

Virtual Roundtable On:

# The Financial Data Transparency Act

- January 25, 2023  
2:00pm ET | 11:00am PT

 nabl



# Housekeeping

---

- Today's session is off the record and strictly for active NABL members. Non-members are asked to disconnect at this time.
- This session is being recorded. You will be able to go back and rewatch the session once it is posted.
- We want to answer your questions!
  - At any point, please enter questions via the "Questions" box;
  - Or raise your hand if you would like to ask your question aloud during the open Q&A.

# SLDC Projects

---

## **Disclosing Risk Factors in Municipal Securities Offerings**

- Kimberly Magrini, Ballard Spahr

## **Model Continuing Disclosure Agreement**

- Uyen Poh, Norton Rose Fulbright

## **Forward Delivery Bonds FAQ**

- Christine Reynolds, Orrick, Herrington & Sutcliffe

# Speakers

---

## Moderator

- **Brandon Pond**  
Polsinelli in Salt Lake City, UT

## Panelists

- **Ernesto (“Ernie”) Lanza**  
Ballard Spahr LLP in Baltimore, MD
- **Melissa López Rogers**  
Greenberg Traurig LLP in Atlanta GA | Orlando, FL
- **Brian Egan**  
NABL in Washington, D.C.



# Agenda Slide

---

- Intro and Welcome
- Background
- Deeper Dive
- Implications
- Q&A



# Background

How We Got Here



# Legislative Background

---

- Financial Data Transparency Act (FDTA) of 2022 included as a Title LVIII of National Defense Authorization Act (NDAA) for FY2023.
  - Section 5811 – Instructs regulators to develop data standards.
  - Section 5823 – Instructs SEC to develop rules for information submitted to the Municipal Securities Rulemaking Board (MSRB) that incorporate the data standards.

# Origins

---

- Existing requirements in the corporate market.
- Similar bills dating back to 114<sup>th</sup> Congress (2015) in House
  - Little traction and less activity in the Senate
- 117<sup>th</sup> Congress
  - House passes the Financial Transparency Act (FTA) – Nov. 2021
  - House includes FTA in National Defense Authorization Act (NDAA) – July 2022
  - Senate expresses openness to inclusion of FDFTA in NDAA – Late summer 2022 \*
  - Amendments to FDFTA – Fall 2022
  - Passage into law – December 2022



# Who Expresses Concerns

- Government Finance Officers Association (GFOA)
- International City/County Management Association
- National League of Cities
- National Association of Municipal Advisors
- Airports Council International – North America (ACI-NA)
- National Association of Clean Water Agencies
- National Special Districts Coalition
- National Federation of Municipal Analysts
- American Hospital Association
- National Association of College and University Business Officers
- State Debt Management Network
- Bond Dealers of America
- American Public Gas Association
- National Association of Counties
- The United States Conference of Mayors
- National Association of Bond Lawyers
- American Public Power Association
- National Association of Health and Educational Facilities Finance Authorities
- Council of Infrastructure Finance Authorities
- Association of School Business Officials International
- National Association of Regional Councils
- National Council of State Housing Agencies

# Evolution of FDTA

---

- Amendments offered to FDTA through fall 2022
- Major changes from start to end:
  - SEC in charge of rulemaking instead of MSRB
  - Nod to Tower: “Nothing in this paragraph may be construed to affect the operation of paragraph (1) or (2) of subsection (d).” [15 U.S. Code § 78o–4]
  - Requirement to consult with market participants



# Deeper Dive

Knowns and Unknowns

# The FDTA Mandate

- Mandate for Municipal Market Data Standards (FDTA §5823(a)/Exchange Act §15B(b)(8)(A)): SEC “shall adopt data standards for information submitted to” MSRB
- What is a data standard? (FDTA §5811(a)/Financial Stability Act §124(a)(3) & (c)): “standard that specifies rules by which data is described and recorded” and that conforms to certain specifications (see next slide)
- Who must establish data standards?: two phases of standards-setting:
  - Phase One (FDTA §5811(a)/Financial Stability Act §124(b)): Joint rulemaking to establish joint standards by Treasury, Fed, OCC, CFPB, SEC, FDIC, FHFA, NCUA
  - Phase Two (FDTA Subtitles B through H): Individual rulemaking by each regulator (plus FINRA) to establish regulator-specific data standards based on joint data standards to be applied to submissions of data to respective regulator
    - SEC to establish Municipal Market Data Standards for submissions to MSRB during this phase

# Specifications for Data Standards

---

- Identifier specifications: Include common identifiers, including legal entity identifiers (LEIs)
- Technical specifications:
  - Render data fully searchable & machine-readable
  - Enable high quality data through schemas, with metadata in machine-readable taxonomy, which define semantic meaning of data, as defined by “underlying regulatory information collection requirements”
  - Ensure that data element satisfying “underlying regulatory information collection requirement” is consistently identified in machine-readable metadata
- Access specification: Be nonproprietary or made available under open license
- Standards-body specifications:
  - Use standards developed/maintained by voluntary consensus standards bodies
  - Use, be consistent with & implement applicable accounting & reporting principles

# Current Usage of Structured Data

- SEC currently requires certain corporate, fund, and NRSRO data to be provided using structured data – XBRL/iXBRL
  - Structured data standard uses eXtensible Business Reporting Language (XBRL) which tags data with metadata that defines key attributes & allows for automated extraction of data
  - In most cases, requires Inline XBRL (iXBRL) that embeds the machine-readable data within a plain-English human-readable format – one document serves both human & computer consumption of information
- Other US government agencies make limited use of structured data, as do a number of foreign governmental regulators
- Structured data mandate does not require use of XBRL specifically – only must conform to mandated specifications

# What Do Financial Statements in iXBRL Format Look Like? – Traditional PDF Presentation

COUNTY OF OGEMAW West Branch, Michigan				
STATEMENT OF NET POSITION September 30, 2020				
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 999,870	\$ 3,325,389	\$ 4,325,259	\$ 1,562,554
Investments	0	2,009,794	2,009,794	1,222,468
Receivables:				
Property Taxes	880,901	0	880,901	0
Delinquent Taxes	0	1,539,985	1,539,985	0
Special Assessments	0	0	0	5,949
Accounts, Net	223,373	21,060	244,433	52,695
Interest Receivable	0	2,419	2,419	0
Mortgages Receivable	56,312	0	56,312	0
Due from Local Units	32,520	0	32,520	0
Due from State	586,467	165,745	752,212	1,241,805
Due from Other Units of Government	95,331	49,545	144,876	0
Internal Balances	(658,846)	658,846	0	0
Prepaid Items	0	0	0	33,337
Inventory	0	0	0	500,587
Noncurrent Assets:				
Long-Term Mortgages Receivable	1,893,694	0	1,893,694	0
Capital Assets Not Being Depreciated	262,693	0	262,693	25,318,152
Capital Assets, Net of Accumulated Depreciation	<u>5,714,097</u>	<u>575,987</u>	<u>6,290,084</u>	<u>10,602,904</u>
Total Assets	<u>10,086,412</u>	<u>8,348,770</u>	<u>18,435,182</u>	<u>40,540,451</u>
<b>Deferred Outflows of Resources</b>				
Deferred Amounts Related to Pensions	1,092,009	59,558	1,151,567	1,739,288
Deferred Amounts Related to OPEB	39,308	0	39,308	57,660
Deferred Charge on Refunding	451,319	0	451,319	0
Total Deferred Outflows of Resources	<u>1,582,636</u>	<u>59,558</u>	<u>1,642,194</u>	<u>1,796,948</u>
<b>Liabilities</b>				
Accounts Payable	119,710	33,697	153,407	45,509
Due to Local Units	27,419	5,251	32,670	0

# What Do Financial Statements in iXBRL Format Look Like? – iXBRL Presentation

Menu Sections Search Facts Data Tags More Filters Facts 961

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF NET POSITION  
September 30, 2020

Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Assets</b>				
Cash and Cash Equivalents	\$ 999,870	\$ 3,325,389	\$ -	\$ 1,562,554
Investments	\$ -	\$ 2,009,794	\$ 2,009,794	\$ 1,222,468
Receivables:				
Property Taxes	\$ 880,901	\$ -	\$ 880,901	\$ -
Delinquent Taxes	\$ -	\$ 1,539,985	\$ 1,539,985	\$ -
Special Assessments	\$ -	\$ -	\$ -	\$ 5,949
Accounts, Net	\$ 223,373	\$ 21,060	\$ 244,433	\$ 52,695
Interest Receivable	\$ -	\$ 2,419	\$ 2,419	\$ -
Mortgages Receivable	\$ 56,312	\$ -	\$ 56,312	\$ -
Due from Local Units	\$ 32,520	\$ -	\$ 32,520	\$ -
Due from State	\$ 586,467	\$ 165,745	\$ 752,212	\$ 1,241,805
Due from Other Units of Government	\$ 95,331	\$ 49,545	\$ 144,876	\$ -
Internal Balances	\$ 658,846	\$ 658,846	\$ -	\$ -
Prepaid Items	\$ -	\$ -	\$ -	\$ 33,337
Inventory	\$ -	\$ -	\$ -	\$ 500,587
Noncurrent Assets:				
Long-Term Mortgages Receivable	\$ 1,893,694	\$ -	\$ 1,893,694	\$ -
Capital Assets Not Being Depreciated	\$ 262,693	\$ -	\$ 262,693	\$ 25,318,152
Capital Assets, Net of Accumulated Depreciation	\$ 5,714,097	\$ 575,987	\$ 6,290,084	\$ 10,602,904
Total Assets	\$ 10,086,412	\$ 8,348,770	\$ 18,435,182	\$ 40,540,451
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions	\$ 1,092,009	\$ 59,558	\$ 1,151,567	\$ 1,739,288
Deferred Amounts Related to OPEB	\$ 39,308	\$ -	\$ 39,308	\$ 57,660

Facts 1 of 97  
Prev Next << < > >>  
Page 1

**Investments** D  
As of 09/30/2020  
1,222,468

**Attributes**

Attribute	Value
Tag	acfr:InvestmentsCurrent
Fact	1,222,468
Period	As of 09/30/2020
Axis	ACFR Type Of Government Un

Receivable D  
Receivable D  
Receivable D  
Receivable D



# Tagging of Textual Data in Notes and MD&A – How Far Will the Structured Data Mandate Reach?

The screenshot displays a financial reporting interface with a dark blue header. The header includes a 'Menu' icon, 'Sections', a 'Search Facts' input field, and icons for 'Data', 'Tags', and 'More Filters'. Below the header, the main content area is titled '7 PENSION PLAN' and contains text for 'MERS Defined Benefit Plan'. A modal window titled 'Attributes' is open on the right, showing a fact table with the following data:

Pension Plan Terminated Employees Entitled To, But Not Yet Receiving, Benefits	
Tag	acfr:PensionPlanTerminatedEmployeesEntitledToBenefitsButNotYetReceivingBenefits
Fact	38

The main content area also includes a table with the following data:

Active plan members	87
Inactive employees entitled but not yet receiving benefits	38
Inactive employees or beneficiaries currently receiving benefits	83
Total	208

Additional text in the main content area includes 'CITY OF SOUTH HAVEN', 'NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020', and 'Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5%.' The bottom of the page shows 'Contributions' with a note: 'The City is required to contribute at an actuarially determined rate, which for the current year was from'.

# Detailed Tagging of Data Elements – GASB GAAP or More Broadly Defined?

	A	B	C
1	<b>Label</b>	<b>Prefix</b>	<b>Name</b>
1532	Tax and Tax Related Revenues and Allowances [Abstract]	acfr	TaxAndTaxRelatedRevenuesAbstract
1533	Tax Revenues [Abstract]	acfr	TaxRevenuesAbstract
1534	Revenues from National Forest Reserve Taxes	acfr	RevenueFromNationalForestReserveTaxes
1535	Revenues from Trailer Tax	acfr	RevenueFromTrailerTax
1536	Revenues from Accommodations Tax (PA 263 of 1974)	acfr	RevenueFromAccomodationsTax
1537	Revenues from Parking Occupancy Tax	acfr	RevenueFromParkingOccupancyTax
1538	Revenues from Industrial Facilities Tax	acfr	RevenueFromIndustrialFacilitiesTax
1539	Revenues from Commercial Facilities Tax	acfr	RevenueFromCommercialFacilitiesTax
1540	Revenues from Income Tax	acfr	RevenueFromIncomeTax
1541	Revenues from Transaction Privilege Tax	acfr	RevenueFromTransactionPrivilegeTax
1542	Property Tax Revenues [Abstract]	acfr	PropertyTaxRevenuesAbstract
1543	Revenues from Current Property Taxes, Extra or Special Voted	acfr	RevenueFromCurrentPropertyTaxesExtraOrSpecialVoted
1544	Revenues from Current Personal Property Tax	acfr	RevenueFromCurrentPersonalPropertyTax
1545	Revenues from Current Real Property Tax	acfr	RevenuesFromCurrentRealPropertyTax
1546	Revenues from Property Tax	acfr	RevenueFromPropertyTax
1547	Revenues from Delinquent Real Property Tax	acfr	RevenueFromDelinquentRealPropertyTax
1548	Revenues from Delinquent Personal Property Tax	acfr	RevenueFromDelinquentPersonalPropertyTax
1549	Revenues from Marijuana Tax	acfr	RevenueFromMarijuanaTax
1550	Revenues from City Utility Users Tax	acfr	RevenueFromCityUtilityUsersTax
1551	Revenues from Motor Fuel Tax	acfr	RevenueFromMotorFuelTax
1552	Revenues from Lottery for Education, Lottery Proceeds	acfr	RevenueFromLotteryForEducationLotteryProceeds
1553	Revenues from Corporate Tax	acfr	RevenueFromCorporateTax
1554	Revenues from Usage of Utilities Tax	acfr	RevenueFromUsageOfUtilitiesTax
1555	Revenues from Convention Tax	acfr	RevenueFromConventionTax
1556	Revenues from Sales and Use Tax	acfr	RevenueFromSalesAndUseTax
1557	Revenues from Sales Tax	acfr	RevenueFromSalesTax
1558	Revenues from Unclaimed Property	acfr	RevenueFromUnclaimedProperty
1559	Revenues from Nursing Home and Hospital Provider Fees	acfr	RevenueFromNursingHomeAndHospitalProviderFees
1560	Revenues from Business License Tax	acfr	RevenueFromBusinessLicenseTax
1561	Revenues from Property Transfer Tax	acfr	RevenueFromPropertyTransferTax
1562	Revenues from Documents Transfer Tax	acfr	RevenueFromDocumentsTransferTax
1563	Revenues from Transfer Stamps Tax	acfr	RevenueFromTransferStampsTax
1564	Revenues from Hotel and Motel Tax	acfr	RevenueFromHotelAndMotelTax
1565			

# What Might Municipal Market Data Standards Apply To? – More Than Just Financial Data?

INFORMATION SUBMITTED TO THE MSRB			
Rule	Information Submitted	Submission Venue	Submitter
MSRB Rule A-12	Registration/Contact Information (Form A-12)	MSRB Gateway	Broker-dealers; municipal advisors
MSRB Rule G-14/ Information Facility-1	Trade Reports	DTTC Interactive Messaging & Real-Time Trade Matching system; MSRB RTRS Web	Broker-dealers
MSRB Rule G-32/ Information Facility-3	Primary Offering Disclosure (Form G-32)	EMMA Dataport; DTCC New Issue Information Dissemination Service	Broker-dealers
MSRB Rule G-34/ Information Facility-2	Variable Rate Security Market Information	SHORT System/EMMA Dataport	Broker-dealers
MSRB Rule G-37	Political Contributions (Form G-37)	EMMA Dataport	Broker-dealers; municipal advisors
MSRB Rule G-45	Information on Municipal Fund Securities (Form G-45)	EMMA Dataport	Broker-dealers
SEC Rule 15c2-12/ Information Facility-3	Continuing Disclosures	EMMA Dataport	Municipal issuers; obligated persons
SEC Rule 15Ga-1/ Information Facility-3	Asset Repurchases For Asset-Backed Securities (Form ABS-15G)	EMMA Dataport	Municipal securitizers

# Timeline for Municipal Market Data Standards Adoption and Implementation

---

By June 2023	SEC establishes corporate data quality program and submits initial report to Congress on costs and benefits of structured data in corporate disclosures
By June 2024	Federal financial regulators publish proposed rules for comment to establish Joint Data Standards
By December 2024	Federal financial regulators issue final Joint Rulemaking adopting Joint Data Standards
Mid-to-late 2026	SEC likely publishes proposed Municipal Market Data Standards for comment; MSRB likely publishes thereafter conforming proposed rule changes and information system enhancements for comment
By December 2026	Joint Data Standards become effective; SEC issues final rule adopting Municipal Market Data Standards
2027 and thereafter	Likely effective date(s) for Municipal Market Data Standards and associated MSRB rule changes and information system enhancements



# Implications

Questions Your Clients Are Asking... Or  
Thinking of Asking



# Open Q&A