Financial DATA Transparency Act of 2022

The Financial Data Transparency Act (FDTA) of 2022 included in the negotiated National Defense Authorization Act of 2023 is expected to be signed into law by the end of the year.

As reported by the Government Accountability Office, "various federal laws require federal agencies to make different types of data open and transparent through public websites. But to be useful, federal data must be accessible, accurate, and timely (among other things). And federal agencies have faced a number of challenges that limit the usefulness of federal data."

In an effort to expand upon prior legislation, including the Federal Funding Accountability and Transparency Act of 2006 and Grant Reporting Efficiency and Agreements Transparency Act of 2019 (aka: The Great Act), the FDTA requires:

- Covered federal financial regulatory agencies (including the U.S. Treasury and Municipal Securities Rule Board for government issuers) to adopt and implement uniform and non-proprietary data standards to collect and disseminate information about the entities they regulate;

- Collected data must be automated, searchable, and machine readable;

- Data must be high quality and include common legal identifiers for financial products, instruments, and transaction;

- Data must be nonproprietary or made available under an open license; and

- Data must incorporate standards developed and maintained by voluntary consensus standards bodies and be consistent with and implement applicable accounting and reporting principles.

The goal of the legislation is to eventually have financial information that is automated, searchable and machine-readable. Most regulated entities provide information to their regulator in paper, PDF, or plain-text HTML formats. The regulator generally does not employ data standards to structure the information. Data standards are intended to address the inconsistency in identifier codes for entities and transactions and to make regulatory filings machine-readable, thereby making information easier to access, analyze and compare. The regulated entities (in this case, state and local governments) would likely use software such as eXtensible Business Reporting Language, or XBRL, to prepare their filings in a structured data format. The use of software introduces automation, which includes pulling in the relevant data from internal systems.

The legislative language does not require a specific taxonomy, giving the covered federal regulatory agencies autonomy in developing the standards.

FDTA does not require new disclosure - Information that needs to be published under existing laws needs to be made available in an open data format that facilitates digital access and bulk downloads with no restrictions.

The FDTA allows covered federal agencies to scale data reporting requirements in order to reduce unjustified burden on smaller regulated entities and minimize disruptive changes to those affected by regulations.

The U.S. Treasury and Securities Exchange Commission, along with other covered agencies, have two years from the date of enactment to develop and publish the required data standards through a joint rule. Covered agencies then have two additional years to implement the data standards into their respective regulatory compliance reporting, giving them a total of four years from enactment to full implementation.

The AICPA and other state and federal standard-setting agencies have been researching software applications to assist entities in the implementation of the data standards.

As additional guidance is released it will be posted on our website www.ohioauditor.gov.