NAMA Overview – Financial Data Transparency Act Signed Into Law (December, 2022)

In December 2022, President Biden signed into law legislation that includes a requirement for federal regulators to develop data standards for information submitted to them including the MSRB, SEC and several other regulators. Relevant to our market, the legislation calls for information submitted to the MSRB's systems to include unique entity identifiers and be in machine readable format. It specifies that the data standards applied be open source and nonproprietary. Well-known examples of such standards are Legal Entity Identifiers (LEI) and eXtensible Business Reporting Language (XBRL). The legislation tasks the SEC with establishing the rules relevant to the municipal market and it has a 2-year rulemaking period and 2-year implementation period.

This new law would likely require municipal issuers including governmental entities and nonprofits to "tag" certain information in their filings with metadata that allows information to be read by a computer so that investors and others can readily compare data between entities. Taxonomies (a set of uniform definitions of data) will be developed throughout this rulemaking period and will likely involve other organizations such accounting standards setting bodies like GASB and FASB, user groups, and data standards bodies such as XBRL US and Global Legal Entity Identifier Foundation (GLEIF).

The law does not allow for any NEW disclosure standards to be developed. Its purpose is to apply data standards to information already produced under current rules. The law is written quite broadly to apply to all "information submitted to the Board". It is unclear at this point exactly which filings that would include (e.g. audited financials, official statements, preliminary official statements, budgets, quarterly financials, economic and tax base data, demand statistics, etc.), and which portions of those filings will need to be machine-readable. The law states that regulations may be scaled to "reduce any unjustified burdens on smaller regulated entities" and should "minimize disruptive changes to persons affected by the rules."   Further, the SEC must consult with (muni market) participants when establishing the new data standards.

While at this early stage there are many questions left unanswered as to how the law will actually work on the ground, NAMA will monitor and engage in relevant discussions over the next few years related to the following:

- Whether data submitted to the MSRB from MAs will be affected and if so, how the taxonomy will be developed (e.g., G-37 forms, A-12 forms)
- Which filings will be required to be machine readable and which portions of those filings will need to be machine-readable
- How the taxonomy/definitions for municipal market data standards are established
- Coordination between affected agencies, including Department of the Treasury, SEC, and MSRB
- Specific actions that the SEC may take related to Rule 15c2-12
- How agencies and regulators will interpret the law's statement related to unjustified burdens on smaller regulated entities and minimizing disruptions to those affected by new rules
- MSRB's implementation of the rules and the technology associated with accepting and displaying machine-readable submissions into its systems

This will be a marathon not a sprint to actualizing enactment of the law. NAMA will keep members apprised of actions on all fronts and seek input as rules and standards are developed.