

FDTA Q&A

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What is required in the FDTA?

TITLE LVIII, the Financial Data Transparency Act (FDTA), is included in H.R. 7776, the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (<https://www.congress.gov/bill/117th-congress/house-bill/7776/text>) as TITLE IVII--FINANCIAL DATA TRANSPARENCY. The FDTA calls for the use of data standards by member agencies of the U.S. Financial Stability Oversight Council, including U.S. Treasury, the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Bureau of Consumer Financial Protection (CFPB), the Federal Reserve System, the National Credit Union Administration (NCUA), and the Federal Housing Finance Agency (FHFA). The FDTA also includes a requirement for standardized data related to municipal securities to be implemented by the SEC. (see section 5823. Data transparency relating to municipal securities). Data standards to be established under the final rules shall include common identifiers, be open and nonproprietary, and render data searchable and machine-readable.

Who is required to comply?

Reporting entities that have outstanding municipal securities.

What is the penalty for non-compliance?

Not specified in the legislation.

What is a DATA standard?

It is a documented agreement among stakeholders on the representation, format, structure and management of data; and it is widely used by multiple entities. Examples of open, nonproprietary data standards are the Legal Entity Identifier (LEI), Financial Instrument Global Identifier ([FIGI](#)), and eXtensible Business Reporting Language ([XBRL](#)). The International Organization for Standardization (ISO) also maintains a number of data standards, e.g., ISO 8601 for date and time format, ISO 4217 for currency codes (see more [popular ISO standards](#)).

An “open” standard is one that is freely available to all with no licensing fees associated with its use. Examples of data standards that are *not* open are CUSIP (Committee on Uniform Securities Identification Procedures), which is owned by the American Bankers Association and managed by FactSet. Use of the CUSIP incurs licensing fees and there are restrictions on use. Another data standard that is not open is the DUNS (Data Universal Numbering System) number which is owned and managed by Dun & Bradstreet, which also charges for use.

What is the difference between a DATA standard and an accounting standard?

A data standard provides the mechanism to digitize data and render it portable in a concretely defined structure that makes it unambiguously machine-readable and understood. An accounting standard defines the accounting principles that are used in preparing the data, for example, US GAAP for both public company and government entity reporting. These accounting standards are set by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), respectively. Other accounting standard examples include IFRS (International Financial Reporting Standards) and state-specific Uniform Chart of Accounts, which many states maintain and may use in addition to following GASB. To digitize financial statement data, the data standard is used to represent the accounting standard so that data that appropriately follows GAAP, for example, can be rendered fully searchable and machine-readable.

What kind of information is filed with the EMMA system? Will all the documents/information need to be machine readable?

The EMMA system accepts PDF files of the Annual Comprehensive Financial Report (ACFR). Municipal bond issuers (or, the financial intermediaries that serve them) are required to provide both primary and continuing disclosure to EMMA. Primary market disclosure consists of official statements for new municipal bond offerings. Continuing disclosures that could be usefully rendered as XBRL are primarily ACFRs but some entities also provide budgets and interim financial disclosures. There are many other “event-based” disclosures posted to EMMA, including notices of rating changes, events of default, or redemptions. These are normally one page filings that could also be rendered in XBRL, but with only a marginal benefit to market participants.

Does standardizing DATA make all different types and sizes of government file the exact information in a standard (template) format - basically a one size fits all?

No. Data standards must be developed to support the FDTA in a manner that reflects what government entities report today - no more and no less. The legislation explicitly states in “SEC. 5813. NO NEW DISCLOSURE REQUIREMENTS.” XBRL data standards (called a taxonomy) have been developed that represents most line items reported by government entities on seven Annual Comprehensive Financial Reporting (ACFR) statements. Governments that report line items that are not currently included in the taxonomy, can add those on their own by creating custom line items. These line items roll up into parent line items, e.g. Current Assets, so that data from an entity that has custom facts that are not reported by any other entity, can still be compared at the parent line item level (Current Assets).

The data standards developed can also be easily expanded to accommodate special districts such as water supply, school districts, and hospitals, among others. Education and lottery-related line items have already been added to accommodate governments that fall into those categories. The data standards developed are architected to be expanded upon and

continuously refined as needed, when accounting standards change or reporting practices change.

Governments are vastly different, will all governments file the same things?

No. Governments will continue to report the line items that are on their financial statements and in their notes today. As noted above, the legislation explicitly states in “SEC. 5813. NO NEW DISCLOSURE REQUIREMENTS.”

Will there be a data standard for each piece of information?

We believe that there will be a single data standard that can accommodate everything that government entities need to report. A standard like XBRL can accommodate and harmonize with multiple accounting standards, e.g., GASB standards, state-specific charts of accounts, etc. The ACFR includes data that is monetary, boolean, narrative (text string and textblock), integer, percent, etc. The data standard used must be able to accommodate all data types that need to be reported.

We could see a scenario in which there is one taxonomy used by GASB-compliant entities and another that is used by governments that follow a state-specific regulatory reporting standard such as those provided in New Jersey and Arkansas. Not for profit, non governmental organizations also have municipal bond liabilities and post on EMMA: these would use the existing FASB taxonomy for publicly listed companies unless new specialized taxonomies are developed for them,

What is XBRL?

eXtensible Business Reporting Language (XBRL) is an open, nonproprietary data standard that is widely used around the world. There are [213 XBRL implementations](#) globally. Regulatory programs include financial regulatory, capital markets, business registrar, tax authority, government oversight, Standard Business Reporting and ESG reporting. Entities reporting in XBRL format include private and public companies, banks, and governments. In the United States, regulators including the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, and the Federal Energy Regulatory Commission (FERC) require public companies, banks, and utilities, respectively, to report to them in XBRL format.

Does filing information in XBRL change what I am filing?

No, XBRL only embeds metadata into a reported fact that describes what a data point represents. For example, a value like \$309,000 may have metadata embedded in it that explains that the value represents Charges for Services for Public Safety for the period 6/30/22 for The City of South Haven in Michigan, reported in US dollars. The end user of the data, for example, a municipal securities analyst, uses the embedded metadata to understand the reported value with complete certainty.

Will I lose information that I normally file?

No. All the information that a government usually files will be included in the reporting. Narrative that today is included in the ACFR can be XBRL-tagged as well using text blocks so that data users can easily extract and compare reported narratives as well. This is commonly used by public companies that are required by the SEC to text block tag their footnotes. In addition, assuming that SEC implements Inline XBRL for municipal securities issuers as it does for corporate securities issuers, the filing would take the form of an HTML web page instead of a PDF. Anything that could be represented in HTML could be included. Key data elements in the HTML file would be assigned XBRL tags.

What is the first step in the development of the standard?

Developing the data standards that will be used to report requires establishing the set of line items needed to be reported and obtaining agreement from all stakeholders (reporting governments, data intermediaries, data users, the accounting standard setter) on the definitions of line items and how they relate to other line items. For example, what rolls up into Current Assets? The accounting standard itself, for example GASB plus state-specific uniform charts of accounts must be incorporated into the set of data standards to be used.

Can I continue filing normally and have software convert the information to be machine readable?

There are many applications on the market today that help reporting entities prepare their financial report and convert the data into machine-readable format at the same time.

Is there software available? What is the cost?

There are many tools on the market today which can be used to prepare XBRL financials. A [study](#) conducted by the AICPA found that the cost to companies with revenues under \$250 million averaged \$5500 for 4 filings over the course of a year. The cost to government entities could range from as low as a few hundred dollars to much more depending on the level of service and additional features included. Ultimately, the ability to generate machine-readable financial statements will be built into most accounting reporting software.

Do I need a new accounting system? Will I need to modify my existing accounting system?

Government entities will not need to switch accounting systems. Existing accounting systems can be adapted to produce XBRL-formatted documents in the same way that they generate PDFs and/or spreadsheets today.

Who will tag the data?

The data could be tagged by the reporting government, by its accounting firm, or by an outside consultant.

Is tagging data complex? Time consuming?

There is typically a learning curve the first time an entity tags their financial statement because time must be taken to identify the correct taxonomy concept to use, and there may be internal reviews. Subsequent tagging preparation usually means just rolling over the new data points into the reporting software which retains the names of the tags selected the prior year.

Who will maintain the data standards?

This is yet to be determined. The FDTA gives the SEC the task of setting these requirements. For public company filing, the SEC relies on the FASB to develop and maintain the data standards used. If that model were to be followed here, the GASB would develop and maintain the data standards, although there would likely be some state-specific requirements that could be layered on top of the GASB requirements. Data standards (like an XBRL taxonomy) are designed to be flexible so that there can be a base set of elements (e.g., GASB) which can be augmented with state-specific elements.

How will my financial statements change?

Only the GASB and/or the State accounting standard setters can revise what government entities are required to report.

What is an instance document?

The term given to an XBRL formatted report. For example an XBRL tagged ACFR is called an instance document.