



Late last month, a consortium of seven federal agencies released **the first of two Proposed Rules** related to the Financial Data Transparency Act (FDTA). The rulemaking stems from the Financial Data Transparency Act that Congress passed and the President signed in 2022. This law mandates that certain data and financial information provided to and developed by many federal agencies must be sent in a 'structured data' format after the Rules are finalized (sometime in 2026 or thereafter). For state and local governments and entities that issue municipal securities (referred to in this alert as "reporting entities"), this means that information provided to the Municipal Securities Rulemaking Board's EMMA system related to bond offering and disclosure documents may have to be sent in a structured data format.

This first Proposed Rule seeks to establish general guidelines for additional regulations that each of the seven agencies (referred to in this alert as "Agencies") will develop for their sectors. **It is important to note, that this Proposed Rule DOES NOT establish or impose any new standards or data submission requirements on reporting entities. Therefore, reporting entities should not take any action to implement any of the proposals, as this Rule is not final.** Any possible new structured data standards for issuer financial information and disclosures submitted to the MSRB's EMMA system remains at least two years away.

However, it is vital for GFOA and its members to respond to this first Proposed Rule. GFOA continues to review the Proposed Rule and will provide members with a deeper dive into the proposal and a call for members to submit comments to the consortium of regulators about how these rules will impact

their entities. Look for this information later this month to prepare for the **comment deadline of October 21, 2024.**

There are many questions asked throughout the Proposed Rule as well as from **SEC Commissioner Hester Peirce** that are of interest to state and local governments and entities. Answering these questions will help to shape both the general parameters of the regulations, and specific items related to municipal securities. **Below are some of the highlights of this Proposed Regulation and key questions and their applicability for GFOA members.**

Brief Overview

- The scope of the law's applicability will be determined by each implementing Agency in their second round of rulemaking (for municipal securities data, this is the SEC).
- The Proposed Rule does not establish what information must be submitted in structured data format – that will be established in the second set of rulemaking.
- The Proposed Rule does not mandate GAAP reporting, or the use of GASB standards. It states that the information “be consistent with and implement applicable accounting and reporting principles” that apply in each sector.
- The Proposed Rule does not mandate one data transmission format be used by reporting entities, as long as the format meets the criteria determined by the Agencies. The SEC will determine in its second round of rulemaking the format or formats mandated for reported information. Examples of the formats could include – CSV, HTML, XML, XSD, XBRL, JSON and PDF-A.
- The Proposed Rule appears to allow the Agencies in the second set of Rules to determine how small entities may be exempt from the regulation. The Proposed Rule also states that specific Agencies may consider how to determine the implementation date for applying Final Regulations based on the capacity of reporting entities.
- The Proposed Rule does not mandate an established taxonomy for information that may need to be reported. If applied to issuer financial

information the determination of taxonomies would be developed and applied during the second set of rulemaking by the SEC.

- The Proposed Rule applies to certain information reported to each Agency by “financial entities” under the jurisdiction of the Agency. It is unclear if state and local governments and entities are considered “financial entities” in the Proposed Rule, as it is not defined.

Questions that GFOA and its members may wish to address in comment letters include:

- What elements of financial information from state and local governments and entities that issue municipal securities should be submitted to the MSRB’s EMMA system in structured data format to comply with the law?
- What format(s) should be utilized for transmitting reported information? What format(s) would be easiest and least disruptive for reporting entities to utilize? (As noted above the Proposed Rule provides possible examples that may meet the data transmission criteria.)
- How much will it cost reporting entities to transfer various (to be determined) elements of its financial and disclosure information submitted to EMMA into a structured data format?
- Should there be exemptions or delayed implementation of the new standards for small reporting entities? What should be considered small?
- Should other types of structured data formats be considered, including how to apply artificial intelligence to already developed issuer financials?
- Should there be a taxonomy applied to the financial data that will need to be submitted? If so, should there be different taxonomies used for different types of state and local government and entities that issue municipal securities reporting?

GFOA will be providing additional detailed information to members about its further review of the Proposed Regulation and the response GFOA is developing.

Members should consider submitting comments to the SEC on some of the key items listed above, especially the costs your government may incur to comply with this forthcoming mandate. **The deadline for comments to the SEC is October 21, 2024.**

For more information visit:

[GFOA FDTA web page](#)

[Federal Register printing of the Proposed Rule](#)

For questions on this and other federal advocacy issues, please contact **federalliaison@gfoa.org**.

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