



Financial Data Transparency Act – First Round of Rulemaking

Last week, numerous federal financial agencies issued a joint rule to begin the first round of rulemaking required by the Financial Data Transparency Act, or FDTA. The proposed joint rule establishes technical standards for data submitted to certain financial regulatory agencies.

FDTA was passed into law as part of the negotiated National Defense Authorization Act at the end of 2022. The act seeks to modernize the collection and dissemination of financial data by federal financial regulators by requiring information submitted to the agencies to be in a machine-readable format.

Of note for members is the requirement that the U.S. Securities and Exchange Commission issue data standards for information that municipal securities issuers provide to the Municipal Securities Rulemaking Board. State and local governments that issue bonds are required to provide both primary and continuing disclosure to the MSRB's Electronic Municipal Market Access, or EMMA. Financial data including annual comprehensive financial reports are included in municipal market information submitted to EMMA. However, how the law is ultimately implemented regarding municipal market information will be determined by the SEC when the affected federal agencies incorporate the joint rule into their own rulemaking.

The recently proposed joint standards are the first step toward implementing FDTA. They seek to promote interoperability of financial regulatory data across the agencies by establishing common identifiers for entities, geographic locations, dates, and certain products and currencies. Specifically, the joint standards propose utilizing the following common identifiers:

- ISO 4914 – Financial services – Unique product identifier (UPI).
- ISO 10962 – Securities and related financial instruments – Classification of financial instruments (CFI) code.
- Financial Instrument Global Identifier (FIGI) established by the Object Management Group.
- ISO 8601 – Date and time format, using the Basic format option.
- U.S. Postal Service Abbreviations as published in Appendix B of Publication 28, Postal Addressing Standards.
- Geopolitical Entities, Names, and Codes (GENC) standard (country codes).
- ISO 4217 – Currency Codes.

The joint proposal also establishes the Legal Entity Identifier, or LEI, as a

common entity identifier. The LEI is a global identifier standard, developed by the International Organization for Standardization, that uniquely and unambiguously identifies a legal entity. The proposal also designates as an identifier of financial instruments the Financial Instrument Global Identifier, or FIGI.

The schema or taxonomy for data transmission, structuring, and formatting follows what was set out in the statute. The joint rule does not provide a specific data schema or taxonomy format, only that the schema or taxonomy:

- Render data fully searchable and machine-readable.
- Enable high-quality data through schemas, with accompanying metadata, which clearly define the semantic meaning of the data.
- Ensure that data that exists to satisfy an underlying regulatory information requirement be consistently identified as such in machine-readable metadata.
- Be nonproprietary or available under an open license.

Further, the joint proposal adopts the definition of “collection of information” by using the Paperwork Reduction Act definition.

The joint rule has not yet been published for comment in the Federal Register pending agency-specific rules incorporating the final joint standards are issued to more clearly define what will be expected of state and local governments that provide information to EMMA.

SEC Fact Sheet: <https://www.sec.gov/files/33-11295-fact-sheet.pdf>



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