

MEMO# 35808

August 22, 2024

Financial Data Transparency Act: Proposed Joint Data Standards

[35808]

August 19, 2024

TO: ICI Members
Accounting/Treasurers Committee
Equity Markets Advisory Committee
Municipal Securities Advisory Committee
Operations Committee
SEC Rules Committee
Securities Operations Advisory Committee
Small Funds Committee
SUBJECTS: Compliance
Disclosure
Fund Accounting & Financial Reporting
Operations
Recordkeeping
Settlement

Trading and Markets RE: Financial Data Transparency Act: Proposed Joint Data Standards
As required by the Financial Data Transparency Act of 2022 (FDTA), several federal financial regulators^[1] (the "Agencies"), including the SEC, published a proposal to establish joint data standards (the "Proposal").^[2] The purpose of the Proposal is to promote the interoperability of financial regulatory data across the Agencies. The Agencies request comments jointly and comments on the Proposal are due no later than 60 days after it is published in the Federal Register.^[3] We summarize the Proposal below.

Background

The FDTA, enacted on December 23, 2022, requires several federal financial regulators to jointly issue a rule (the "Joint Final Rule") establishing data standards for information reported to each agency. These standards must include a legal entity identifier and other common identifiers, make data machine-readable, and incorporate standards from voluntary consensus standards bodies.

Consistent with the FDTA, the SEC's Proposal would apply to collections of information with respect to (i) investment advisers' reports, (ii) registration statements and reports under the Investment Company Act of 1940, (iii) information required to be submitted or published by nationally recognized statistical rating organizations (NRSROs), (iv) asset-backed securities disclosures, (v) corporate disclosures under the Securities Act of 1933,

(vi) periodic and current corporate disclosures under the Securities and Exchange Act of 1934, (vii) proxy and consent solicitation materials, and (viii) securities-based swap reporting.[\[4\]](#)

The FDTA also requires the Municipal Securities Rulemaking Board and registered national securities associations to adopt data standards based on the Joint Final Rule.

Key Aspects of the Proposal

Collections of Information Defined

The Proposal would establish joint standards for collections of information reported to each Agency. Although the FDTA does not define the term "collections of information," the Proposal refers to the definition of that term as stated in the Paperwork Reduction Act of 1995 ("PRA"), to which the Agencies are subject. The Proposal mentions that the PRA definition is widely understood by the Agencies and by public stakeholders and that all approved and pending PRA collections of information have been categorized and are accessible to the Agencies and the public.

Legal Entity Identifier

The FDTA requires the joint standards to include "a common nonproprietary legal entity identifier that is available at no cost for all entities required to report to" the Agencies. The Agencies propose to establish the International Organization for Standardization (ISO) Legal Entity Identifier (LEI), created under ISO17442-1:2020 as the legal entity identifier joint standard.[\[5\]](#)

The LEI is nonproprietary and publicly available; however, the Agencies recognize that obtaining and renewing an LEI involves some cost to entities in support of the LEI system's administrative-cost-recovery business model.

The Proposal specifies that it does not mandate any entity to obtain an LEI; such requirements would be determined by agency-specific rulemakings.[\[6\]](#)

Financial Instrument Global Identifier

For an identifier of financial instruments, the Agencies propose to establish the

Financial Instrument Global Identifier (FIGI). The Proposal explains that the FIGI is an international identifier for all classes of financial instruments, including but not limited to securities and digital assets. It further explains that it is a global non-proprietary identifier available under an open license. The FIGI provides free and open access and coverage across all global asset classes, real-time availability, and flexibility for use in multiple functions. The FIGI also can be used for asset classes that do not normally have a global identifier, including loans.

The Proposal also explains that, for the identification of securities, the Agencies also considered CUSIP and the ISIN (which includes the CUSIP) and notes that "[w]hile these identifiers are widely used, they are proprietary and not available under an open license in the United States."[\[7\]](#)

Other Common Identifiers

In addition to the LEI and FIGI, the Agencies propose to establish the following common identifiers in the joint standards:

- Unique product identifier (UPI) and Classification of financial instruments (CFI) Standards for swaps, securities-based swaps, and other financial instruments. The Proposal states that UPI and CFI are complementary identifiers and provide a taxonomic classification system for financial instruments. These identifiers are useful for aggregating data and increasing global transparency, which is beneficial in certain financial markets such as swaps, forwards, and non-listed options.
- Date: ISO 8601 standard for date representation. The Proposal indicates that date and time express fundamental dimensions of financial data and are ubiquitous in the collections of information subject to the FDTA. Therefore, consistent representation of dates may help facilitate data integration and interoperability across diverse collections.
- State: US Postal Service Abbreviations. The Proposal explains that identification of a state, possession, geographic directional, or a military "state" is widely used in collections that are subject to the FDTA. Compared to alternative numeric state codes, this proposed standard is more widely used and is more conducive to use by both humans and machines.
- Countries: GENC standard for country codes. The Proposal states that this standard is widely used among Federal agencies and other entities in the United States and helps provide consistency and interoperability of references to geopolitical entities.
- Currencies: ISO 4217 Currency Codes. For identification of currencies, the Agencies propose to establish the alphabetic currency code as defined by ISO 4217 Currency Codes. The Proposal provide that these internationally recognized codes are widely used and incorporated into many other data standards. This standard helps support interoperability, enable clarity, and reduce errors.

Data Transmission and Schema and Taxonomy Format Standards:

When applicable, data transmission or schema and taxonomy formats will have four properties:

- 1) Render data fully searchable and machine-readable,
- 2) Include appropriate metadata that enables interpretation and understanding of data
- 3) Consistent identification of data elements in the metadata
- 4) Nonproprietary or available through open license.

For example, the proposal identifies the existing data transmission and schema formats associated with the FFIEC's Consolidated Reports of Condition and Income (FFIEC Call Report), including eXtensible Markup Language (XML) and Inline XBRL, as satisfying these principles.

Takeaways and questions for members

The Proposal incorporates some freely available standards and others available for a fee. One of note that we would like feedback from members is the required use of FIGI instead of CUSIP. Although FIGI is an open source and free identifier, it is our understanding that

many members already use CUSIPs and there could be one-time or recurring administrative, system, and reporting costs associated with obtaining, storing, maintaining, and reporting a FIGI for each security held. Similarly, we want to ensure that members would have no concerns with providing UPIs and CFIs as would be required.

Next Steps and comment deadline

ICI will gather any feedback from members and schedule a call if needed in the coming weeks. Advisory and Fund entities should consider how to comply with the proposed standards and identify any potential compliance issues, passing information onto the undersigned.

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endnotes

[1] To date, in addition to the SEC, each of the Federal Deposit Insurance Corporation (FDIC), Consumer Financial Protection Bureau (CFPB), and the Board of Governors of the Federal Reserve System (FRB) have issued a proposal. The Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), the Federal Housing Finance Agency (FHFA), the Commodity Futures Trading Commission (CFTC), and the U.S. Department of the Treasury (Treasury) have not yet issued a proposal. In contrast to the other agencies, Treasury and the CFTC have discretion as to whether they adopt data standards for their collections of information.

[2] See Financial Data Transparency Act Joint Data Standards (August 2, 2024), Release Nos. 33-11295; 34-100647; IA-6644; IC-35290 (Proposal) at <https://www.sec.gov/files/rules/proposed/2024/33-11295.pdf>.

[3] The Proposal notes that individual agency proposals will follow after the joint standards are established.

[4] The FDTA amended the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Exchange Act of 1934, and the Securities Act of 1933 by adding new provisions that require the SEC to issue rules (each rule, an "SEC Rule") adopting applicable data standards that have been established by the Joint Final Rule to various SEC data standards.

[5] See <https://www.iso.org/standard/78829.html>

[6] SEC Commissioners Peirce and Uyeda expressed concerns about mandating a third-party product, which could lead to increased fees or poor service. Commissioner Uyeda suggested considering alternatives, such as the Central Index Key (CIK), already used for EDGAR filings, or the file number issued by the Delaware Department of State's Division of Corporations. See <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-financial-data-trans>

[parency-act-080224](https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-financial-data-transparency-act-080224) and

<https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-financial-data-transparency-act-080224>

[7] SEC Commissioner Peirce had some concerns and questions about FIGI being proposed to be used as the common standard. See

<https://www.sec.gov/newsroom/speeches-statements/peirce-statement-financial-data-transparency-act-080224>

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