

September 25, 2019

**Subject: Endorsement of the Financial Transparency Act**

Dear Chairwoman Waters, Ranking Member McHenry, Subcommittee Chairwoman Maloney, Subcommittee Ranking Member Huizenga, and Members of the Committee:

The Data Coalition strongly supports the bipartisan Financial Transparency Act (FTA), as re-introduced by Representatives Carolyn Maloney (D-NY) and Patrick McHenry (R-NC). This legislation will enable policymakers and the American public to have access to reliable information about financial markets, building on other recent data reforms advanced in Congress like the 2014 Digital Accountability and Transparency Act (P.L. 113-101) and the Foundations for Evidence-Based Policymaking Act (P.L. 115-435).

The FTA requires the eight financial regulatory member-agencies of the U.S. Financial Stability Oversight Council to adopt and apply uniform data standards (i.e. a common data format) for the information collected from regulated entities. The benefits of applying data standards to financial regulatory information are clear.

The standards in the bill will streamline the existing reporting process for businesses, reducing long-term regulatory compliance costs. The FTA specifically addresses the data submission process for compliance information provided by private firms to independent financial regulatory agencies. Over time, regulated entities will benefit from more efficient regulatory compliance that stems from better information processing, software-enabled filing preparation, and data reconciliation.

The FTA builds on the goals of the OPEN Government Data Act (P.L. 115-435, Title II), which uses data standards to accelerate policy innovation while enabling improvements to transparency and accountability. The data standards in FTA will provide the basis for retail investors to have information that allows them to better select investment opportunities.

Ultimately, FTA will also lead to improvements in the effectiveness and efficiency of the Financial Stability Oversight Council member-agencies by reducing unnecessary data errors, providing more accurate and comprehensive information about inefficiencies in financial markets so policymakers will have the tools to respond before a crisis strikes. The required data standards will ensure that financial regulatory information collected through existing reporting processes use searchable, machine-readable, and non-proprietary data formats. The standards also promote the use of supporting schemas and taxonomies to define the meaning, relationships, and connection to the underlying regulatory requirements of the required data elements. By standardizing the required information, retail investors will be able to more readily review and analyze investment opportunities, using technology to analyze thousands of documents at a time. This process currently requires manually reviewing documents.

The bill promotes the U.S. adoption of business reporting reforms similar to the internationally-championed Standard Business Reporting (SBR). In Australia, businesses operating in an SBR-enabled regulatory system enter compliance information into a single system that populates and files necessary forms with relevant regulators. The new standards are estimated to have saved

1.4 billion AUD (\$960 million) in combined public and private sector compliance costs in 2016 and 2017, with additional savings continuing to accrue. The streamlining of regulatory reporting reduces the amount of time businesses must spend on compliance, freeing up valuable time and energy that can support private sector innovation and productivity growth.

FTA will likely reduce errors in information reported to financial regulators because of improved data quality assurance and controls. Improved data accuracy means regulatory oversight will be more efficient, increasing the number of entities regulators can meaningfully review in efforts to prevent fraud, rather than focusing staff resources on data quality issues. Further, implementation of a legal entity identifier, as required by the FTA, will provide financial regulatory agencies more complete, real-time insights about regulated entities' exposures and relationships to one another. Such information will be valuable during times of economic stress and market uncertainty, allowing regulators to more efficiently act to prevent events that may be detrimental to the American or global economy. If such a system had been in place in the late 2000s, the financial collapse leading to the Great Recession could have possibly been mitigated. Financial regulators need to have the tools and resources to avoid unnecessary harm to the American economy.

The Financial Transparency Act modernizes the federal government for the 21st Century by encouraging common-sense data reforms that benefit the business community and regulators alike. The Data Coalition strongly encourages the 116th Congress to act expeditiously to advance this important legislation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nick Hart".

Nick Hart, Ph.D.  
CEO  
Data Coalition