DATA FOUNDATION

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Data Foundation

Via electronic submission

October 17, 2024

[OCC] Chief Counsel's Office, Attention: Comment Processing, Office of the Comptroller of the Currency, 400 7th Street SW, Suite 3E-218, Washington, DC 20219

[Board] Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551

[FDIC] James P. Sheesley, Assistant Executive Secretary, Attention: Comments/Legal OES (RIN 3064-AF96), Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429

[NCUA] Melane Conyers-Ausbrooks, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428

[CFPB] Comment Intake—FDTA-INTERAGENCY RULE, c/o Legal Division Docket Manager, Consumer Financial Protection Bureau, 1700 G Street NW, Washington, DC 20552

[FHFA] Clinton Jones, General Counsel, Attention: Comments/RIN 2590-AB38, Federal Housing Finance Agency, 400 Seventh Street SW, Washington, DC 20219

[CFTC] Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581

[SEC] Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090

[Treasury] Chief Counsel's Office, Attention: Comment Processing, Office of Financial Research, Department of the Treasury, 717 14th Street NW, Washington, DC 20220

RE: Comments on the Financial Data Transparency Act Joint Data Standards

Docket ID OCC-2024-0012; Financial Data Transparency Act [OCC]
Docket No. R-1837 and RIN 7100-AG-79 [Board]
RIN 3064-AF96 [FDIC]
Docket Number NCUA-2023-0019, RIN 3133-AF57 [NCUA]
Docket No. CFPB-2024-0034, RIN 3170-AB20 [CFPB]
RIN 2590-AB38 [FHFA]
RIN number 3038-AF43 [CFTC]
S7-2024-05 [SEC]
RIN 1505-AC86 [Treasury]

To Whom It May Concern:

The Data Foundation (LEI: 254900I43CTC59RFW495) is a non-profit organization that seeks to improve government and society by using data to inform public policymaking. For more than a decade, our Data Coalition community has advocated for responsible policies to make government data high-quality, accessible, and usable. The Data Foundation, and our Data Coalition partners, have worked with policymakers on bipartisan laws to advance the intentional use of data across government, which includes foundational data modernization and transparency laws like the Digital Accountability and Transparency (DATA) Act of 2014, the Foundations for Evidence-Based Policymaking (Evidence) Act of 2018, and the Financial Data Transparency Act (FDTA) of 2022.

The Data Foundation applauds the collaboration from across the financial regulatory community in developing a proposed joint rule on data standards for the Financial Data Transparency Act, and appreciates the opportunity to provide comments that reflect our community, our experience, and our expertise. The inclusion of agencies not explicitly required in the law, for example the Commodity Trading Futures Commission (CFTC), demonstrates to organizations like the Data Foundation the intent for meaningful collaboration across relevant federal agencies. This coordination and collaboration for issuing and implementing data standards on priority topics will be essential in the years ahead to ensure the American people realize the value intended from the FDTA.

In the spirit of promoting high-value activities for implementing data standards, the Data Foundation's comments emphasize the importance of adopting reliable, machine-readable, semantically-rich data standards that promote interoperability, reduce regulatory burden, and enhance transparency in financial reporting.

II. Data Foundation Response to the Proposed Joint Rule

A. **Collections of Information: The Data Foundation supports a practical application of the Paperwork Reduction Act's (PRA) "collection of information" to set a realistic scope under the FDTA, including with the application of domain-relevant knowledge.** Where data are collected and reported to the Agencies and are subject to the PRA, agency data leads and subject matter experts, like Chief Data Officers, should collaborate to identify and determine the overlapping data to modernize or integrate. The Data Foundation does not recommend or find any basis that the scope of the FDTA should be applied to *all data fields and topics*, which would undermine the purpose and intent of the law as well as principles for assessing the use and usefulness of data collected by agencies (see directives of PRA). To expand the scope to all data subject to "Collections of Information" under the PRA, would create an untenable breadth and administrative burden for the Agencies particularly in the short-term. Pragmatically, the Agencies cannot currently collaborate on all collected and managed data; with the proposed data standards, taxonomies, and limited scope for PRA, the Agencies can connect key, priority data – improving timeliness, interoperability, auditability, and quality of data while reducing compliance burden and time spent on verifying and comparing data for meaning. This will ultimately achieve the aim of the FDTA.

B. **Legal Entity Identifier: The Data Foundation strongly supports the establishment of the Legal Entity Identifier (LEI) as the legal entity identifier standard.** The adoption of the LEI is a crucial step towards creating a more transparent, efficient, and interoperable financial regulatory ecosystem for entity identification. The Data Foundation and our partners are thrilled to see the inclusion of this nonproprietary, open standard in the proposed rule.

   The LEI (ISO standard 17442-1:2020, Financial Services) directly fits the definition of the required legal entity identifier standard in the FDTA,[1] supports the framework of data standards for use of technologies, like artificial intelligence tools, and structures of Standard Business Reporting (SBR). The LEI is also critical to the FSOC duty to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats in the financial system.

   To ensure accurate, reliable data and the utility of the LEI as an entity identifier, the Data Foundation recommends updating the rule to require an LEI be kept current for filing entities, and the Agencies may choose to specify a periodic or routine period for providing such updates for regulatory purposes. In contrast, providing an open-ended decision among Agencies for establishing renewal expectations of an LEI could undermine the integrity, reliability, and interoperability of useful entity information. This, in turn, may create more work for regulators to verify the information when the LEI is designed as a counterparty identification and verification standard. Clear articulations of timeframes for renewal across the system may address this gap.

   The LEI renewal process requires re-validation of the LEI reference data recorded for a legal entity against third party sources by the LEI Issuer, supporting high-level data quality. As part of a well-established renewal process, the Regulatory Oversight Council (ROC)[2] specified that an LEI issuing organization, known as Local Operating Units (LOUs), must revalidate the reference data associated with a previously issued LEI. Under the issuer's administration, the renewal must be "on a regular basis and no longer

[1] A common, non-proprietary legal entity identifier for regulated organizations. The entity identifier must be available under an "open license," which in existing law (per 44 U.S.C. § 3502(21)) means "a legal guarantee that a data asset is made available - at no cost to the public; and with no restrictions on copying, publishing, distributing, transmitting, citing, or adapting such asset."

[2] Regulatory Oversight Council: Established by the Financial Stability Board (FSB) in June 2014 under the mission of improving financial stability and transparency due to the aftermath of the financial crisis, GLEIF is tasked to support the implementation and use of the LEI. Even though the primary and initial usage and adoption of the LEI predominantly was in financial markets and financial instruments, the LEI is use-case agnostic and therefore has been embraced by different industry sectors and regulators since its introduction by the Regulatory Oversight Committee (ROC), in which the Board, CFTC, OCC, FDIC, CFPB, SEC, and Treasury are active members. The NCUA is a ROC observer, as is the Municipal Securities Rulemaking Board (MSRB), which is overseen by the SEC.

than one year from the previous validation check," in other words, an annual renewal re-validation. This re-validation check "must include verifying with the entity that the relevant information is accurate."[3] Renewal is essential to ensuring high-quality data for the global LEI population and, consequently, trust in the Global LEI System.[4]

With the inclusion of the LEI in the proposed rule, and the Data Foundation recommendation to include this standard in a final rule, the Data Foundation also recommends ongoing support and a relationship between the Office of Financial Research (OFR) and the Global LEI Foundation (GLEIF) ROC for management, oversight, and a continuity of relationships.[5]

A few of the Agencies are already using the LEI in regulations, directly and indirectly. Some Agencies are also already sharing verified data, which in some cases, includes the LEI. The CFTC was the first regulator in the U.S. to require the LEI in 2012 when the CFTC implemented swap reporting requirements as detailed in the Dodd-Frank Wall Street Reform and Consumer Protection Act.[6] The SEC amended several forms to include the LEI in final rules for Form N-Port,[7] Form ADV,[8] Form PF,[9] and Form N-PX.[10] Under the oversight of the SEC, the MSRB also includes the LEI on Form A-12[11] and G-32.[12] Lastly, the Federal Reserve Board implemented FR Y-10[13] to monitor changes in organizational structure or the regulated investments or activities of certain banking organizations has included the LEI since 2015. The CFPB's Home Mortgage Disclosure Act Rule (Regulation C), also benefited the NCUA, as credit unions that issue mortgages have been required to obtain an LEI since 2018. This collectively suggests adoption and implementation of the LEI will be a low burden for Agencies and that the regulated community is poised for adoption.

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[3] "An Open Document to Support the Implementation of the ROC "Principles to be Observed by Pre-LOUs that Wish to Integrate into the Interim Global Entity Identifier System (GLEIS)," LEI ROC, January 29, 2015. <https://www.ccilindia-lei.co.in/Documents/Open%20Document.pdf>.
[4] Global LEI System is composed of the ROC itself, the Global LEI Foundation (GLEIF), and LEI issuers known as Local Operating Units (LOUs). <https://www.leiroc.org/lei.htm>.
[5] https://www.financialresearch.gov/data/legal-entity-identifier/; "Legal Entity Identifier (LEI) – Timeline of Major Events," August 12, 2011 <https://home.treasury.gov/system/files/136/archive-documents/081211-LEI-Major-Timeline-of-Events.pdf>.
[6] <https://www.congress.gov/bill/111th-congress/house-bill/4173/text>.
[7] <https://www.sec.gov/files/formn-port.pdf>.
[8] <https://www.sec.gov/files/formadv-instructions.pdf>.
[9] <https://www.sec.gov/files/formpf.pdf>.
[10] <https://www.sec.gov/files/formn-px.pdf>.
[11] <https://www.msrb.org/sites/default/files/2022-09/MSRB-Registration-Checklist-Form-A-12.pdf>.
[12] <https://www.msrb.org/sites/default/files/Summary-Table-G-32-New-Fields.pdf>.
[13] <https://www.federalreserve.gov/apps/reportingforms/Report/Index/FR_Y-10>.

As LEI adoption and applications grow,[14] the use of the unique identifier will address a significant gap in entity identification that has hampered regulatory identification of fraud and previous responses to market crises and risk exposure, like with the 2008 financial crisis.[15] Adopting the LEI as a standard will significantly enhance regulators' ability to assess systemic risks and respond to market events more effectively within individual agencies, across covered agencies, and, possibly, across the whole of government.

The Data Foundation also recommends the Agencies consider establishing the verifiable LEI (vLEI) for the automated authentication and verification of legal entities in future iterations and developments of the LEI standard.[16] GLEIF demonstrated the use of the vLEI to sign its 2023 Annual Report.[17]

C. Other Common Identifiers:

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[14] In August 2024, the U.S. Customs and Border Protection (CBP) announced the agency's 2024-2025 plan to accelerate testing and adoption of global interoperability standards, including the LEI managed by GLEIF to support "supply chain transparency and data system flexibility." The 2024 testing phase conducted by CBP will include use cases for data exchanges and credential verifications in e-commerce, food safety, and the natural gas sector. "CBP Champions Trade Modernization Through Global Interoperability Standards Testing," U.S. Customs and Border Patrol National Media Release, August 19, 2024 <https://www.cbp.gov/newsroom/national-media-release/cbp-champions-trade-modernization-through-global-interoperability>.

[15] John Bottega, Public Comments, "FDTA Forum Transcript – Data Foundation FDTA Forum 2024: Defining Success," June 27, 2024, "But what happens when we don't have consistent data? Simply have to look back at the financial crisis. Now let me be clear. The financial crisis was not caused by data. There were many other factors involved and we'll be talking about that for the next 10 years. But from a data perspective, there are two fundamental issues that hampered the ability of the decision makers to respond effectively to the crisis. First was the lack of financial instrument standards. As the industry continued to develop and introduce more complex financial instruments – derivative CMO, CMO squared – our ability to understand the specific structure of these instruments and the relationship to the underlying collateral was lacking. As the Chief Data Officer (CDO) at one of the major financial institutions, I was asked at the time to help identify the bank's exposure to the subprime holdings. But I asked the desk to describe what a subprime instrument was, they were unable to do so. How then can you manage what you can't describe? The lack of the transparency, to the underlying collateral, meant the industry was unable to see the deterioration of that collateral, as bankruptcies and foreclosures dominated the market. Data we needed to determine the health and wellness of these instruments was inconsistent, disparate, and incomplete. Second related challenge, which we mentioned many times, was the lack of a consistent standard Legal Entity Identifier. As Lehman collapsed, the street rushed into the offices and everybody wanted to know what their exposure was to Lehman. But Lehmann wasn't Lehman, Lehman was hundreds of sub-Lehmans. Subentities with varying legal obligations. Without identification standards, it was nearly impossible for the regulatory community to aggregate the Lehman positions and exposures coming from all different financialized institutions." <https://datafoundation.org/news/past-events/210/210-FDTA-Forum-2024-Defining-Success>, p. 23.

[16] "Introducing the verifiable LEI (vLEI)," GLEIF, <https://www.gleif.org/en/vlei/introducing-the-verifiable-lei-vlei>.

[17] "GLEIF Annual Report," GLEIF, https://www.gleif.org/en/about/governance/annual-report. To illustrate the use of the vLEI, GLEIF's Board Chair, the CEO, and auditors used encrypted signatures to sign the report's contents. The signatures were then available for anyone reviewing or using the report's contents, including the financial statement data, to review and determine if the contents have been edited, altered, or forged from the point of signature and onward.

a. **The Data Foundation supports the establishment of the Unique product identifier (UPI – ISO 4914)[18] for reporting swaps and security-based swaps, as well as the Classification of Financial Instruments (CFI – ISO 10962).** While the Data Foundation supports the inclusion of the CFI Code, it is not readily available and carries potential data quality risks since there is no official assigning body for the CFI codes, which can lead to data quality issues. This is not a fully limiting factor for the inclusion of CFI codes – ISO 10962, however, the Data Foundation encourages the Agencies to include a list of approved assigning bodies or determine that the issuer of a security assign the CFI code for the sake of consistent, reliable, and traceable codes.

b. **The Data Foundation supports the establishment of the FIGI as an adjacent identifier of financial instruments.** "The [FIGI] standard covers financial instruments globally and across asset classes, including common stock, derivatives, corporate and government bonds, as well as those that previously lacked standard identifiers, such as crypto assets and loans. Using a semantically meaningless primary key as the identifier, it is supported by descriptive metadata that describes the financial instrument, including specific context such as an exchange or national jurisdiction where appropriate."[19] Building from this description, the Data Foundation acknowledges the multi-use nature of the FIGI, which is an open, non-proprietary data standard maintained by a consensus-based standards body.[20]

   The FDTA requires the Agencies to establish "common identifiers for collections of information reported to covered agencies"; to the extent practicable these identifiers must be "nonproprietary or available under an open license."[21] As the Data Foundation has noted, "Open and nonproprietary are characteristics of a standard important for regulatory adoption and access, because such characteristics allow rapid adoption by the market and provide low cost options. Open, nonproprietary standards may be safer or less risky options for regulators than proprietary standards because they are freely available, and not subject to commercial business needs, which could result in a discontinuation of the technology or application, change in features, or unexpected increased pricing."[22]

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[18] Designated by CFTC for Swaps Recordkeeping and Reporting, February 16, 2023; <https://www.cftc.gov/PressRoom/PressReleases/8659-23>; and is used internationally, in jurisdictions that include Australia, Singapore, the EU, and the UK.

[19] "ASC X9 Publishes U.S. Standard for the Financial Instrument Global Identifier," Bloomberg, September 15, 2021, <https://www.bloomberg.com/company/press/asc-x9-publishes-u-s-standard-for-the-financial-instrument-global-identifier/>.

[20] <https://www.omg.org/figi/>.

[21] FDTA sec. 5811.

[22] Explainer: What Makes a Data Standard a Standard?, FDTA Roundtable, Data Foundation, May 23, 2024, <https://datafoundation.org/news/blogs/201/201-Explainer-What-makes-a-data-standard-a-standard>.

The Data Foundation encourages the Agencies to identify at what point the FIGI can be used as an adjacent identifier, e.g. regulatory reports, and recommends that the FIGI be established as the standard adjacent to other identifiers, rather than a replacement. The lack of standard expectation, use, and/or requirement of a standard – to what extent should the standard be established or used – in this case, could unintentionally set up an environment where partial market shifts or changes lead to a significantly negative impact on data quality, timeliness, data analytics, and market exposure insights.[23] The Data Foundation recommends the Agencies direct questions to subject matter experts and statutory-designated Chief Data Officers[24] to best determine how the FIGI should be standardized in relation to the FDTA and how best to pursue non-proprietary and open-licensed financial instrument identifiers, as directed by the FDTA, over the long term.

c. **The Data Foundation supports the establishment of ISO 8601 for date fields, but encourages additional clarification on "to the extent practicable,"** so that the interpretation within Agencies does not undermine future interoperability of date comparisons across covered agencies or for data analysis.

d. The Data Foundation supports the establishment of U.S. Postal Service Abbreviations for identification of a "State" of the United States of America.

e. The Data Foundation supports the establishment of ISO 3166 for country codes and their subdivisions as defined by the Geopolitical Entities, Names, and Codes (GENC) standard.

f. The Data Foundation supports the establishment of ISO 4217 Currency Codes for identification of currencies. Currently, ISO 4217 does not include off-shore currencies, or unofficial currencies[25] like Yuan issued from Hong Kong or Taiwan, and crypto currencies, although unofficial currency codes exist modeled after ISO 4217.[26] This gap of information is not a limiting factor. The note of limitations is informational for the Agencies as they consider current and future uses of the identification codes used across government.

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[23] The author, Ariel Junqueira-DeGarcia, Strategy and Technology Leader at Broadridge, clearly describes pitfalls and examples of how bad data enters a system and the costs of bad data in the article "The Hidden Cost of Bad Data – Why Accuracy Pays Off," which includes illustrations and points that easily transfer to the work of regulatory agencies or any data-driven organization, like the Agencies. A-Team Insight Blogs, May 21, 2024 <https://a-teaminsight.com/blog/the-hidden-cost-of-bad-data-why-accuracy-pays-off/>.

[24] Functions of the Chief Data Officer, as detailed in the Evidence Act, "The Chief Data Officer of an agency shall… manage data assets of the agency, including the standardization of data format, sharing of data assets, and publication of data assets in accordance with applicable law…" Foundations for Evidence-Based Policymaking Act of 2018 <https://www.congress.gov/115/plaws/publ435/PLAW-115publ435.pdf>.

[25] <https://www.fpml.org/docs/FpML-AWG-Expanding-the-Currency-Codes-v2016.pdf>.

[26] <https://finosfoundation.atlassian.net/wiki/plugins/viewsource/viewpagesrc.action?pageId=97484870>.

g. **The Data Foundation supports use of the existing Census [Bureau] Tract identifier, a commonly used geocoding standard inclusive of the 5-digit Federal Information Processing Standard (FIPS) to provide more locational precision when a Census tract divides across boundaries, like ZIP codes or in the case of FIPS, a county.** The Data Foundation also acknowledges the financial regulatory community may seek further coordination with the Federal Geographic Data Committee for implementing this standard.

D. **Data Transmission and Schema and Taxonomy Format Standards:**

a. **Regarding data transmission and schema/taxonomy format standards, JSON, XML, and CSV files are acceptable when they are associated with a complete taxonomy.** To accomplish this, regulators should explicitly state that the required format must be XBRL-JSON, XBRL-XML, and XBRL-CSV, respectively.[27] The Data Foundation does not recommend the independent use of CSV apart from standard semantic data models or taxonomies, or from established CSV-based data transmission standards such as XBRL-CSV. CSV alone does not satisfy the definitions or uses of data related to the FDTA in the findings of the Data Foundation. By requiring a complete taxonomy that includes a single semantic data model/structure, Agencies will be able to then choose from XML, JSON, etc. structures and the combination will allow for interoperability and flexibility for data transmission while protecting semantic meaning.

The Data Foundation recommends that PDF files should not be used or accepted as "machine-readable" files or transmissions of data. PDF/A files can be used if the technical specifications allow the files to reliably reference a schema that can generate structured, machine-understandable data. At this time, the specification does not have that capability. Ultimately, the Data Foundation does not recommend the use of PDF files for data transmission. Transitioning from PDF files, which are effectively *documents* and non machine-readable, can also help the Agencies apply analytics with little to no data translation, reducing potential errors in transmission and protecting meaning.[28]

Schema and Taxonomies: What and How to Apply

When considering the scope of reporting, the Data Foundation recommends that the Agencies shift a paradigm to moving from report-based data-gathering, tracking, and application of the stated rules and standards to a data-centric methodology. A data-centric methodology would identify and capture common data points reported to and tracked across agencies.

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[27]< https://www.xbrl.org/guidance/xbrl-report-formats/>.

[28] *Standard Business Reporting: Open Data to Cut Compliance Costs*, Data Foundation, August 2017 <https://datafoundation.org/news/financial-data-transparency-hub/368/368-Standard-Business-Reporting-Open-Data-to-Cut-Compliance-Costs>, p. 6.

Additionally, the Agencies should consider that any data collection that is reported and shared, should have a schema. In a 2023 report from the Data Foundation, we defined: “Schemas are the means by which data systems assure a consistent shape and arrangement of data. If designed and implemented correctly, schemas can also assure a consistent framework for the quality, completeness, and meaning of data. However, FDTA explicitly asks for the more expressive capabilities of taxonomies and ontologies, highlighting the requirement that computer implementation should support a greater level of quality assurance and realize higher benefits through semantic data. Schemas are not necessarily semantic models. Taxonomies and ontologies explicitly are semantic models.”[29]

As a note, any data collection by an Agency that will be inventoried, posted to a database, or shared, should have a supporting schema/taxonomy. Even if only two facts are reported on a form – e.g. Corporate Title and Address – a schema is necessary to enable the linking of facts across different data collections, and define what they represent in a consistent manner.

Reporting entities and regulators should be looking for consistency in naming, labeling, and tagging across taxonomies to reduce burden and confusion. If the Agencies move forward with the option for reporting entities to report with multiple taxonomies, the Data Foundation recommends that the Agencies limit styles and provide recommendations on how to harmonize taxonomies. The goal for such distinction is to reduce reporting burden with direction and clarity, which will also improve certainty and meaning among regulators reviewing data. Collaboration on common and consistent data fields and tags across the Agencies should be led by the Offices of the Chief Data Officer, as the executive tasked with the “standardization of data format with applicable law…” among other data-related responsibilities outlined in the Evidence Act.[30]

Similar efforts have been made in countries that implemented Standard Business Reporting (SBR), like Australia and the Netherlands. The creation of the Australian SBR taxonomy reduced the number of data elements Australian companies report to the participating regulatory agencies, reducing the number of unique reporting terms used across the forms that [were] accessible through SBR from almost 35,000 to less than 7,000 unique terms, a reduction of more than 80%.[31]

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[29] *Implementing the FDTA: From Data Sharing to Meaning Sharing*, Dean Ritz and Timothy Randle, Data Foundation, September 2023 <https://datafoundation.org/news/financial-data-transparency-hub/28/28-Implementing-the-FDTA-From-Data-Sharing-to-Meaning-Sharing>, p. 14.

[30] Foundations for Evidence-Based Policymaking Act of 2018 <https://www.congress.gov/115/plaws/publ435/PLAW-115publ435.pdf>.

[31] *Standard Business Reporting: Open Data to Cut Compliance Costs*, Data Foundation, August 2017 <https://datafoundation.org/news/financial-data-transparency-hub/368/368-Standard-Business-Reporting-Open-Data-to-Cut-Compliance-Costs>, p. 6.

The Data Foundation also recommends that the Agencies reuse existing taxonomies, like the GAAP Financial Reporting Taxonomy.[32]

The Data Foundation recommends establishing a joint standard for taxonomies based on principles with accompanying appropriate metadata that ensure semantic richness and interoperability. This approach would allow for the development of early warning systems and expand access to reliable market and risk analyses in addition to data clarity, assurance, interoperability, and auditability.

As noted in the "What Does the FDTA Mean for Financial Reporting?" report, the FDIC's implementation of machine-readable taxonomies led to a reduction in mathematical errors from 33% to nearly zero, while making data available to capital markets within hours rather than days or weeks.[33]

Moreover, these standards will enable more sophisticated risk assessment and market analysis. As former Kansas City Mayor Mark Funkhouser noted during the FDTA Forum on June 27, 2024, with standardized, machine-readable data, researchers will be able to discover "new correlations, new connections" in financial data, leading to better-informed policy decisions.[34]

The proposed data requirements, particularly those requiring data to be fully searchable, machine-readable,[35] and semantically defined, are crucial for reducing reporting errors, increasing the efficiency and effectiveness of regulatory oversight, and supporting the stability of capital markets.

Data Foundation Experts are Prepared to Provide Advice and Consultation to Financial Regulators for Finalizing and Applying the FDTA Data Standards

The Data Foundation applauds the Agencies for the collaboration they have done to produce the proposed rule, and urges the Agencies to continue close interagency collaboration,

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[32] <https://www.sec.gov/newsroom/whats-new/2403-2024-xbrl-taxonomies-update>.

[33] “What Does the FDTA Mean for Financial Reporting?” Data Foundation, October 22, 2022 <https://datafoundation.org/news/financial-data-transparency-hub/143/143-What-Does-the-FDTA-Mean-for-Financial-Reporting->.

[34] Mark Funkhouser, Public Comments, “FDTA Forum Transcript – *Data Foundation FDTA Forum 2024: Defining Success*,” June 27, 2024 <https://datafoundation.org/news/past-events/210/210-FDTA-Forum-2024-Defining-Success>, p. 20.

[35] Machine-readable as defined in U.S. Code, refers to “data in a format that can be easily processed by a computer without human intervention while ensuring no semantic meaning is lost.” Data going in must be at a certain level of reliability and quality to meet the requirement that such data can be “easily processed by a computer” and “without human intervention.” The second part of the definition, i.e., “no semantic meaning is lost,” most generally means that the machine-readable representation does not lose data nor introduce noise into the data. More specifically, that “no semantic meaning is lost” implies that: 1. each infon be identified and defined in some way as to capture meaning from its machine-readable representation, and 2. the meaning derived by the recipient concurs with the meaning as intended by the sender, and there is no loss of semantic meaning. Foundations for Evidence-Based Policymaking Act of 2018, <https://www.congress.gov/115/plaws/publ435/PLAW-115publ435.pdf>, p. 10.

leveraging the expertise of their Chief Data Officers and other subject matter experts, to ensure a cohesive and effective implementation of the FDTA.

The Data Foundation remains ready and willing to engage with the Agencies through the implementation process. The Data Foundation, and our Data Coalition partners, have demonstrated a long-standing commitment to contributing expertise in support of improved data environments, practices, and structures.

As the Agencies consider implementation of the proposed rule of joint standards, the Data Foundation is prepared to be a resource for agency officials and staff interested in ensuring the agency has access to and hears from subject matter experts and stakeholders. The Data Foundation regularly convenes experts and leaders in the data and financial sectors through the Open Data Standards Task Force and Data Coalition member-based FDTA Roundtable, representing members from academia, nonprofits, and industry. In the past two years, the Data Foundation has hosted and facilitated public forums on topics related to the FDTA, including the 2022 Financial Data Transparency Forum,[36] RegTech Summit 2023,[37] PitchFest 2023: Unlocking the Vision of the Financial Data Transparency Act,[38] and the FDTA Forum 2024: Defining Success,[39] convening cross-sector data experts interested in data quality, access, transparency, and use.

The implementation of the recommended standards and best practices will significantly enhance the efficiency and effectiveness of regulatory oversight, reduce reporting errors, reduce compliance burdens, and support market efficiencies. By adopting machine-readable, semantically rich data standards, the Agencies can facilitate more sophisticated risk assessment and market analysis, ultimately leading to better-informed policy decisions, increased data transparency and utility, and a stronger society. The Data Foundation encourages the Agencies in the forthcoming efforts to prioritize effective implementation of the FDTA, and is prepared to support engagement and provide expertise.

Ashley Nelle-Davis
Chief of Staff and Special Projects Lead
Data Foundation

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[36] <https://datafoundation.org/news/past-events/29/29-Financial-Data-Transparency-Forum>.

[37] <https://datafoundation.org/news/financial-data-transparency-hub/5/5-RECAP-RegTech-2023-Data-Summit-Data-Modernization-under-the-Financial-Data-Transparency-Act>.

[38] <https://datafoundation.org/news/past-events/115/115-FDTA-PitchFest-2023-Unlocking-the-Vision-of-the-Financial-Data-Transparency-Act>.

[39] <https://datafoundation.org/news/past-events/210/210-FDTA-Forum-2024-Defining-Success>.

Appendix:

The Data Foundation, in partnership with DFIN, convened a half-day public forum, *FDTA Forum 2024: Defining Success*, in June 2024. The forum featured a broad base of substantive comments and discussions leading into the public comment period. Speakers and attendees addressed aspects of nuance surrounding the development of cross-agency data standards and what successful implementation could mean for financial regulatory compliance, transparency, and data quality.

Moderated by Data Foundation Chief of Staff Ashley Nelle-Davis, forum speakers included:
- Vishal Kapur, Deloitte
- Mark Funkhouser, Funkhouser & Associates
- Justin Magruder, SAIC
- Patrick McGarry, data.world
- Samar Chatterjee, SAFE
- John Bottega, EDM Council
- Corinna Turbes, Data Foundation
- Sukumar Ganapati, Florida international University
- Pragyansmita Nayak, Hitachi Vantara Federal
- Marc Joffe, Cato Institute
- Campbell Pryde, XBRL US

Public Comments accessible through the the “FDTA Forum 2024 Transcript” and are included below:
https://datafoundation.org/news/past-events/210/210-FDTA-Forum-2024-Defining-Success

Public Forum, In-Person Speakers

Ashley Nelle Davis (01:08:03.000 – 01:08:49.000)
That is a great correction. Let me restate that for anybody who online may not have heard. Don't wait until it's on the register. I pull back what I said. Because that could be a two-week lag. You're losing time. So look on the agency websites. We and I'm sure many of our cooperating organizations will be keeping an eye for the publication as well. Thank you.

We'll transition to our in person speakers. We will start with Vishal Kapur. He is the principal for government public services at Deloitte and we will not start your time until you get up here. For speakers, please come to the podium.

Vishal Kapur (01:08:50.000 – 01:14:29.000)
Thank you. Vishal Kapur, I’m the principal in Deloitte's financial regulatory practice. I’ve been working in this space for the last 15 years or so. I stumbled into the Washington DC space and started working for all the financial regulators, specifically in the data and analytics domain. So I will perspective on the data that they collect on the industry, books, all the regulators, but also interfacing with the regulated and the white space that exist between them. My comments are

gonna amplify, utilize some of the comments earlier - from the earlier speakers. I think we all know there's a lot of data that gets collected from the industry. Why the variety of granularity different periodicity. There is a degree of overlap in the data that gets collected from the industry. Different regulators have different priorities, different perspectives of what they want, some nuances. The financial prosperity data act actually gives a great opportunity to unify someone of that data collection opportunity, give a sense of you know, one of the common identifiers of data that is needed. So I think it provides sort of that platform to be able to unify the data collection. But of course a lot that depends on you know, how it actually gets implemented. It's almost like now all the tools are there, the platform is there, but how it gets actually implemented so you can find how successful we collectively become. I also wanted to emphasize some talk that happened which is, we probably have a different lens on the why of the financial departments you can have. I've been in the data space for 20 years and never have I won a conversation on data management and governance by starting with the data title. It's always about the outcome. It's always about what are you gonna achieve. So might as well, this act would have been called the financial risk mitigation act or financial get better insights on the financial ecosystem act. In terms of mindset yes that's the act but I think we as a collective sort of private and public partnership ecosystem need to turn the conversation in the so what and the why of this act because I think that will get sort of the energy and the motivation needed to really implement this better. In terms of what data sets to prioritize, we can think of it as 2 ways one we can think of it as boiling the ocean there's a lot and then you don't even know how to start with this big problem. Or, you can start to say you know what I want to prioritize, here is a set of data that we collect, here is a set of financial risk that we have in the system, which data sets are fundamentally important over risk, and try out which ones do we want to happen first. We also want to understand the implications of standardizing those data sets on the industry. Which ones will be the most costly, which ones will be the most tricky. And sort of, though that value and complexity framework, a classic prioritization framework that we've used in many, many domains. We're able to take this complex problem, I think. These are the implementation steps. This is the journey that we would follow. It hopefully gives a much more practical and pragmatic approach to execution. In terms of how we go about executing, of course they are given in terms of the governance that needs to be put in place. Again, we don't have to start from scratch. There are existing bodies the CDO Council, the FIDC, you know, the FSAR, these are existing bodies that already are there to collaborate between agencies. I would say we probably need to think through the membership of these bodies and say, do we have the right, engineering as well as the policy participants in those bodies so that they can execute what needs to be done in terms of implementation. I think there needs to be a comprehensive assessment of the impacts of this on the industry. What is the financial economics of this act, in terms of the short term in the long term. Because my hypothesis based on whatever I learned in the last 10 to 15 years is, in the long run this will save the industry millions and millions of dollars if done right. But we are not able to articulate that. We haven't just yet seen the articulation of that. And I think, we need to be able to do so because that's when the excitement builds up. That's when the imperative to take action will actually become even stronger. So I'm looking at the clock. I love the Data Foundation clock every time we do this. I will leave by saying this is not rocket science, this is not the most complex problem that we've solved in the world. We've done much more complex problems. We already have people at our disposal. We have XBRL, we have Actors Foundation, we have the data standards. We've actually done it in the financial industry in the past. We've done call you VPR data standardization 20 years ago, it works beautifully. We can take lessons from that and apply that in this context, but I think it's important to have the right vision. Most importantly, it is requiring leadership. And you said radical collaboration I say relentless collaboration. And I think those are the ingredients that will be needed to make it successful. Thank you.

Mark Funkhouser (01:14:44.000 – 01:19:34.000)

I'm Mark Funkhouser. I've been focused on state local government for well over 30 years. I spent 10 years with the state auditor in Tennessee where I was the director of the performance audit group. 18 years as a city auditor for Kansas City, Missouri. I served a term of 4 years as the mayor of Kansas City. Then I was the publisher of Governing Magazine for about a year and the last 5 years I've run my own little firm, Funkhouser Associates. We have done a playbook, focused on local governments, on the FDTA. What do they need to know about, what is a positive work, and so on. When I look at the issue of success, first of all let me just say I think the FDTA is a generational positive thing for local government. This is a very, very good thing. And this, giving us a really quick seminar on why. How do I know what my city is compared to anybody else's. How do I know all this stuff? How do I know our hotel taxes and so on and so forth. I'm going to transcribe a lot of what she said because that is the world that local governments are in. There are three groups of people that I'm overstar. First is the good government groups. The local Chamber of Commerce, they're different in every town. There was something in Kansas City called, they're still there, the Citizens Association - a bunch of well off insiders who work on and support people in elections they do not support me. But nevertheless, they're important. Focusing on those groups, this allows them to look, use something, app, the financial statements much more deeply than you can now. So that's one group. The second group is the academics and researchers who are looking at local governments. I think they will come up with innovations. They will come up with new correlations, new connections. Oh, people that have a really high hotel tax also have this, also have that. Here's the relationship between you know the general fund balance and the statement and that sets overall all this kind of stuff that we don't do now in the complexity that's mentioned. A city like Kansas City, a city of about 500,000 and every kind of municipal security that you can imagine. So making sense of that and being able to report it and deal with it, that's really important. And then the third group, these first two groups will impact the third group. The third group is the policy members themselves the mayor, the council, the city manager, the chief of staff for the mayor. They now are focused almost exclusively on the budget, but the budget is aspirational. Here's what we think we're going to do in the coming year. It has nothing to do with what we actually did. So what is the impact of the budget? On the net worth of the community. Does it make it better? Does it make it worse? That sort of thing is not there. It astonishes me. I have a PhD in urban sociology and administration and I've been teaching financial management for a long time. I currently teach it to Lane. And I make sure that my students understand it is budgeting and financial management. There is a financial statement. There is an auditor's report in internal controls. There is all this sort of stuff that you need to know. And right now it is pretty impenetrable, it is very very difficult to go through a 250-page offer another and figure out what's going on and then compare it to other cities like Europe or other cities in the region. So those three groups, I want the good government groups to finally start to pay attention to this stuff. I want the academics and researchers to have much more insight into the documents. I want the policy makers themselves to focus on the financial statements as well as the budget. Thank you.

Justin Magruder (01:19:47.000 – 01:25:10.000)

Good afternoon. My name is Justin Magruder. I'm the Chief Data Officer for Science Applications International Corporation(SAIC) and most of you were saying, why is the defense contractor standing up here talking to you about financial data? Let me tell you, I spent the first 30 or so years of my career on Wall Street building systems for companies like JP Morgan's investment bank UBS investment bank, a number of other bold bracket banks. Been working for market utilities and then I came to the defense industry about 4 or 5 years ago and realized that the all domain we're fighting that was one of our 5 national priorities involves the financial markets. So SAIC is quite interested in this discussion because we see financial data as the lynch pin to the financial markets and challenges the United States has with internally and with its adversaries and partners overseas. So we think this is a fundamental element of the company's and the country's defense strategies. Let me go into my background for a bit. In building systems for banks I was focused primarily on legal entity setup and registration for companies that we might do business with KYC and AML is what we began to call it in the early 2000s after the Patriot Act. But in the 90s it was simply good due diligence. We realized we needed to understand who we were doing business with before we started doing business with them, as a banker. As we got, as I got deeper into my career I realized there was a lot of enrichment we could do with that core data once we understood the counterparties we were working with. And managing that data became a competitive opportunity for the banks that we worked with. In fact, we realized in the late 90s and early 2000s that the banks that survive today began to manage the data better than many of the banks that don't survive today. Thinking of our friends at Lehman Brothers and Bear Stearns and some other places who decided not to prioritize data management. What we see now is an opportunity to really help our nation advance and become, we already are the best at what we're doing here, but really move the world forward to protect and innovate and serve our population, our citizenry, by building a better mousetrap. We think it comes down to governance, technologies change - it evolves all the time. We're happy to work with companies across the spectrum that implement new better technologies - that's always changing. The data doesn't change that much. Data, get more and more of it, but we're finding that it's, the governance of that data is probably one of the most important factors to successful implementation of a program like FDTA. We see governance in this case involves, at least at this stage of this program, two things that I wanted to talk about briefly today. Standards, and you've heard the word standards tossed around a lot today, and then data source selection and I want to talk about both of those quickly. There are many kinds of standards. There are internal organizational standards. There are standards that govern the exchange of information across organizational boundaries. But there are standards that we all simply accept as facts, like ISO 3166 there are countries and subdivisions that we can all generally depend on although boundaries change sometimes as with Crimea and other parts of the world right now that are in trouble. We see standards as being a potential obstacle because in some cases it can be used, they can be used as fig leaves by organizations who want to implement provincial or proprietary solutions. We worry about standards that conflict. We see a lot of standards that attempt to do the same thing and normalizing or integrating those standards I think is fundamental to getting this right in the long run for the United States. I mean, I don't have much time left so let me jump into data sourcing. Having implemented a lot of large systems for big organizations, I would imagine the data source selection and data source management will be a key component of the success of this program. There is no golden source. There is no single source. There's no silver bullet. We think the composite solution required to implement something like FDTA and to ensure the users of the quality is good. And that the resolution is optimal, that we can find it or data services once the data came. We can establish lineage and providence and understand that it's the data is good and correct is critical to the success. So I’m not a time, but last time I didn't get through half of what I just talked about. I would love to help. We think this is a great opportunity to really do something well for the country and for the world. Thank you.

Patrick McGarry (01:25:23.000 – 01:29:26.000)

Hey folks, my name is Patrick McGarry. I lead the federal practice at data.world. We kind of grew up in the private sector, but we're definitely headed into the public sector in a big way here. So we feel very strongly about a lot of the things they're being talked about today. As I look at this, as we have some of these conversations both today and previously, I'm reminded of one of my favorite comics and I wanted to share that, sort of 3-panel thing and the first one they're looking at a landscape and it says “there are 14 competing standards” and “oh, this is ludicrous, we need one standard to rule them all.” So in the final panel that says there are now 15 competing standards and I think that really kind of goes to the center of what I think about, when I look at landscapes like this one, like the financial industry, the Data Transparency Act that goes into this. Interoperability is going to be an absolute focus that we need to maintain this guiding North Star, whether you're a financial regulator, whether you're in media or whether you're the intelligence community, I think we've seen sort of the similar sort of evolution through some of these data problems, right? A lot of these initiatives fall over because they look at this problem and they decide that it's just too big, like they're scaling problems. We can't, as individuals, wrap our heads around the problem space because it's too big or too complex. But the good news is we now have the technology to help us do that, that can augment human capabilities and help us to get there faster, do better summaries and things like that. What we need to do is sort of look at this as sort of finding the middle ground that encompasses standards, technologies, and sort of to an earlier point I think it was John that made it which is sort of the practical approach that's focused on outcomes, right? And we really need to sort of keep that as a way to tie all of this together. How do we take the new technologies? How do we stay relevant? How do we make sure that the standards and the governance associated are incorporated into this mix. But then how do we make sure that we take that and we do something real with it? Because it’s one thing to say hey, we implemented these standards and now no one uses the standard so they become shelfware or it becomes a metadata museum essentially. Now we've created more of a problem that somebody down the line is going to have to come wrap their head around and encompass the work that we've done as opposed to actually getting somewhere. To where we need to be. I say all of that to say that as we implement the various pieces of the Financial Data Transparency Act I think it's really important, as a long-time technologist and entrepreneur, that we look at a way to sort of incorporate and enable innovation as we go forward. The rules that we write today. The implementation plans that we make today, you know, like one of my favorite quotes “no plan survives contact with the enemy.” And that's true, we're in a period now of technological evolution that is more rapid than any of us has likely seen in our lifetime. And that includes the dot-com era all the way back to the twilight of the start of that innovation. Technology and the landscape is changing faster than we keep up with it. So we need to make sure that in our implementation plans that we're making sure that we make room for innovation. We make sure that we continue to bring in the best and the brightest and the latest and the greatest. To make sure that these implementations continue to evolve at the time. I think that's some general thoughts from me but really, just making sure that we keep our eyes on the guiding principles that I think are part of what we've been after in the first place - the reason this legislation was written. But also making sure that we're continuing to allow those goals and aspirations to evolve with the times. So I'm going to go ahead and cede the rest of my time. Thank you.

Ashley Nelle Davis (01:29:34.000 – 01:29:37.000)

I believe Samar is not here, so we'll move on to John.

John Bottega (01:29:42.000 – 01:35:42.000)

Alright Ashley has a quick hook so I'm here. My name is John Bottega. I'm the president of the EDM Council, a nonprofit trade association that focuses on best practices in data management. We've been collaborating and working with the Data Foundation for many years and I thank you for that collaboration. The FDTA opens with the following describing its objectives: A bill to amend securities and banking loss to make the information reported to financial regulatory agencies electronically searchable to further enable the development of regulatory technologies and artificial intelligence applications to put the United States on a path that's building a comprehensive standards business reporting program and to ultimately harmonize and reduce the private sector's regulatory compliance burden on enhancing transparency and accountability. My time this afternoon, I'd like to focus on exactly what the statement means and how we should view the objectives of the statement and focus on the success of the FDTA. When we speak of the FDTA, we immediately go to requirements of standards. And yes, standards are a critical and fundamental component of the law, but I would argue that this is only a fraction of what the law is designed to achieve. Stand this as a foundational component harmonizes reported data, critical reducing the private sector's regulatory compliance burden while enhancing transparency and accountability. But I will contend that this can't be achieved without an efficient data management program to support it. You need both. Adoption of data standards. Implemented through the establishment of comprehensive data management program. And here's the standards in compliance right, to our reporting, a fine amount to improving. We've heard it all today. Quality, consistency, minimizing misinterpretations, reducing errors, bringing efficiency. It also enables the harmonization data coming from multiple different sources. Which dramatically improves the ability of those receiving this data to perform more accurate, timely, and trusted analytics. That's a leverage with confidence, all the latest technologies and machine learning and artificial intelligence. But what happens when we don't have consistent data? Simply have to look back at the financial crisis. Now let me be clear. The financial crisis was not cost by data. There were many other factors involved and we'll be talking about that for the next 10 years. But from a data perspective, there are two fundamental issues that hampered the ability of the decision makers to respond effectively to the crisis. First was the lack of financial instrument standards. As the industry continued to develop and introduce more complex financial instruments – derivative CMO, CMO squared – our ability to understand the specific structure of these instruments and the relationship to the underlying collateral was lacking. As the Chief Data Officer (CDO) at one of the major financial institutions, I was asked at the time to help identify the bank's exposure to the subprime holdings. But I asked the desk to describe what a subprime instrument was, they were unable to do so. How then can you manage what you can't describe? The lack of the transparency, to the underlying collateral, meant the industry was unable to see the deterioration of that collateral, as bankruptcies and foreclosures dominated the market. Data we needed to determine the health and wellness of these instruments was inconsistent, disparate, and incomplete. Second related challenge, which we mentioned many times, was the lack of a consistent standard Legal Entity Identifier. As Lehman collapsed, the street rushed into the offices and everybody wanted to know what their exposure was to Lehman. But Lehmann wasn't Lehman, Lehman was hundreds of sub-Lehmans. Subentities with varying legal obligations. Without identification standards, it was nearly impossible for the regulatory community to aggregate the Lehman positions and exposures coming from all different financialized institutions. There's no argument that data standards are important. But how do we ensure that data standards are adopted and implemented and only be enabled the best practices of data management. The data management has significantly improved since the financial crisis. Data management is not one thing, it's a collaboration and coordination of a number of capabilities. Data strategy, business information architecture, data quality, data governance - technology all have to work together to manage the information asset. Interesting, evidence of the importance of data management already exists in the public sector. We just had a report, 2024 coming out from the SEC, entitled "Semi Annual Report to Congress Regarding Public and Internal Use of Machine-Readable Data for Corporate Disclosure." Nice long title. The report concludes by saying the FDTA directives coincide with the internal commission and staff efforts to improve the management and use of data across the agency. In 2022, the Office Inspector General of the Federal Reserve requested the use of the EDM Council's framework called the DCAM (Data Management Capability Assessment Model) to assess the data management readiness of the Federal Reserve System. Their concluded report, dated January 18th 2023, they endorse the use of data management best practices as a way to achieve the mission success of the Federal Reserve. The force of stability, integrity, and efficiency of the merchants, monetary financial, and payment systems remote economic performance. Report emphasized the need for establishing data management, understanding data inventory, establishing best practice governance policies, and promoting data management training. With that data management principles, implementation in here, it's just an uphill climb. So in conclusion, I hope I've been able to bring forward what I'm gonna call the 1-2 punch. Hearing this learns the opportunity to adopt critical data standards, needing to improve quality and transparency and trust, and to make it happen to the establishment of best practice during data management.

Corinna Turbes (01:35:54.000 – 01:40:30.000)

Good afternoon, everyone. My name is Corinna Turbes and I am the Director at the Center for DataPolicy here at the Data Foundation. The reason we launched the Center for Data Policy is focused, among other items, in ensuring that the federal government is approaching decisions about data from a holistic and comprehensive perspective. Or said another way, that we take a systems approach that facilitates coordination across agencies, laws, and regulation to best leverage data as a course for good. Which is why today I'm so excited to see your collaboration, coordination as some really common words that came up. And in that effort, today I am recommending that the Secretary of the Treasury use the authority granted under the FDTA to designate the CFTC as a covered agency. Including the CFTC officially as a covered agency in this bill would help create a more comprehensive and complete approach to the rule making and implementation of this important law. An official designation will formally bring the CFTC into the collaboration across FSOF agencies as they issue rules and ultimately significantly enhance coordination and interoperability across these regulatory bodies. An official designation is necessary for several compelling reasons. Firstly it ensures that the CFTC, which already has undertaken some robust data modernization efforts, has a voice as agencies work to issue this joint rule. Without this designation, the CFTC participation would be voluntary and potentially leading to inconsistencies in the implementation of data standards across the regulators. Formalizing the collaboration is essential for ensuring a level playing field and consistent application of the FDTA provisions. The designation is crucial for the CFTC's complete participation in the joint rule making process. As the FDTA requires covered agencies to work together in developing and implementing, implementing common data standards. The standards are the foundation of the FDTA's vision for modernizing and streamlining financial data. And officially designating the CFTC ensures expertise and perspective are included in the critical decisions at the table. Moreover, the official designation would subject to CFTC to the same reporting requirements, timeline adherence, and congressional oversight as other covered agencies. It promotes accountability and allows for better tracking of progress across the financial regulators. Regular reporting and oversight ensure that the FDTA's implementation remains on track and that any challenges or roadblocks are properly addressed.The inclusion of the CFTC as a covered agency helps to achieve the overall goals of the law. The FDTA as it standardizes and modernizes financial data across regulatory bodies, enhancing transparency, efficiency, and risk management. Without the CFTC's inclusion, a significant portion of our financial ecosystem, the derivatives market, would remain outside the framework. These markets play a crucial role in our economy and their exclusion would leave a critical gap in the FDTA's coverage important for its success. By bringing the CFTC into the fold, we are ensuring this comprehensive coverage and it creates a more complete picture for regulators, market participants, and the public enhancing overall market transparency and stability. It allows for better assessment and management of systemic rights by integrating standardized CFTC data into the broader regulatory framework. And in today's interconnected financial landscape, this is a holistic view that is essential for identifying and mitigating potential risks. Further, including the CFTC under the FDTA would significantly enhance interoperability across these regulatory bodies. It would align the CFTC's existing data modernization efforts with those of other agencies facilitating easier data sharing and analysis. Again, crucial for the holistic view of our financial markets and for coordinating or conducting comprehensive analyses across different market segments. The interoperability also reduces the regulatory burden on financial entities by streamlining reporting requirements across multiple jurisdictions. So I will conclude by saying, officially designating the CFTC as a covered agency under the FDTA is a critical step in strengthening our financial regulatory framework and it ensures that the CFTC is a full participant and collaborator with their other agencies as it enhances market transparency, improves risk management and promotes the overall goals of the FDTA. Thank you so much.

Ashley Nelle Davis (01:40:36.000 – 01:41:10.000)

Okay, now we will transition to our online speakers, our virtual speakers. We'll start off with Sukumar Ganapati followed by Pragyansmita Nayak, then Marc Joffe and Campbell Pride. For the online speakers, just giving you this direction, we'll give you a 4-minute warning since we don't have a timer to send you. And then at the 5 minutes you might hear a beep on this side but I'll also interject.

Public Forum, Virtual Speakers

Sukumar Ganapati (01:41:15.000 – 01:46:59.000)

Hello everybody, good afternoon. My name is Sukumar Ganapati. By the way of introduction, I'm a professor of public policy and administration at Florida International University. My background is in urban planning and I come from an open technology govtech background. We're mostly focused on local government standards, slow to come, and data local government openness and so forth. So I come from more of a policy approach to data. I'm not a full fledged financial person, so I may be less conversant with the financial itself, but I do come at the FDTA from that data and the policy background. And to set this tone of where I'm going with this is to say that for the success of the FDTA success being in the local governments, the reporting agencies, and those who are involved in these reportings to have the buy-in for the reporting. I'm not sure the local governments or the states are still there yet. FDTA is not simply a technical solution, it's also an administrative and a political exercise that the local governments and the state governments have to take. I do agree with the initial statement that it started off at that FDTA is all for the better quality data. But again, we have to also ask better quality for whom and for what purpose. And here again, that could be an argument made that the FDTA has a larger private as well as the public value and bettering the quality of the data across the board in terms of accuracy, in terms of what the expected meeting expectations are, and also for whom. Presently a number of the local government, those who are reporting, are focused on investors which means that they're focused on the rating agencies as well. But here it's not just for them, but it's also for others beyond, which could have larger implications which I'll come to in a second. And the second aspect is what we have heard from a lot of the agencies that is going to pose an administrative burden on them. It's an unfunded mandate. And, that needs to be addressed as well but SEC on the complaints about what kind of software is required, what kind of standards need to be met even if it is open data, open XBRL standards then what is it that they have to do in order to get to appropriate reporting. On this side a bit of the institutional support that could come from various agencies: the National League of Cities, the ICMA, the International City County Management Association, a local government associations would be

quite important. And third aspect for the success is what we have heard from other speakers here as well that there's a heterogeneity of the financial
data that we have to meet across the board. So the standards have to be flexible enough while at the same time useful enough to meet the core heterogeneous kind of data that we are getting here. The last piece I'll end with is what kind of impact the FDTA could have and a broader public value. And, that's where I see a lot of the value of the FDTA that this is not just limited to the financial information disclosure, this is not just a transparency for transparency sake but also that it can be a harbinger for what kinds of troubles that a financial agency could have, just as Mark had pointed out earlier. On the larger aspect, the other point is that many of the local governments are depending on the rating agencies and the rating agencies are the main kind of players in providing those kinds of markers. Hopefully with this kind of FDTA reporting and transparency that could go beyond and could be a shaker in the whole rating agency gain. That there could be other players who could also come in for what the local governments can do. So overall, I'd come to with saying that we do need to have the buy-in with the local government. If we are considering this to be a success. Thank you.

Ashley Nelle Davis (01:47:05.000 – 01:47:10.000)

Thank you, Sukumar. Pragyansmita it's you now.

Pragyansmita Nayak (01:47:13.000 – 01:51:09.000)

Thank you. Hopefully my voice is clear enough. Thanks. Hello everyone, I'm Pragyan Nayak, Chief Data Scientist with Hitachi Vantara Federal. Thank you for giving me the opportunity to share my thoughts on data management and automated ontology for shared language between the different stakeholders respective of whether they are technical or functional, so that there is an accelerated value from the transparency of the financial data. Let me start with a quick story. A few months ago, I was part of a project where our technical team and business analyst was working together on a new data-driven initiative. Despite our best efforts, we kept running the standings and delays. I'm sure that's not a surprising story for anyone over here. The technical team was focused on data schemas and APIs while the business analysts were talking about user journeys and market trends. And the same story will apply in any domain irrespective of whether they are working with financial data or any other type of data. From this experience, it was like we were speaking different languages and it became clear that we needed a better way to communicate and collaborate. This is where the concept of automated ontology comes into play and today I'd like to share how it can transform data management and foster a shared language among different stakeholders. Challenges in data management is the communication gap between technical and functional stakeholders. Technical teams focus on data infrastructure, databases, and code. While functional teams are more concerned with business processes, outcomes, and user needs. This gap often leads to misunderstandings, misaligned goals and inefficiencies. And repeated communications on the same topic where they're both talking about the same things but different things, as well, at the same time. Data is one of the most valuable assets for any organization, we all know that. Effective data management ensures that data is accurate, accessible, and secure. It helps in making informed decisions, improving operational efficiency, and gaining a competitive advantage. Our managing data can be complex due to the sheer volume, variety, and velocity of the data being generated today.

Ontology in the context of data management refers to a formal representation of knowledge as a set of concepts with a domain and the relationships between these concepts. It provides a common framework for understanding and sharing information. By creating a shared vocabulary and structure., ontology helps bridge the communication gap between different stakeholders. Automated ontology involves using AI and machine learning to develop and maintain these knowledge frameworks. It can dynamically adapt to new data and changing requirements and sharing that the ontology remains relevant and up to date. This automation reduces the manual effort required and allows for more scalable and flexible data management solutions. As you can imagine, this leads to improved communication, enhanced data quality, better decision making, scalability, and operational efficiency. It helps in the financial sector. Primarily it helps in unifying financial data standards, facilitating better risk management and regulatory compliance. In conclusion, effective data management is essential for leveraging the full potential of our data, including financial data. Automated ontology provides a powerful tool for creating a shared language between the different stakeholders irrespective of their domain, expertise, and their way of using the data and sharing better communication and improved decision making. As we continue to generate and rely on data, adopting these advanced techniques will be crucial to staying competitive and achieving the organizational goals. Thank you for your attention.

Ashley Nelle Davis (01:51:23.000 – 01:51:31.000)

Okay. Thank you. We'll move on to Marc Joffe next and then Campbell to round us out.

Marc Joffe (01:51:32.000 – 01:56:44.000)

Great. Good afternoon everyone and thanks for having me. Many of you might know me as a very long time advocate of the application of the FDTA to municipal finance. I'm glad to be here with Mark Funkhouser who all the way back in 2015 ran an op ed for me and governing on this topic. So 9 years later, here we are and maybe in another 4 or 5 years we'll have a live implementation and so I've learned to be patient. I want to talk to you for a couple of minutes about a regulatory benefit of proper implementation of the FDTA. And of course the FDTA is here to benefit investors and citizens but it also should make the regulators' job easy. One challenge regulators have is dealing with late filings of municipal financial disclosures. A recent study from the municipal securities rulemaking board found that the average municipal financial audit, the average audited financial statement, comes within 209 days of the end of the fiscal year. So that's the average. The normal requirement is 180 days. So that implies that the average filer is actually late. And so that's a pretty serious situation. So in addition to that, another challenge is that this is an average that's only based on those filers that return their financial statements within 1 year. So it excludes some of the ultra late filers. I've done some digging and done several examples of filers that are very, very late. An example is the notorious municipality of Dalton, Illinois, which is having a serious financial scandal right now. Their last financial statement was posted for the fiscal year ended 4/30/2021. So it's 3 years ago, so they're 2 years late with their financial statements. Chester, Pennsylvania a city that is in bankruptcy, their latest available financial statement is from December 31st, 2018. And then the champion, the latest financial statement filer, is Mount Vernon, New York, a suburb of New York City, that has last filed a financial statement for the fiscal year ending 12/31/2017 – over 6 years ago. So regulators have made attempts to look into this. The SEC had a voluntary compliance program back in the 2014 - 2016 period disciplined 71 entities for a late financial statement or missing financial statement filing. Many have voluntarily updated their filings since but it continues to be the case that there are many, many scofflaws here who are late with their financial filings. The Legal Entity Identifier, which is implicated in the Financial Data Transparency Act, will really help with researching and enforcing this aspect of municipal financial transparency. With an LEI, every single participant in the municipal bond market would have a distinct identifier. And right now, we who research municipal finance suffer from the fact that there isn't a unique identifier. For example, if you go to the Municipal Securities Rulemaking Board EMMA system (Electronic Municipal Market Access) and you look up California State, you'll find that there are 7 entities with that name and then there are several more with spelling variations. It turns out that part of the problem is that MSRB, like many participants, rely on the first 6 positions of the CUSIP number to identify an issuer. Now that's theoretically a good idea but the problem is that CUSIP 6s run out and as a result CUSIP Global Services has to assign multiple CUSIP 6s, multiple issuer identifiers to the same issuer. So the last time I looked into this, a few years ago, I found that California had 29 distinct CUSIP 6s. Another famous issue where in the municipal bond market the dormitory authority of the state of New York had 42 CUSIP 6s. So to be able to move away from that particular identifying scheme to one that guarantees a unique entity identifier, not only for issuers but also for obligors on conduit issuances, will really make the job of determining who's on time and who's late much easier. Thanks for your time.

Ashley Nelle Davis (01:56:55.000 – 01:56:56.000)
Alright Campbell, whenever you're ready.

Campbell Pryde (01:56:57.000 – 02:03:58.000)
Alright, thank you. Thank you very much. Thank you to the team at the Data Foundation for holding this forum today, it's such an important subject. I'm the CEO of XBRL US. We're not for profit standards consortium that supports open non-proprietary XBRL digital reporting standard. And today I was just really going to talk about the proposed rule a little bit and some of the background, sort of things that we're concerned about. So the standardization of regulatory requirements called from the FDTA is of critical importance for all of us. And one of the things that we're concerned about is the cost of government regulation is increasingly being seen as a burden, particularly by many in Congress and the courts who are looking to limit the scope of regulatory agencies. At the same time, the data being collected by those regulatory agencies is becoming even more important for the functioning of an economy like the US economy. We're seeing increases in geopolitical, environmental, market liquidity, and counterparty and political risk that need timely and comprehensive information to understand. And that's essential so that everyone can navigate those risks and make appropriate choices. So the importance of government data is becoming more and more important at the same time we're seeing the cost and burden collecting that data being raised as an issue. So it's important that we have efforts to reduce the cost and burden and at the same time increase the accessibility of that data. Both can be achieved, through standardization. One of our concerns is that many regulators dislike standardization because many in government believe it limits their flexibility to regulate as they see fit. This is a trap that we want to really try and avoid. Digital standardization enforces

disciplined and structured approach that results in a regulatory framework that's far more clear and robust. And if you look at the way the standards are structured, it's going to achieve that. At the same time, we don't want a regulatory framework that's perceived as petty, irrelevant, or enforced to meet bureaucratic targets. And having standardization helps to reduce that because it's not you can't have today it's black tomorrow it's white which we often see. As regulators consider the implementation of the FDTA and stakeholders respond to the cross agency rule proposal, that we expect to see any day now, it's important to keep in mind what constitutes success. So obviously we want to get better data, we want to get reduced cost, and we want flexibility to be able to depth to change some of the reporting requirements. And this may sound like a big ask, but it's already been done in hundreds of successful standards programs rolled out by regulators worldwide, including the Securities Exchange Commission and the FDIC, both agencies that fall under the FDTA. So it is possible to do and it can help to solve some of the issues that agencies are facing. We can't let the FDTA be shortchanged by inertia, by concerns that collaboration and reaching consensus is too complicated or it's simply not feasible, that it's too restricted for regulators, or that it's too much of a disruption to the market. So these are arguments, I think after this rule comes out, we'll continue to hear this that standardization is a burden and it's not a benefit. However, over the last 120 years standardization across industry and government has driven massive increases in productivity and wealth creation. We can't forget that as a civilization no one's arguing for the elimination of standards that are already in place. However, the adoption of standards always encounters strong resistance. In many cases the parties who have to adopt standards incur the cost of adoption and more importantly they lose influence. So the benefits however are far greater but are distributed across a broad spectrum of society. So we're hearing this today, particularly in regards to the FDTA. And we hear these hurdles, particularly things like it will disrupt established business practices - this was the same argument that was used against standardization of time zones. It's an unfounded mandate and it's too expensive - this is the argument that was used against the standardization of railroad track gauges 100 years ago. It's too much of a regulatory burden - this was the case that was made against the adoption of accounting standards that perform the FASB being GASB type standards. Markets function fine as they are today, these standards are not necessary - this is the argument that was made against the bar code. It's too much disruption and you cannot get everyone to adopt it - this was the argument that was made against containerization and the standardization of shipping containers. So, imagine if those arguments had won and we didn't have standardized time zones, or accounting standards, or standard railway track gauges, or barcodes today. So there's massive advantages and all good reasons not to do it but, you're turning your back on massive improvements. We know that the FDTA can meet the goals of the agencies, the dot standards for like Legal Entity Identifier and XBRL. And anything else like suggestions that we're seeing is oh no we can keep going with PDF we can use AI to read the PDF and it's all gonna be great or give agencies a latitude to create their own custom standards and identifiers. In the long run, it'd be more expensive and won't accomplish what Senators Crapo and Warner wanted to achieve with the FDTA. So having standardized digital models that reflect US gap and other broadly adopted data standards that are supported with agency-wide standard identifiers was things like the LEI for legal entities and identifiers for asset back securities and mortgages and securities will result in lower costs. Data that isn't offerable and the ability to change reporting requirements is accounting standards or industry needs change. And we really shouldn't settle for anything less. So as this proposed rule comes out, and it's going to come out any day soon, I would encourage you one, to read it, and ensure that the rule doesn't limit the broad adoption of standards and make sure that agencies don't attempt to reduce standardization or gut standardization in the name of regulatory flexibility. I would implore everyone to contact their agencies in Congress and make it very clear that if there is an effort to minimize impact with standardization it’s a huge mistake. So this rule, which should hopefully come in a couple of days, please read it. Please read it with an eye to standardization. If you see things in there that tries to push down standardization and give agencies more regulatory flexibility that's something that we probably want to fight against because it's not going to be good for the agencies themselves in the long run and it's definitely not going to be good for the marketplace and the economy. So, thank you.

Closing Remarks

Ashley Nelle Davis (02:04:05.000 – 02:04:18.000)

Hello, I’d like to thank all of our speakers here and online and the audience here and online. We do have a few closing remarks from Craig and Nick. So, I will turn it to them as we close out the day.

Craig Clay (02:04:20.000 – 02:04:55.000)

Thank you. I just want to recognize the great content today but especially John Truzzolino. So John, stand up. You've been a leader in the space, you’ve worked decades, tomorrow is John's last day at Donnelley Financial (DFIN) as he's retiring. You know he’s been a supporter of all of us, a supporter of this cause, a supporter of our company and me personally and he will be greatly missed. Congratulations.

Nick Hart (02:05:02.000 – 02:07:12.000)

I will be very brief and say likewise, John, thank you for all of your support over the years. You've been a tremendous asset, leader, friend, colleague, mentor, peer, pick what word you want to insert here as we've been going through this work over many many years. Thanks to everybody who joined both in the room and online for this discussion. Really just a fantastic dialogue about what we collectively hope to see as success.

As we look forward to the FDTA implementation and seeing that darn rule, any day now, in its draft form and we’ll make an appeal to all of you not just to read it, but to be very thoughtful in your comments. Be specific, not just theoretical in providing comments back to the agencies. The more specific and clear that we can be about what we want as a community and also work together in the next steps, the better off we’ll be. Vishal, I’ll use the phrase that I liked earlier, be relentlessly collaborative and collaborate as we go forward. And I think that's very much in the spirit of what we would like to see as this rule, the comment period, but also implementation moves forward.

So I think I have very few better ways to conclude and will just mention since Campbell was the last speaker and was also at risk of getting to cut off Campbell – And saying that in jest – but also maybe a little bit serious. XBRL US has an event coming up, GovFin 2024, a municipal reporting workshop July 29th and 30th. You can find the info on their website. I encourage everyone to check it out and attend if you can.

Stay tuned for more events on FDTA coming up. Once the rule comes out, we're going to do our best to keep everybody coordinated and up to date so we can relentlessly collaborate on the draft and move us all forward. Thank you all for participating. Thank you all for engaging and we look forward to collaborating as we go forward.

Event Concludes