This spring, traders and analysts working deep in the global swaps markets began picking up peculiar readings: Hundreds of billions of dollars of trades by U.S. banks had seemingly vanished.

“We saw strange things in the data,” said Chris Barnes, a former swaps trader now with ClarusFT, a London-based data firm.

The vanishing of the trades was little noted outside a circle of specialists. But the implications were big. The missing transactions reflected an effort by some of the largest U.S. banks — including Goldman Sachs, JP Morgan Chase, Citigroup, Bank of America, and Morgan Stanley — to get around new regulations on derivatives enacted in the wake of the financial crisis, say current and former financial regulators.

The trades hadn’t really disappeared. Instead, the major banks had tweaked a few key words in swaps contracts and shifted some other trades to affiliates in London, where regulations are far more lenient. Those affiliates remain largely outside the jurisdiction of U.S. regulators, thanks to a loophole in swaps rules that banks successfully won from the Commodity Futures Trading Commission in 2013.

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