



Via Electronic Submission

October 21, 2024

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Financial Data Transparency Act Joint Data Standards Proposed Rule, File No. S7-2024-05

Dear Ms. Countryman,

The American Securities Association¹ ("ASA") appreciates the opportunity to comment in response to the Proposed Financial Data Transparency Act Joint Standards promulgated by the U.S. Securities and Exchange Commission ("Commission") and other Covered Agencies. As an organization representing the interests of regional financial services firms across the United States, we are interested in promoting trust and confidence among investors, facilitating capital formation, and ultimately, supporting efficient and competitively balanced capital markets. This change will affect both the broker-dealer community as well as the registered Municipal Advisor community.

While we acknowledge the benefits of transparency and efficiency across the financial sector, we believe that several aspects of the proposal warrant careful consideration. The complexities of implementing such a wide-reaching standardization effort, particularly for smaller firms and municipal issuers, raise important questions about the proposal's scope, implementation timeline, and potential unintended consequences.

We would like to highlight several key areas that we believe require further examination and refinement. These include:

- The scope and applicability of the proposed rule, particularly concerning municipal issuers and smaller firms;
- The impact of both dealers acting as underwriters, municipal issuers and other service providers with respect to issuers' ongoing compliance with the continuing disclosure contract that is required of every underwriting with both forward and retrospective look back as required by the rule;
- The potential costs and operational challenges of implementing new reporting standards;
- The impact on existing reporting practices and systems; and
- The proposed timeline for implementation and its feasibility across diverse market participants.

¹ ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





In the following sections, we elaborate on our specific concerns and offer recommendations for the Commission's consideration. We appreciate the opportunity to contribute to this important regulatory process and look forward to further engagement.

Identifiers and Standards

We are encouraged that the current proposal does not mandate specific taxonomies in order to provide flexibility in reporting approaches. However, the determination of structured data formats needs further analysis. The ASA seeks additional feedback on the various format types mentioned in the proposal to ensure optimal compatibility and efficiency across the industry. The proposed transition from CUSIP to FIGI as the primary identifier warrants careful consideration especially as it relates to whether and how the final rules impact costs and operational systems for broker-dealer firms.

Implementation Considerations

In light of the significant potential changes proposed by the FDTA, we strongly recommend a measured and flexible approach to implementation. Specifically, we advocate for a phased rollout strategy to mitigate costs and burdens, particularly for smaller entities and local governments. This should include pilot programs or regulatory “sandboxes” to thoroughly test the new standards before full-scale implementation. Such testing would allow for necessary adjustments and help identify potential issues before they impact the broader market.

Furthermore, we urge the Commission to consider a longer timeline for smaller entities to comply, recognizing their limited resources and the potential for disproportionate burdens. A comprehensive cost-benefit analysis of the new standards is crucial to fully understand their impact on all market participants. Additionally, we are deeply concerned about the unfunded mandate this rule could impose on local governments, potentially straining their already limited budgets and resources.

SEC Commissioner Concerns

We echo Commissioner Hester Peirce's questions² regarding the proposed rule. She rightly questions the necessity of the rule given existing disclosure requirements, which already provide substantial information to investors. Commissioner Peirce also raises valid concerns about the potential for reduced transparency due to standardization, as overly rigid reporting structures may inadvertently obscure important nuances in financial data. Furthermore, her point about the impact on smaller issuers and potential market exclusion is particularly pertinent, as these entities often lack the resources to implement complex reporting systems.

Commissioner Mark Uyeda's concerns³ are equally relevant and merit serious consideration. His questioning of the SEC's clear statutory authority in this area highlights the importance of regulatory

² Data Beta: Statement on Financial Data Transparency Act Joint Data Standards Proposal
Commissioner Hester M. Peirce, available here: <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-financial-data-transparency-act-080224>, August 2, 2024.

³ Statement on Financial Data Transparency Act Proposed Joint Data Standards, Commissioner Mark T. Uyeda, available here: <https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-financial-data-transparency-act-080224>, August 2, 2024.





bodies operating within their mandated scope. This point underscores the need for a thorough examination of the legal basis for such far-reaching changes to financial reporting requirements. Additionally, Commissioner Uyeda's concern about potential conflicts with state sovereignty is crucial, as it touches on the delicate balance between federal and state regulatory powers. This issue is particularly relevant for municipal issuers and could have far-reaching implications for local government financing. Lastly, the absence of a comprehensive cost-benefit analysis is a significant oversight. Without a thorough evaluation of the economic impact, it is challenging to justify such sweeping changes to the reporting landscape.

Public Engagement

Engagement with the public and regulated entities, particularly with the broker-dealer community in our case, is essential in the rulemaking process for several reasons. Broker-dealers possess invaluable insights gained from their day-to-day operations in the municipal securities market, which can illuminate potential operational challenges and implementation costs associated with proposed regulations. Regular consultation with broker-dealers will allow the SEC to better understand these potential costs and ensure that any new rules strike an appropriate balance between regulatory objectives and industry impact. Additionally, broker-dealers play a critical role in maintaining market liquidity and efficiency; their engagement is vital to ensure that new regulations do not inadvertently disrupt market functioning or reduce liquidity.

Public Finance Network Letter

In alignment with the concerns raised in the letter submitted by the Public Finance Network (PFN), we would like to emphasize the importance of adhering to existing legal protections for municipal issuers. The PFN strongly urges the SEC to respect the Tower Amendment and the specific provisions in the FDIA that prohibit direct regulation of issuers and the imposition of new disclosure requirements. This is crucial to maintain the delicate balance between transparency and the autonomy of state and local governments in financial reporting.

Furthermore, we echo the PFN's call for thorough consultation with municipal market participants throughout the rulemaking process, as mandated by law. This engagement is essential to understand the unique qualities and processes of the municipal bond sector, ensuring that any new standards can be applied without causing market disruption or imposing burdensome costs on issuers. We also support the PFN's emphasis on the need for scalable data reporting requirements that minimize disruptive changes and consider the diverse nature of municipal securities issuers. These considerations are vital to prevent disproportionate financial and operational burdens on tens of thousands of governments and entities, particularly smaller issuers with limited resources.

Municipal Market Pilot

We recommend for consideration the implementation of a strategic pilot study focused on enhancing transparency and efficiency in the municipal market. This initiative could leverage existing resources and technology investments to test innovative solutions in a controlled environment. By adopting a data-





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driven approach, regulators – in connection with industry input - can make informed future decisions based on real-world results, ensuring cost-effective innovation and minimizing risks associated with large-scale implementations. Furthermore, such a pilot would foster collaboration among key stakeholders, including dealers, investors, and issuers, promoting widespread engagement and support.

Conclusion

We believe that addressing the above concerns will be crucial in developing a final rule that achieves the SEC's objectives while minimizing unnecessary burdens on market participants. ASA is committed to working collaboratively with the Commission to ensure that any new reporting standards enhance market efficiency and transparency without imposing disproportionate costs or operational challenges on our members and the broader financial community. The ASA stands ready to provide additional feedback as agencies develop specific rulemakings.

Sincerely,

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