

# Financial Data Transparency Act (FDTA)

Regulatory Implementation Updates



**Current Status | Phase 1 Joint Rule is complete, but the rulemaking is not complete. This page will be updated with an analysis of the Phase 1 rule. Be aware vendors are promoting products based on taxonomies that have not yet been endorsed by federal regulations.**

# Implementation Timeline

NOW UNDERWAY	NEXT	TARGET
<p><b>Phase 1</b></p> <p>Joint Rulemaking – 2022-2026/ Pending Final Rule</p>	<p><b>Phase 2</b></p> <p>SEC application to MSRB – 2026 - 2028 (statutory deadline 2 Years After Phase I)</p>	<p><b>Full Compliance</b></p> <p>Timing unknown. MSRB does not have a deadline to implement Phase II rule.</p>

COSTS IMPOSED ON ISSUERS	ISSUERS AFFECTED	KEY DEADLINE
<p>\$1.5 billion</p> <p>In new anticipated compliance costs</p>	<p>80,000+</p> <p>State/local governments, authorities, non profit issuers, - anyone issuing municipal securities</p>	<p>2028</p> <p>Phase 2 rule making statutory deadline (2 years after phase 1 Final Rule)</p>

# Background

## ▼ What is the Financial Data Transparency Act (FDTA)?

The Financial Data Transparency Act (FDTA), [signed](#) into law in December 2022 as part of P.L. 117-263, directs federal financial regulators to adopt uniform, machine-readable data standards for financial reporting. Its stated goal is to improve transparency, interoperability, and public access to financial data – without imposing new reporting requirements.

For state and local governments and entities that issue municipal securities, the law means that information provided to the Municipal Securities Rulemaking Board's EMMA system – including bond offering documents and continuing disclosures – may eventually need to be submitted in a structured, machine-readable data format.

GFOA and the Public Finance Network have been actively [engaged](#) with regulators and legislators since 2022 to ensure that implementation is practical, cost-effective, and respects the unique nature of the public sector.

### Core Standards Required by Law

- Legal Entity Identifier
  - Mandates a nonproprietary LEI to uniquely identify entities in financial transactions. Whether mandatory or optional for municipal issuers is still under determination in Phase 1 rulemaking. [[Sec. 124\(c\)\(1\)\(A\)](#)]
- Machine-Readable Formats
  - Financial data must be structured for automated processing (XML, XBRL, or equivalent) with consistent metadata and identifiers. The FDTA defines machine-readable as data that can be processed by a computer without human intervention. [[Sec. 124\(c\)\(1\)\(B\)\(i\)](#)]

- Open Standards
  - All data standards must be published under open, nonproprietary licenses ensuring broad accessibility and public use. [Sec. 124(c)(1)(B)(iv)]
- No New Disclosures
  - The law explicitly states it does not impose new reporting obligations. Its focus is solely on format and structure, not the creation of new requirements. (Sec. 103)

#### **Key Concerns Raised by GFOA and the Public Finance Network**

**Unfunded Mandate Risk:** Compliance will require significant investment. GFOA estimates total costs to the sector could exceed \$1.5 billion within two years of final rulemaking, with at least 15% of governments needing new software (\$100,000+), 10% requiring systems reconfiguration (\$100,000-\$200,000), and 25% updating on their own (\$50,000+).

**Potential Loss of Transparency:** Forcing 50,000+ diverse entities into a rigid uniform schema risks losing valuable context-specific financial detail that makes municipal disclosures meaningful.

**Conflict with Existing GASB Standards:** State and local governments already adhere to comprehensive GASB reporting standards developed through rigorous public processes. GASB typically takes 5-10 years from proposal to implementation; the FDTA's timeline is far shorter.

**Tower Amendment Concerns:** Section 203 could empower the MSRB to dictate both the structure and content of disclosures, circumventing longstanding federal guardrails under Section 15B(d) of the Exchange Act.

**Federal Overreach:** The legislation represents a substantial and unprecedented overreach into the content and structure of issuer disclosures and the accounting and reporting principles of government entities, contrary to the principles of federalism.

# Implementation Phases

## ▼ Phase 1 (Current)

Phase 1 is the foundational rulemaking step where seven “covered” joint federal regulators establish overarching data standards that will govern all subsequent agency-specific rules. The Proposed Rule was [published](#) in August 2024 and GFOA submitted comments outlining our concerns. The covered agencies were statutorily required to finalize this Phase I rule by December 2024, 2 years after enactment of the law, but are significantly delayed.

### Who Are the Joint Regulators?

The seven covered agencies responsible for Phase 1 joint rulemaking are: the Securities and Exchange Commission (SEC), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), Department of the Treasury, Federal Housing Finance Agency (FHFA), Consumer Financial Protection Bureau (CFPB), and National Credit Union Administration (NCUA). **The SEC will be charged with crafting rules for the MSRB to implement these data standards in the municipal market in Phase 2.**

### Key Phase 1 Decisions and Open Questions

#### Legal Entity Identifier (LEI)

The FDTA requires the use of a common legal entity identifier (CLEI) to identify each issuer, however applying LEIs comprehensively to a market of over 80,000 issuers is not a possibility given the current system.

- Should all entities be required to adopt the same standard?
- Can separate sector-specific identifiers be permitted?

### **CUSIP or FIGI?**

The Phase 1 rulemaking proposed replacing CUSIP with FIGI as the municipal securities identifier, however this is not a statutory requirement and was included by regulators. While FIGI itself does not come at a cost, there are considerations for local

- Should all entities be required to adopt FIGIs?
- What would transition to FIGI entail?

### **Data Format Standards**

Regulators must determine the technical format(s) required for structured financial data submissions. Different formats carry significantly different implementation burdens

- PDF: current EMMA standard; widely accessible, lower cost
- XML: general machine-readable internet standard
- XBRL: corporate disclosure standard (higher complexity and cost)

## Phase 2 (2026-2028)

Phase 2 begins once Phase 1 is finalized. The SEC will **develop** sector-specific rules for the municipal securities market to be implemented by the MSRB. Phase 2 will answer the critical "who, when, and how" questions for municipal issuers. **The MSRB has no statutory deadline to implement the data standards set by the SEC in Phase 2, meaning the final compliance deadline is at the point unknown.**

### Who Must Comply

Phase 2 will determine the precise scope of compliance obligations. Key determinations include:

- Where is the bright line for mandatory compliance? Are all issuers regardless of size required to comply?
- Are there sector-by-sector implementation distinctions?
- Are nonprofit obligated borrowers treated differently than direct issuers?
- How are conduit borrowers and revenue bond issuers classified?

### When Compliance Is Required

The timing of compliance will significantly affect how governments plan and budget for implementation. Phase 2 would address:

- Will there be a phased-in implementation approach?
- Different timelines for large vs. small issuers?
- Grace periods for systems upgrades and staff training?
- Will there be penalties for noncompliance — and when do they apply?

### **How to Comply – Specific Data Standards**

The specific technical requirements for municipal disclosures will be defined in Phase 2. Expected determinations include:

- Required data fields: assets, net assets, revenues, liabilities, fund balances, and other key financial elements
- Technical submission format for the EMMA platform
- Integration with or replacement of existing ACFR/financial statement reporting
- Staff training, software, and systems requirements for compliance