This Week in Wall Street Reform | May 21-27, 2016

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"TAKE ON WALL STREET" CAMPAIGN

Occupy movement has grown up – looks to inflict real pain on big banks I *Washington Post*
"The group, **Take On Wall Street**, plans to combine the efforts of some of the Democratic Party's biggest traditional backers, from the American Federation of Teachers and the AFL-CIO to the Communications Workers of America. The group says it will aim to turn the public's lingering anger at the financial sector into policy initiatives that could change the way that Wall Street works…"

The group is pouncing during a period in which Wall Street has found itself the target of both Republican and Democratic presidential candidates. Democratic candidate Bernie Sanders has called for breaking up the big banks and criticized rival Hillary Clinton for accepting money from Goldman Sachs to deliver speeches, while Republican presumptive nominee Donald Trump has been critical of carried interest.

"I think the tone of the election has reminded many people just how deeply felt the frustration and anger is about the way that Wall Street has shaped the economy in its own interest," said Lisa Donner, executive director of **Americans for Financial Reform**, a coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups.

Occupy Wall Street is back — and it might actually succeed this time I Salon
Among other things, the group wants to institute a new version of the Glass-Steagall, which separated commercial and investment banking but was repealed in 1999. They also want to close tax loopholes for money managers, end "too big to fail banking, eliminated predatory lending practices, and tax speculative trading. "We are going to make this an issue in congressional races," said Richard L. Trumka, president of AFL-CIO. "No one will be able to run from this."

The banks are larger now than they were before the bailouts, and the stench of corruption persists. As Lisa Donner, executive director of **Americans for Financial Reform**, put it, "the tone of the election as reminded many people just how deeply felt the frustration and anger is about the way that Wall Street has shaped the economy in its own interest."

Labor Unions and Activists Step Up Attack on Wall Street and Big Banks I Wall Street Journal
The **Take on Wall Street** coalition, which includes the American Federation of Teachers, the **Americans for Financial Reform** and the Communications Workers of America, held what was billed as a launch event on Capitol Hill although the group began its campaign early this year. The coalition laid out a five-point agenda, including taxing financial transactions, taxing carried interest for partners at private-equity firms and hedge funds at ordinary income-tax rates rather than at lower capital-gains rates, and overhauling Wall Street compensation packages.

Another issue the campaign plans to address is ending the idea that some financial institutions are too big to fail. It is calling for the largest financial institutions to be broken up, and for the reinstatement of the Depression-era Glass-Steagall Act that kept commercial and investment banking separate.

Warren to help kick off anti-Wall Street campaign I PoliticoPro

CWA Union Hall Call: **Taking on Wall Street with Elizabeth Warren and Robert Reich**

Elizabeth Warren Kicks Off Grassroots Effort To Take On Wall Street I ThinkProgress

The Occupy Movement Comes of Age I Fortune

How Bernie Sanders' Wall Street Reform Agenda Could Survive I International Business Times

Taking on Wall Street I Huffington Post

Progressives' Challenge: Keeping Sanders's Fire 'Berning' After I Newsweek

New Coalition Aims to 'Take On Wall Street' I The Nation

Take On Wall Street Lays Out New Reform Agenda I BillMoyers.com

New Coalition Plans to Reform Wall Street, the Big Banks I Sun Valley Chronicle

Labor and allies launch new push to rein in Wall Street I People's World

CONSUMER FINANCE & THE CFPB

Google's relationship with payday loans: it's complicated I New Yorker
Among the company's more profitable advertisers over the years have been payday lenders… Google's codependent role in the rise of the online payday-lending industry arguably put it squarely at odds with its lofty view of itself. And last week, Google tacitly acknowledged this when it announced it would no longer sell ads to payday lenders. "Financial services is an area we look at very closely because we want to protect users from deceptive or harmful financial products," Google's David Graff said. As director of Google's global product policy, Graff announced what he described as "an update to our AdWords policy." (The company already refuses to sell ads to peddlers of counterfeit goods, illegal drugs, weapons, and "products or services that enable dishonest behavior.") People will still be able to use the Google search engine to find an online payday lender if that's their intention. But starting on July 13th, the company won't sell search terms to any company making a loan due in sixty days or less. In the U.S., the company is banning ads from any lender charging interest rates higher than thirty-six per cent per year, no matter what the duration of the loan. "This change is designed to protect our users from deceptive or harmful financial products," Graff wrote.

Graff did not address the role the company had played as a reliable lead generator for the globe's most aggressive online lenders, allowing them to purchase search terms ("credit counselors," say, or "late payments") to lure potential customers to their sites. Google even got into the online payday business itself when, in 2012, the company's venture-capital arm, Google Ventures, bought a piece of LendUp.

Will Google's move be the end of payday loans? Detroit Free Press

Google's Payday Loan Ad Ban Hits a Startup It Backed I Fortune

Google's Ban on Payday Ads Hits Its Own Investment I Wall St. Journal

Google Payday Loan Ban Snags Google Ventures-Backed Start-Up I PC Magazine

Google Bans Payday Lenders, But Invests In "Better" Online Lender I Heat Street

Google invests in U.S. payday lender with rates of 600% I The South Bay View

Google's payday lender ad ban affects loan company backed by Alphabet I TechSpot

Google's Payday Ad Ban Hurts Alphabet-Backed Online Lender I PYMNTS

Fight against predatory lenders is making progress I Kansas City Reporter
To celebrate CFPB's long-awaited announcement, Kansas City will host "The National Day of Action to End Predatory Lending" on June 2, and expects hundreds of grassroots and advocacy organizations, including thousands of people from across the country to attend the event.

New Google Payday Advertising Policy No Benefit to the Poor I Daily Caller

Google ban is pivotal in payday loan fight I Philadelphia Tribune

Google bans Payday Loan ads – should Brokers be worried? I LeapRate

DERIVATIVES, COMMODITIES & THE CFTC

U.S. Banks' Loophole on Swaps Set to Close I Wall St. Journal
U.S. banks will likely lose the ability to shift some of their swaps business overseas as regulators are expected to complete rules Tuesday that close a legal loophole. The Commodity Futures Trading Commission is set to sign off around midday Tuesday on tighter restrictions over certain swaps booked by overseas branches of U.S. firms, according to people familiar with the matter, requiring the offshore units to adhere to CFTC rules even in cases where the units' American parents aren't explicitly on the hook for the trades.

DODD-FRANK (AND CONTINUED ATTACKS)

Wall Street Gears Up Its Stealth Attack I Moyers & Co.
"After the terrible lesson of the financial crisis, the least we can expect is that any proposals to weaken financial regulations be debated and voted on as stand-alone measures in an open process," urged a May 17 letter to Capitol Hill authored by Americans for Financial Reform and signed by more than 200 labor, consumer, civil-rights, environmental and other progressive groups. "The budget is not the place to try to force through provisions that are dangerous to economic stability, would not pass alone, or that the president would likely veto."

Some argue that the relationship between wealthy donors' campaign spending and the special favors they win on Capitol Hill is tenuous at best. When it comes to Wall Street rules, however, the lobbyists now flocking to Capitol Hill are worlds apart from average voters, the vast majority of whom believe the financial industry needs more regulation, not less. That may make riders a riskier political bet.

"Our belief is that we're going to succeed in beating this stuff back, because our side has become sharper at blowing the whistle on these efforts ahead of time," says James Lardner, **Americans for Financial Reform's** communications director. "And mostly because Wall Street is tremendously unpopular, and people who are perceived as doing its bidding don't come off well with their constituents — Republican or Democratic."

See AFR statement and joint letter to Congress from 254 organizations.

Hensarling to outline GOP's Dodd-Frank alternative on June 7 I Politico
House Financial Services Committee Chairman Jeb Hensarling will unveil the details of the GOP's plan to replace the 2010 Dodd-Frank law in a June 7 speech at the Economic Club of New York, a spokesman said. The proposal has no chance of becoming law in the near future and is not necessarily even desired by financial institutions that have spent years trying to shape the implementation of Dodd-Frank. But it could help fill in gaps in a key part of the Republican policy platform that presumptive presidential nominee Donald Trump has so far failed to contribute to in any detail.

Hensarling has said he plans to propose tougher penalties for wrongdoing, rigorous cost-benefit tests for regulations, "vast regulatory relief for financial institutions in exchange for meeting high, but simple, capital requirements" and making the Federal Reserve bank's stress test scenarios available for public comment.

THE ELECTION AND WALL STREET

Warren: Trump was 'drooling' over housing crash I The Hill
"Donald Trump was drooling over the idea of a housing meltdown - because it meant he could buy up a bunch more property on the cheap. What kind of a man does that? Root for people to get thrown out on the street? ... I'll tell you exactly what kind - a man who cares about no one but himself. A small, insecure moneygrubber who doesn't care who gets hurt, so long as he makes some money off it. What kind of man does that? A man who will NEVER be President of the United States.

"Sometimes Trump claims he is tough on Wall ... But now he's singing a very different song. Last week, he said that the new Dodd-Frank financial regulations have, and I'm quoting here, 'made it impossible for bankers to function' and he will put out a new plan soon that 'will be close to dismantling Dodd-Frank.' Donald Trump is worried about helping poor little Wall Street? Let me find the world's smallest violin to play a sad, sad song."

Clinton has a new weapon against Trump: Elizabeth Warren I Washington Post
Elected leaders, including Colorado Gov. John Hickenlooper, Rep. Ed Perlmutter (D-Colo.), Sen. Timothy M. Kaine (D-Va.) and Rep. Tim Ryan (D-Ohio), held calls with local and national reporters to push the message. "This is Trump's view of the world: When Americans suffer, Trump looks to cash in," Ryan said on a conference call with reporters.

Aide Says Trump Paid Lowest Tax Rate Possible I Wall St. Journal

Wall Street Lobbyists Decide Against Pushing Trump for Specifics -- for Now I Bloomberg

Trump Boasts of Rapport With Wall St., but the Feeling Is Not Quite Mutual I NY Times

Feds scrutinizing Corker's finances I Politico
The FBI and Securities and Exchange Commission are scrutinizing Tennessee GOP Sen. Bob Corker's personal finances, including stock transactions involving one of the nation's top developers of shopping centers and malls, according to multiple sources familiar with the probe.

Corker, chairman of the Foreign Relations Committee and a potential vice presidential pick, failed to report millions of dollars in assets and income on his annual financial disclosure until The Wall Street Journal revealed the discrepancy last fall. In the wake of that report, Corker was forced to revise years' worth of disclosure reports.

Shadow Banks Clinton Flags as Risky Put Millions into Her Run I Bloomberg
Hillary Clinton has vowed to be tougher on Wall Street than any other presidential candidate, but that hasn't stopped the financial industry from sending a flood of cash to help elect her.

That includes segments of finance she has singled out for greater oversight in her plan to rein in "shadow banking," where financial companies act like banks without being regulated like them. Hedge funds, private equity and insurance executives, who could face greater oversight under the plan, have given a combined $24.9 million to Clinton and the super-PACs supporting her, a Bloomberg review of campaign finance records shows.

Hedge fund operators have contributed $17.7 million toward electing Clinton, including a $7 million donation by George Soros to Priorities USA Action, the main super-PAC supporting Clinton, and $7.5 million from James Simons, the founder of Renaissance Technologies. Both Soros and Simons are long-time supporters of Democratic candidates and liberal causes, and each donated to Clinton's 2008 presidential and 2006 Senate campaign.

Executives of the Blackstone Group LP contributed $151,000, while employees of Centerbridge Partners gave $140,000 and Oaktree Capital Management LLC, $72,000. Private equity firms have donated $6.7 million, while insurers, excluding those in the healthcare field, have contributed $515,000.

The 20 largest banks by assets -- a group that includes JPMorgan Chase & Co., Bank of America, Citigroup, Morgan Stanley and Goldman Sachs Group -- contributed $1.1 million.

Clinton Beats Trump with Middle-Income Rust Belt Voters I Bloomberg
Trump is viewed much stronger than Clinton on two themes strongly resonating with this year's electorate: knowing what it takes to create jobs and having the ability to change the way Washington does business…

Trump also wins on reining in Wall Street and confronting terrorist threats, while Clinton is viewed as the stronger candidate in terms of temperament, skills in foreign policy, and preparedness for the job.

Sen. Warren Seen as Key Figure in Uniting Dems I RealClearPolitics

ENFORCEMENT

Wall Street Crime: 7 Years, 156 Cases and Few Convictions I Wall St. Journal
Gary Heinz is little known on Wall Street, but he belongs to a select club. In 2013, the former UBS Group AG employee was sent to prison on charges of rigging bids tied to the municipal-bond market. Now, he sits at a halfway house in San Antonio, awaiting his release in July. It rarely happens that way.

The Wall Street Journal examined 156 criminal and civil cases brought by the Justice Department, Securities and Exchange Commission and Commodity Futures Trading Commission against 10 of the largest Wall Street banks since 2009. In 81 percent of those cases, individual employees were neither identified nor charged. A total of 47 bank employees were charged ... One was a boardroom-level executive, the Journal's analysis found.

The legal technicality that let BofA skate on an alleged billion-dollar mortgage fraud I L.A. Times
I'm ever dragged into court for a financial fraud, I want to throw myself on the mercy of Judge Richard C. Wesley.

Wesley is the U.S. appeals court judge in New York who, with his colleagues Reena Raggi and Christopher F. Droney, found a loophole in federal fraud law big enough for the nation's second-largest bank to fit through without even scratching a fender. In a ruling written by Wesley and issued Monday, the three judges tossed out a $1.3-billion judgment against Bank of America for stuffing thousands of lousy mortgages into the portfolios of Fannie Mae and Freddie Mac in 2007 and 2008 by pretending they were high-quality loans. Their ruling turned on the curious question: "When is a fraud not a fraud, but just, sort of, a lie…?"

Because there was no intent to defraud when the contracts were signed, the judges ruled, this whole affair is merely a case of breach of contract, not fraud. The penalties for a breach are much lower than those for fraud--often, the guilty party has to give back the money it got from breaking the contract. According to the judges' analysis, a mere breach of contract can't be elevated into a case for fraud.

One of the few bank fraud convictions Obama prosecutors won just got ripped up I Think Progress
Bank of America does not have to pay a $1.3 billion penalty assessed years ago, an appeals court ruled Monday. A jury found the megabank guilty of fraud in 2013, after Department of Justice (DOJ) officials decided not to settle a case involving a program run by its subsidiary Countrywide. Countrywide employees created a program known as "Hustle," a bastardization of an acronym for "High-Speed Swim Lane," and used it to knowingly sell substandard loans to Fannie Mae and Freddie Mac. Staffers packaged up low-quality mortgage securities and sold them to government-backed housing finance companies that later had to be bailed out by taxpayers. After the jury's verdict in 2013, a federal judge decided the bank would have to pay $1.27 billion — more than prosecutors had reportedly sought — to make the government whole and to dissuade it from cheating taxpayers again. The bank immediately appealed, leading toMonday's ruling voiding the penalty. Bank lawyers persuaded a three-judge appeals panel that Hustle amounted to mere breach of contract rather than outright fraud.

The Don't Ask, Don't Tell Guide to Trading on Inside Information I Bloomberg

Banks Dealt Blow in Libor Lawsuits I Wall St. Journal
The ruling from the Court of Appeals for the Second Circuit reverses a lower court's decision from 2013, in

which U.S. District Judge Naomi Buchwald dismissed the claims because she said the banks' alleged conduct didn't violate federal antitrust laws.

Citigroup to pay $425 million over attempted benchmark manipulation I Reuters

See AFR statement, "Appeals court reopens the door to justice in LIBOR rate rigging"

N.Y. regulator subpoenas Lending Club over interest rates, fees I Yahoo Finance

EXECUTIVE PAY

CEO Bonuses: How Pro Forma Results Boost Them I Wall St. Journal

Upset About Excessive CEO Pay? So Are Some BlackRock Shareholders I The Nation
Overpaid CEOs have a very good friend in the giant mutual fund BlackRock. The world's largest money manager owns stock in thousands of firms across the country, and when it comes time for shareholders to have their annual say on these firms' executive pay proposals, BlackRock almost never votes "no." This kind of rubberstamping of excessive pay plans helps explain why the gap between CEO and worker pay remains at the staggering level of 335-to-1.

And yet this practice appears to be just hunky dory with the vast majority of BlackRock shareholders. At the Wall Street firm's annual meeting in Manhattan on May 25, only 4 percent voted in favor of a proposal to put more muscle into the firm's approach to CEO pay voting.

However the man behind the proposal, investor and philanthropist Stephen Silberstein, still declared victory. "BlackRock tried to squash us off the ballot, so we didn't know until a month ago if this proposal would ever even see the light of day," Silberstein recalled moments after the vote. "But in the end it got a lot of light of day. We got their attention."

FINANCIALIZATION

American Capitalism's Great Crisis I Time
The U.S. system of market capitalism itself is broken. That problem, and what to do about it, is at the center of my book *Makers and Takers: The Rise of Finance and the Fall of American Business*, a three-year research and reporting effort from which this piece is adapted.

From the creation of a unified national bond and banking system in the U.S. in the late 1790s to the early 1970s, finance took individual and corporate savings and funneled them into productive enterprises, creating new jobs, new wealth and, ultimately, economic growth. Of course, there were plenty of blips along the way (most memorably the speculation leading up to the Great Depression, which was later curbed by regulation). But for the most part, finance—which today includes everything from banks and hedge funds to mutual funds, insurance firms, trading houses and such—essentially served business. It was a vital organ but not, for the most part, the central one.

Over the past few decades, finance has turned away from this traditional role. Academic research shows that only a fraction of all the money washing around the financial markets these days actually makes it to Main Street businesses. "The intermediation of household savings for productive investment in the business sector—the textbook description of the financial sector—constitutes only a minor share of the business of banking today," according to academics Oscar Jorda, Alan Taylor and Moritz Schularick, who've studied the issue in detail. By their estimates and others, around 15% of capital coming from financial institutions today is used to fund business investments, whereas it would have been the majority of what banks did earlier in the 20th century.

To get a sense of the size of this shift, consider that the financial sector now represents around 7% of the U.S. economy, up from about 4% in 1980. Despite currently taking around 25% of all corporate profits, it creates a mere 4% of all jobs. Trouble is, research by numerous academics as well as institutions like the Bank for International Settlements and the International Monetary Fund shows that when finance gets that big, it starts to suck the economic air out of the room. In fact, finance starts having this adverse effect when it's only half the size that it currently is in the U.S.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

California fee-reporting debate takes a detour I Private Funds Management
Several private equity funds are already excluding California pension plans due to disclosure requirements. AB 2833 would increase the number of funds with such restrictions, as noted by the Los Angeles Fire and Police Pensions, which is opposing the bill in its current form.

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

Transactions Taxes Will Save Most Investors Money I CEPR Blog

MORTGAGES & HOUSING

Wells Fargo pays $70M for failures in foreclosure accord I Bloomberg
Wells Fargo & Co. agreed to pay a $70 million penalty in ending the bank's five-year fight to settle legal claims over foreclosure missteps after the 2008 credit crisis. U.S. regulators announced the fine for the San Francisco- based bank on Wednesday as part of an agreement that also frees the nation's biggest mortgage lender from loan-servicing restrictions imposed last year.

The Office of the Comptroller of the Currency had accused Wells Fargo of failing to move fast enough in fixing deficiencies outlined in a series of settlements overimproper activity including so-called robo-signing of foreclosure documents. The agency, which said the bank is now in compliance, had also identified more recent problems, including faulty payment-change notices filed in bankruptcy courts and faulty escrow calculations.

Wells Fargo said it was pleased that the regulator accepted its work on the settlement. The bank neither admitted nor denied wrongdoing in the OCC agreement.

Wells Fargo Launches 'Proprietary' High LTV GSE Loan. Can it Amass Volume? I Mortgage Finance
The megabank's "yourFirstMortgage" product requires just 3 percent down, FICO scores as low as 620 and debt-to-income ratios in the range of 45 percent. (It will go up to 50 percent DTI when there are "compensating factors.") The loans will be sold mostly to Fannie Mae, but Freddie Mac also will play a role. The bank will offer the mortgage through the retail channel only with no plans whatsoever to use correspondents.

New AFR Paper Calls For Fair Treatment of Homeowners With Limited English I ValueWalk
In a newly released paper, Americans for Financial Reform and its coalition partners urge regulators to make it easier for people with limited English proficiency (LEP) to understand and navigate the financial system, especially the mortgage loan market.

In 2014, there were 25.3 million U.S. residents, 9 percent of the population, with limited proficiency in English. LEP borrowers are unusually vulnerable to fraud and predatory practices. "Many industry players conduct market research to tailor their sales pitches to members of the LEP community, including advertising financial products to LEP consumers in their own languages," the paper points out. But once a product has been sold, consumers typically receive follow-up communications – including complicated mortgage options and terms – exclusively in English.

See AFR issue brief: Fair Treatment of Homeowners with Limited English Proficiency

REGULATION IN GENERAL

GOP senator unveils regulatory budget bill I The Hill

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Senate votes to block financial adviser rule l The Hill
Americans for Financial Reform, an advocacy group, defended the regulation. The rule "simply says that financial professionals who claim to offer honest, unbiased advice on retirement savings should actually have to do that," the group said.

"The motive for this resolution is not a genuine concern about the wellbeing of retirement savers. Instead, some Wall Street salespeople and their firms are worried about losing out on the billions of dollars in excess profits they have been making by recommending investment products that serve their own interests."

Err on the side of caution with DOL fiduciary rule, Phyllis Borzi advises l InvestmentNews

ETF boon under DOL fiduciary rule won't be universal l InvestmentNews

See letter to Senate from Leadership Conference on Civil and Human Rights.

STUDENT LOANS & FOR-PROFIT EDUCATION

Two of the biggest for-profit colleges are making it easier for students to sue l Washington Post
DeVry University and the University of Phoenix will no longer bar students from filing class-action lawsuits or otherwise taking their grievances to the courts, putting an end to mandatory arbitration clauses that consumer advocates say rob students of their rights.

For-profit colleges have come under fire for tucking arbitration clauses into their enrollment contracts to protect their financial interests. Students are typically unaware the restriction exists until problems arise and they try to seek redress. And once they do, the chances of a favorable outcome in arbitration are slim.

SEC Investigates Bridgepoint Education Finances l Inside Higher Ed

A Sting and a Sham College l Inside Higher Ed

SYSTEMIC RISK

Bernanke says don't break up big banks, calls for 'more nuanced approach' l Minneapolis Star-Tribune
"Modest size reductions are not going to accomplish much," he wrote. "After all, Lehman Brothers was only about a third the size of the largest banks when its failure in September 2008 nearly brought down the global financial system…"

The ex-chairman, who is now a fellow at the Brookings Institution, said he sees two important drawbacks to breaking up the large banks. First, there are good business reasons for large banks. They enjoy economies of scale, can spread fixed overhead costs over vast operations, and have global reach. His comments in this respect echoed those of JPMorgan Chief Executive Jamie Dimon, who said last month that large banks are an important part of the U.S. economy and crucial to its global leadership.

"Even putting aside the short-term costs and disruptions that would likely be associated with breaking up the largest banks, in the long run a U.S. financial industry without large firms would likely be less efficient, providing fewer services at higher cost," Bernanke wrote. "From a national perspective, this strategy could also involve ceding leadership in the industry, and the associated jobs and profits, to other countries."

Minneapolis Fed economists reject breakup strategy l Minneapolis Star-Tribune

See speech by FDIC Vice Chairman Thomas Hoenig laying out the case for higher bank capital standards.

TRADE NEGOTIATIONS

[Why Goldman Sachs Likes Obama's Trade Agenda] I Huffington Post
Goldman Sachs believed that any trade pact that did not include terms to help it challenge rules would not be "a meaningful agreement for our industry," according to a private email from the bank's managing director, Faryar Shirzad, to U.S. Trade Representative Michael Froman.

The note is one of a handful of emails obtained by the progressive group Rootstrikers through a Freedom Of Information Act request and provided to The Huffington Post. Rootstrikers sought direct communications between Froman — formerly a high-paid Citigroup employee — and big banks.

The emails do not demonstrate any legally damning coordination between Froman and Wall Street, but they do reveal new details about bank lobbying on the Trans-Pacific Partnership agreement, a major trade pact between the United States and 11 other countries.

Froman was so irked by a November Politico Pro article detailing big bank objections to the pact that he forwarded the article to a JPMorgan Chase staffer with an admonishment: "This is really not helpful."

[Treasury proposes financial services fix] I Politico
The move represents a major Obama administration effort to resolve one of the highest-profile complaints about the deal: The Asia-Pacific pact leaves financial services out of a rule that would ban governments from requiring companies to store data within their borders — a exception demanded by Treasury in deference to U.S. regulators, who couldn't get access to some data stored overseas during the financial crisis.

The TPP carve-out left a sour taste in the mouths of U.S. financial firms, whose complaints resonated with influential members of Congress, such as Senate Republican Conference Chairman John Thune (R-S.D.) and House Foreign Affairs Committee Chairman Ed Royce (R-Calif.)…

We have worked closely with U.S. financial regulators, Congress and the financial services industry to develop a new approach to financial services under data localization obligations in our trade and investment agreements," a Treasury Department spokesperson said. "We believe we have made progress in addressing concerns as we seek to eliminate protectionist and trade-distorting data localization measures imposed by foreign governments in the financial services sector, while also ensuring that U.S. financial regulators have access to the information they need for regulatory and supervisory purposes."