



NATIONAL ASSOCIATION OF  
STATE TREASURERS

October 20, 2024

*Via Electronic Filing*

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

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

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

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

FDTA-INTERAGENCY  
RULE  
c/o Legal Division Docket  
Manager  
**Consumer Financial  
Protection Bureau**  
1700 G Street NW  
Washington, DC 20552

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

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

Vanessa A. Countryman  
Secretary  
**U.S. Securities and  
Exchange  
Commission**  
100 F Street NE  
Washington, DC 20549-  
1090

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

**Re: Financial Data Transparency Act Joint Data Standards**

**OCC** Docket ID OCC-2024-0012; RIN 1557-AF22

**FRB** Docket No. R-1837; RIN 7100 AG-79

**FDIC** RIN 3064-AF96

**NCUA** RIN 3133-AF57

**CFPB** Docket No. CFPB-2024-0034; RIN 3170-AB20

**FHFA** RIN 2590-AB38

**CFTC** RIN 3038-AF43

**SEC** Rel. No. 33-11295; 34-100647; IA-6644; IC-35290; File No. S7-  
2024-05; RIN 3235-AN32

**Treasury** Docket No. TREAS-DO-2024-0008; RIN 1505-AC86

Dear Federal Agencies,

On behalf of the National Association of State Treasurers (NAST), representing State Treasurers or state finance officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia, along with employees of these agencies that utilize municipal bonds to fund critical infrastructure, we appreciate the opportunity to provide comments on the proposed rulemaking (Federal Register Number 2024-18415, CFR: 12 CFR Part 15) concerning the Financial Data Transparency Act (FDTA). The FDTA presents significant concerns for state and local governments, particularly with its overreach into areas traditionally governed by states and its potential to impose undue financial burdens on municipalities.

### **Challenging the Boundaries of the Tenth Amendment**

The FDTA establishes a new regulatory framework that is perceived as overstepping the bounds of the Tenth Amendment by imposing federal standards on state and local governments without proper constitutional authority. For over 200 years, the municipal bond market has operated effectively without being subject to the same federal securities registration, content, format, and reporting requirements as other securities offered to the public. This status recognizes the unique nature of state and local issuers and the vital role that their financing activities play in funding essential services and public infrastructure.

By requiring state and local governments to adhere to federal data standards under the FDTA, the SEC is potentially undermining the long-standing tradition that has preserved the independence of municipal issuers. Municipal securities have historically been governed by state laws, reflecting the principle of federalism, which the FDTA now threatens by imposing unnecessary and expensive federal oversight. The FDTA and regulations developed from it could be greater than what is allowed within existing federal securities laws (e.g. Subsection (d) of Section 15B(b) of the Securities Exchange Act of 1934, prohibiting the U.S. Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) from directly or indirectly requiring issuers of municipal securities to file documents with the SEC or the MSRB in connection with their issuance, sale or disposition prior to a sale of such securities). In addition, FTDA implementation that required certain municipal market disclosure information to be made available in a structured data format would constitute the type of content determination that is precluded by these provisions and the Constitutional considerations that they reflect. As was recognized by the SEC in adopting Rule 15c2-12, municipal market issuer determination of the content and expression of disclosure information used to sell municipal bonds is not subject to such regulation. A potential regulatory overreach, such as this, not only infringes on the rights of states but also creates an additional layer of bureaucracy that disrupts the efficient functioning of the municipal bond market.

### **An Unfunded Mandate That Increases Costs for Municipal Projects**

The FDTA introduces a new unfunded mandate that will unnecessarily increase the cost and complexity of issuing municipal bonds. These additional costs will be passed on to taxpayers and

will directly affect the funding of essential governmental functions and critical public projects such as schools, bridges, water and wastewater treatment plants, and other municipal facilities.

While the FDTA doesn't specifically mandate which system a municipality must use when formatting data into structured data, a recent Michigan study into the feasibility of requiring its roughly 3,000 Local Units of Government (LUGs) to report financial statements using XBRL "conservatively estimated that filing reports using XBRL, including licensing, would be between \$6,000 to \$8,500 annually per LUG, or about \$16 to \$25 million across all LUGs statewide."<sup>1</sup>

State and local governments rely on tax-exempt bonds to finance vital services and infrastructure projects. The increased costs associated with the FDTA's compliance requirements, such as system upgrades, software licensing, and additional staffing, will significantly inflate the overall expense of issuing these bonds. This cost escalation means that fewer resources will be available for the provision of such services and for actual construction and maintenance of the projects that improve the quality of life for communities across the nation.

At a time when public finances are already strained, the FDTA places an undue financial burden on state and local governments, diverting funds away from much-needed infrastructure improvements and public services. This unfunded mandate will not enhance transparency or investor protection but will instead hinder their ability to function and to efficiently finance critical projects.

### **Disenfranchising Smaller Municipalities**

The FDTA disproportionately impacts smaller municipalities, which are less able to absorb the additional costs and staffing demands required by this new mandate. Unlike larger cities or states, smaller municipalities often operate with limited resources and staff. These municipalities may not have the technical expertise or financial capacity to implement the required data standards without significant difficulty.

Forcing smaller issuers to comply with the same stringent reporting and data requirements as larger entities creates an uneven playing field. The FDTA leaves it to administrative agency implementation to account for the disparity in resources between large and small municipal issuers, effectively disenfranchising smaller communities and limiting their ability to participate in the municipal bond market on equal footing. Additionally, the FDTA leaves it to such agencies to account for the disparity in the number of filings performed by larger entities versus smaller entities. Entities with fewer filings will have less opportunity to spread the costs of compliance over, thereby creating greater costs per filing for smaller entities than their larger counterparts that are more active in the municipal market. This is as true for state to state comparison as it is for a large state to a small special district. For example, according to the

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<sup>1</sup> Michigan Department of Treasury, *XBRL Feasibility Study: Internal & External Assessment*. Available at: [https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/BLGSS/LGOV/FY24/XBRL-Feasibility-Study\\_Internal--External-Assessment.pdf?rev=8924719b8616457d89a199d102fd4c04&hash=BB61DB24A0BF863B9BA56FBFD4F8C2](https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/BLGSS/LGOV/FY24/XBRL-Feasibility-Study_Internal--External-Assessment.pdf?rev=8924719b8616457d89a199d102fd4c04&hash=BB61DB24A0BF863B9BA56FBFD4F8C2)

MSRB's 2023 Fact Book, the state of California had 15,017 financial filings with the MSRB, while Wyoming only had 128<sup>2</sup>. In this example, the state of California would be able to spread the costs of compliance out over significantly more transactions than Wyoming, disproportionately increasing the costs of Wyoming versus California.

The complexity and cost of complying with the FDTA's requirements will make it more difficult for smaller municipalities to issue bonds, which could result in delayed or canceled projects that are essential for their residents. This unfunded federal mandate not only imposes financial burdens, but also threatens the financial independence of smaller local governments, undermining their ability to meet the needs of their communities.

In response to SEC Commissioner Pierce's request that comments address costs and economic consequences of second phase rulemaking, we note that any projections of such costs must take into account the widely disparate issuance cost burdens that would be experienced by differently situated municipal issuers based upon their size and their frequency of issuance.

### **Transition Away From CUSIP**

State Treasurers strongly oppose any change that designates an identifier other than the Committee on Uniform Securities Identification Procedures (CUSIP) as the exclusive common identifier for municipal securities. As highlighted in the MSRB's guide, "Using CUSIP Numbers on EMMA: A Guide for Investors,"<sup>3</sup> CUSIP is the universally recognized unique nine-digit, alphanumeric identifier for a wide range of financial instruments and their issuers, including municipal securities. CUSIP-based identifiers play a critical role in facilitating the accurate and efficient clearance and settlement of securities, as well as managing income payments throughout the lifecycle of an issue. They enhance market participants' ability to identify and access issue-specific data, and to accurately communicate and manage securities transactions. We are particularly concerned that a transition to the Financial Instrument Global Identifier (FIGI) would introduce confusion and disruption in the marketplace, especially regarding ongoing disclosure of past issuances. Should the final rules ultimately require the use of FIGI, we firmly believe that this change should be implemented only for new issuances moving forward, and not applied retroactively to existing securities. This approach is essential for maintaining market stability and ensuring clarity for all stakeholders involved.

### **Conclusion**

The National Association of State Treasurers urges the federal agencies participating in this rulemaking process to reconsider the far-reaching implications of the FDTA. By imposing new, unfunded federal mandates on state and local governments, the FDTA oversteps constitutional boundaries, unnecessarily increases the cost of critical public infrastructure projects, and unfairly burdens smaller municipalities that are less able to absorb these costs.

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<sup>2</sup> MSRB, *MSRB 2023 Fact Book*. Available at: <https://www.msrb.org/sites/default/files/2024-02/MSRB-2023-Fact-Book.pdf>, p.65

<sup>3</sup> "Locating CUSIP Numbers: A Guide for Investors," Municipal Securities Rulemaking Board (MSRB). Available at: [MSRB](#)

We recommend that the federal agencies participating in this rulemaking process to work closely with state and local governments to develop a more tailored approach that respects the principles of federalism, avoids creating unnecessary financial burdens, and considers the unique needs and capacities of smaller issuers. We look forward to continued dialogue on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Colleen C. Davis". The signature is written in a cursive style with a large initial "C" and a distinct "C." before the last name.

Treasurer Colleen Davis  
State of Delaware  
State Debt Management Network, Chair  
National Association of State Treasurers