



H.R. 4476: FINANCIAL TRANSPARENCY ACT (FTA) OF 2019

As Introduced in the House of Representatives on 9/24/2019

The proposed Financial Transparency Act directs major U.S. financial regulatory agencies to adopt consistent data fields and formats for information collected from industry. The FTA establishes a framework to improve the efficiency of regulatory reporting in coming years, reducing compliance overhead and the level of effort required for submitting financial reports. The required data standards will enable better information processing, software-enabled filing preparation, and data reconciliation. These features collectively are the basis for retail investors, regulators, and the market having better information for selecting investment opportunities and understanding risks.

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SUMMARY OF KEY PROVISIONS

Treasury and FSOC Member Agency Requirements

The FTA defines “data standard” and requires the Treasury Secretary to develop said “data standard.” The Treasury Secretary can delegate the work to the appropriate Treasury entity, which would likely be the Financial Stability Oversight Council and the Office of Financial Research (OFR). *(Title I - Section 101)*

Common Identifiers: Transaction, Financial Instrument, Legal Entity

The FTA defines and requires the establishment of “common identifiers” for information reported to covered regulatory agencies, which could include transactions and financial products/instruments. It specifically requires the adoption of common, non-proprietary legal entity identifier for regulated organizations. The entity identifier would have to be made available under an “open license” which in existing law (per P.L. 115-435, Title II) 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.” *(Title I - Section 101; Title II - Section 201; Title III - Section 301; Title IV - Section 401; Title V - Section 501; Title IV - Section 601; Title VII - Section 701; Title VIII - Section 801; Title IX - Section 901)*

Searchable, Machine-Readable, Open Data Standards

The FTA includes a set of required characteristics which builds upon industry and technology best practices, accounts for lessons learned from existing federal regulatory standard setting, and incorporates relevant federal policy and international standards definitions. The data standards require that data be rendered fully searchable, which is facilitated by the requirement to be “machine-readable” as now defined in federal law as meaning “data in a format that can be easily processed by a computer without human intervention while ensuring no semantic meaning is lost” (per P.L. 115-435). The data will be made available under “open license” format which will reduce barriers for industry, academia, and others to incorporate or reuse the data standards and information definitions into systems and processes. This requirement will also facilitate competition among multiple vendors for creation, data collection, and analysis tools, which reduce long-term costs. *(Title I - Section 101 & 102; Title II - Section 201-204; Title III - Section 301 & 302; Title IV - Section 401; Title V - Section 501; Title VI - Section 601 & 602; Title VII - Section 701 & 702; Title VIII - Section 801 & 802; Title IX - Section 901 & 902)*

Schemas and Modern Best Practices for Data Standards

The FTA requires definitional schemas as part of the data standards. Schemas and the accompanying metadata will need to be documented in machine-readable taxonomy and/or ontology models that clearly define the semantic meaning of the data. The schemas must also be mapped in machine-readable formats (e.g., XML, JSON, CSV) in order to facilitate large-scale, transactional-level information transfers. *(Title I - Section 101; Title II - Section 201; Title III - Section 301; Title IV - Section 401; Title V - Section 501; Title IV - Section 601; Title VII - Section 701; Title VIII - Section 801; Title IX - Section 901)*

Linking Data Standards to Regulatory Requirements

The FTA creates a reverse index from the collected regulatory data to the underlying regulatory information collection requirements. This will enable regulators and investors to query reported data based on regulatory collection requirements and improve reliability of data aggregation. *(Title I - Section 101; Title II - Section 201 & 205; Title III - Section 301; Title IV - Section 401; Title V - Section 501; Title IV - Section 601; Title VII - Section 701; Title VIII - Section 801; Title IX - Section 901)*

Leverage Existing Data Standards

The data standards required by FTA leverage existing, industry-accepted data formats and definitional standards. The standards connect with existing accounting standards to allow regulated entities to leverage expertise and processes established by the accounting, audit, legal, and regulatory compliance workforce. *(Title I - Section 101; Title II - Section 201; Title III - Section 301; Title IV - Section 401; Title V - Section 501; Title IV - Section 601; Title VII - Section 701; Title VIII - Section 801; Title IX - Section 901)*

Aligning with Government-Wide Policy for Open Data Publication

The FTA requires each covered agency to publish collected information, as appropriate, as “open data.” The FTA reiterates the requirement for disclosable public data assets to be made available as “open Government Data asset” (per P.L. 115-435). This assures the data assets published under the regulatory authorities of the FTA’s covered agencies are presented in a manner consistent with existing government-wide data policy (“machine-readable,” “open license,” and appropriate “metadata”). The FTA directs that these data sets are to be made available at the regulatory agencies for bulk downloaded in a “human readable format.” *(Title I - Section 101 & 102; Title II - Section 201-204; Title III - Section 301 & 302; Title IV - Section 401; Title V - Section 501; Title VI - Section 601 & 602; Title VII - Section 701 & 702; Title VIII - Section 801 & 802; Title IX - Section 901 & 902)*

Implementation Timeframe

The U.S Treasury has two years from the date of enactment to develop and publish the required data standards. Covered agencies have three years to implement the data standards into their respective regulatory compliance reporting. *(Title I - Section 103; Title II - Section 201, 203 & 204; Title III - Section 303; Title IV - Section 402; Title V - Section 502; Title VI - Section 603; Title VII - Section 703; Title VIII - Section 803; Title IX - Section 903)*

Protections: Burden and Sensitive Information

The FTA establishes a “Scaling of Regulatory Requirements” in order to reduce the burden on smaller regulated entities. The FTA does not authorize any new regulatory information collections and does not authorize the publication of any information that is not already required to be published by existing law. The bill maintains exemptions under the Freedom of Information Act and existing protections in the Privacy Act. *(Title I - Section 104 & 105; Title II - Section 201, 203, 204 & 206; Title III - Section 303 & 304; Title IV - 402 & 403; Title V - Section 502 & 503; Title VI - Section 603 & 604; Title VII - Section 703 & 704; Title VIII - Section 803 & 804; Title IX - Section 904)*