and firm behaviour. "Monetary Policy and Mortgage Fixation Lengths" (Bank of England Staff Working Paper, 2025, with Anuruddha Rajan and Mauricio Salgado-Moreno) shows that lenders respond to changes in the term spread—not the level of interest rates—by adjusting the fixation structure of their mortgage portfolios, with implications for how rate changes pass through to households. In ongoing work with the same co-authors plus Anna Toldrà-Simats, "Monetary Policy Transmission and New Business Creation" uses UK data to study how the composition of the mortgage market affects the monetary transmission into firm entry and exit dynamics, providing evidence for a cash-flow channel from interest rate changes to entrepreneurship.

Looking ahead. My research is shaped by a conviction that financial markets are heterogeneous in ways that matter enormously for policy. Aggregate quantities—credit, house prices, monetary transmission—are important for financial stability but often conceal distributional dynamics that are the more important story. The methodological thread running through my work is the use of granular microeconomic data to identify these distributional effects and trace them to specific mechanisms. My current projects reflect an agenda that is empirical, policy-relevant, and grounded in the view that understanding *who* bears the consequences of financial shocks is as important as understanding the shocks themselves.