



# Structured Data is Coming to the Municipal Securities Market—Now What?

The Municipal Securities Disclosure Series

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# White Paper: Structured Data Is Coming to the Municipal Securities Market—Now What?

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The Financial Data Transparency Act of 2022 (FDTA), enacted by Congress as Title LVIII of the National Defense Authorization Act for Fiscal Year 2023, was signed into law by President Biden on December 23, 2022. The FDTA is likely to usher in significant changes in how information is prepared, disseminated, and consumed by municipal securities market participants.

Even though final rules under the FDTA for the municipal securities market are not slated to be completed for another four years or more, critical first steps in the multi-layered standard-setting process laid out in the FDTA can be expected to begin in the near future.

The municipal market will need to be actively engaged in this process from the beginning to ensure that appropriately tailored data standards fit for use in the highly diverse municipal securities market emerge from this process. Input from market participants will be critical to ensuring that data standards are implemented in a phased, non-disruptive manner that takes full account of the unique profile of municipal market issuers and other market participants, as well as the regulatory structure embodied in the Tower Amendment<sup>1</sup> as reconfirmed by the FDTA.

## INTRODUCTION TO MUNICIPAL MARKET IMPACT

The FDTA requires the U.S. Securities and Exchange Commission (SEC) to adopt data standards (the Municipal Market Data Standards) for information submitted to the Municipal Securities Rulemaking Board (MSRB). Understandably, the focus of discussions on the FDTA within the municipal securities market has been on the significant impact any new Municipal Market Data Standards will likely have on municipal issuers, particularly in light of the increased costs and other burdens of preparing financial data, the possible impact on the nature, quality, and timing of disclosure, and the danger of regulatory encroachment. However, this mandate, by its terms, is not limited to particular types of municipal market information (*i.e.*, not just financial statements), to submissions under particular municipal market rules or statutory provisions (*i.e.*, not just primary or secondary market disclosures), or to information submitted by particular categories of municipal market participants (*i.e.*, not just municipal issuers). The manner in which the SEC implements the municipal market mandate will determine the ultimate reach and impact of the FDTA on the municipal securities market and its stakeholders.

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<sup>1</sup> Securities Exchange Act of 1934, as amended (Exchange Act) Section 15B(b)(d).

Described below are the key steps for the establishment and implementation of the Municipal Market Data Standards. While only the last two steps are focused specifically on the municipal securities market, what takes place during the first two steps will have a significant impact on the shape and breadth of the structured data mandate as applied to municipal issuers and other municipal market participants.

## **FIRST STEP: SEC CORPORATE DATA QUALITY PROGRAM AND STRUCTURE DATA REPORT TO CONGRESS**

The FDTA mandates that by no later than 180 days after its enactment, the SEC must establish a program to improve the quality of corporate financial data filed or furnished by issuers under the Exchange Act, the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended. The goals of this program are to improve the quality of data filed with or furnished to the SEC to a commercially acceptable level, and to make data filed with or furnished to the SEC useful to investors. There have been ongoing data quality concerns expressed by investors in corporate securities for which filings with the SEC are required to be provided using XBRL (eXtensible Business Reporting Language), including material levels of data tagging errors and relatively high rates of the use of custom tags that some view as reducing the comparability of data between reporting companies, among other concerns.

The FDTA also mandates that, by no later than 180 days after its enactment and every 180 days thereafter until the end of 2029, the SEC must submit a report to the Senate Banking and House Financial Services Committees on the public and internal use of machine-readable data for corporate disclosures. Among other things, the report will include an analysis of the costs and benefits of machine-readable data in corporate disclosure for investors, markets, the SEC, and issuers, and an analysis of how the SEC uses the machine-readable data it collects.

While neither requirement will cover the use of structured data in the municipal securities market, it would be expected that processes developed and information gleaned from both mandates would inform and help shape the Municipal Market Data Standards and the manner in which they are implemented, including how they are scaled or phased in. In particular, such information likely would need to be considered by the SEC and MSRB in their economic analyses of their respective rulemakings to establish or implement the Municipal Market Data Standards. Of course, additional information and analyses that take into account the specific structures, practices, and legal authorities applicable to the municipal securities market would be necessary to effectively meet the regulators' cost-benefit assessments of such impactful rulemaking.

## **SECOND STEP: JOINT DATA STANDARDS TO BE ADOPTED BY FEDERAL FINANCIAL REGULATORS**

**Joint Rulemaking.** The FDTA as a whole applies to a broad range of federal financial regulators, including the SEC and most of the other regulators making up the membership of the Financial Stability Oversight Council (FSOC),<sup>2</sup>

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<sup>2</sup> See Financial Stability Act of 2010, Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Stability Act). Covered regulators include the SEC, U.S. Department of the Treasury, Federal Reserve, Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Federal Housing Finance Agency and National Credit Union Administration. See FDTA Section 5811(a), which adds new Financial Stability Act Section 124. The only FSOC member not subject to the FDTA is the Commodity Futures Trading Commission.

as well as the Financial Industry Regulatory Authority (FINRA).<sup>3</sup> The federal financial regulators (other than FINRA) are required to jointly issue proposed rules for public comment by mid-2024, and to adopt final rules by December 2024 (Joint Rulemaking), to establish data standards (*i.e.*, rules by which data is described and recorded) for the collections of information reported to each regulator by financial entities under their respective jurisdictions (Joint Data Standards).<sup>4</sup> These Joint Data Standards, in turn, will serve as the basic paradigm for further rulemaking by each of the individual federal financial regulators to apply standards to matters within their respective regulatory jurisdictions.

**Joint Data Standards and Required Specifications.** The Joint Data Standards to be established by the federal financial regulators must adhere to the following set of specifications, with the Joint Data Standards becoming effective no later than two years after the final adoption of the Joint Rulemaking (*e.g.*, contemplated under the FDTA to be no later than December 2026):

- **Identifier specifications:**
  - Include common identifiers for information reported to the agencies, including legal entity identifiers (LEIs)<sup>5</sup> for entities required to report to the regulators.
- **Technical specifications** (to the extent practicable):
  - Render data fully searchable and machine-readable.<sup>6</sup>
  - Enable high-quality data through schemas with accompanying metadata,<sup>7</sup> documented in machine-readable taxonomy or ontology models that clearly define the semantic meaning of the data as defined by the underlying regulatory information collection requirements.<sup>8</sup>
  - Ensure that a data element or data asset (*i.e.*, a group of data elements or data sets) that exists to satisfy an underlying regulatory information collection requirement is consistently identified as such in associated machine-readable metadata.

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3 See FDTA Section 5824, which adds new Exchange Act Section 15A(n). FINRA, the only currently registered national securities association, is not an FSOC member. While early drafts of the FDTA included the MSRB as responsible for adopting the municipal market data standards, the MSRB was replaced by the SEC in the final language of the legislation.

4 See FDTA Section 5811(a), which adds new Financial Stability Act Section 124.

5 See <https://www.financialresearch.gov/data/legal-entity-identifier>.

6 Machine-readable means data in a format that can be easily processed by a computer without human intervention while ensuring no semantic meaning is lost.

7 Metadata means structural or descriptive information about data such as content, format, source, rights, accuracy, provenance, frequency, periodicity, granularity, publisher or responsible party, contact information, method of collection, and other descriptions.

8 Examples of taxonomies and their associated schemas currently in use for certain categories of corporate, fund, rating agency, and swap data repository filings made to the SEC's EDGAR system or made publicly available are available at <https://www.sec.gov/info/edgar/edgartaxonomies>.

- **Access specification** (to the extent practicable):
  - Be nonproprietary or made available under an open license.<sup>9</sup>
- **Standards-body specifications (to the extent practicable):**
  - Incorporate standards developed and maintained by voluntary consensus standards bodies (*i.e.*, the structure and functionality of mandated data standards must conform to such a body's standards).
  - Use, be consistent with, and implement applicable accounting and reporting principles (*i.e.*, mandated data standards must be able to handle data prepared according to any applicable accounting or reporting principles).

While not named in the FDTA, XBRL is generally viewed as the most likely business reporting standard for meeting these requirements in the short term and is currently used for certain categories of required filings with the SEC, in many cases as Inline XBRL that embeds machine-readable data in a human-readable document (iXBRL). However, the FDTA does not foreclose other potential data standard paradigms, nor does it dictate the technological environment within which the required specifications are implemented, so the data standards established by the federal financial regulators under the FDTA need not lock out innovative approaches in the securities market that may be developed currently or in the future, so long as the core specifications are met.

### **THIRD STEP: MUNICIPAL SECURITIES AND OTHER RULEMAKING REQUIRED BY REGULATORS**

Each of the federal financial regulators (other than the U.S. Department of the Treasury) is separately required to engage in rulemaking to adopt data standards applicable to specific information submission requirements under each regulator's enabling statute (the Regulator-Specific Data Standards). The Regulator-Specific Data Standards must incorporate, and ensure compatibility with (to the extent feasible), the Joint Data Standards, including (to the extent practicable) the technical, access, and standards-body specifications of such Joint Data Standards.

**Municipal Market Data Standards.** The FDTA amends Exchange Act Section 15B to mandate that the SEC adopt Municipal Market Data Standards for information submitted to the MSRB.<sup>10</sup> Like other Regulator-Specific Data Standards, the Municipal Market Data Standards must incorporate, and ensure compatibility with (to the extent feasible), the Joint Data Standards, including (to the extent practicable) the technical, access, and standards-body specifications of such Joint Data Standards.<sup>11</sup>

The SEC may scale the Municipal Market Data Standards to reduce unjustified burdens on smaller regulated entities, and is required to seek to minimize disruptive changes to persons affected by the rules.<sup>12</sup> The term "regulated entities" as used in this provision is ill-suited to addressing concerns regarding burdens to municipal securities issuers

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<sup>9</sup> Open license 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 it.

<sup>10</sup> See FDTA Section 5823(a), which adds new Exchange Act Section 15B(b)(8)(A).

<sup>11</sup> See FDTA Section 5823(a), which adds new Exchange Act Section 15B(b)(8)(B).

<sup>12</sup> FDTA Section 5823(b)(2).

and obligated persons, which are not regulated entities as such.<sup>13</sup> However, the SEC can be expected to exercise its discretion under the FDTA to seek to reduce unjustified burdens on smaller municipal issuers and obligated persons, consistent with the clear intent of the FDTA, as it scales the Municipal Market Data Standards.<sup>14</sup>

Unlike other federal financial regulators in connection with their adoption of Regulator-Specific Data Standards, the SEC is required to consult with market participants in establishing the Municipal Market Data Standards.<sup>15</sup> These would include, presumably, both market participants that are directly affected by the need to produce and submit information to the MSRB pursuant to the Municipal Market Data Standards and market participants who use the information submitted to the MSRB. Furthermore, the SEC would need to consult closely with the MSRB to ensure that the Municipal Market Data Standards are appropriately coordinated with applicable MSRB systems and rules to effectively implement the Municipal Market Data Standards in a manner that addresses concerns about burdens and disruptions to affected market participants.

Finally, the FDTA makes clear that its provisions are not intended to change the operation of the Tower Amendment.<sup>16</sup> That is, the FDTA does **not**:

- Authorize the SEC or MSRB to require a municipal securities issuer, directly or indirectly through a purchaser or prospective purchaser of securities from the issuer, to file with the SEC or MSRB, prior to the issuer's sale of securities, any application, report, or document in connection with the issuance, sale, or distribution of the securities;<sup>17</sup> or
- Authorize the MSRB to require a municipal securities issuer, directly or indirectly through a broker-dealer, municipal advisor, or otherwise, to furnish to the MSRB or to a purchaser or prospective purchaser of the securities any application, report, document, or information with respect to the issuer provided that the MSRB may require municipal broker-dealers or municipal advisors to furnish to the MSRB or purchasers or prospective purchasers of municipal securities applications, reports, documents, and information with respect to the issuer, which is generally available from a source other than the issuer.<sup>18</sup>

**Timing of Municipal Market Data Standards Rulemaking.** The SEC is required to issue rules to adopt the Municipal Market Data Standards no later than two years after the Joint Data Standards are adopted in the Joint Rulemaking. Assuming the regulators adopt the Joint Data Standards in a timely manner by December 2024, the SEC would be expected to adopt the Municipal Market Data Standards by no later than December 2026. However, the FDTA does not mandate an effective date for the Municipal Market Data Standards, in contrast to the other Regulator-Specific Data Standards, which are required to take effect no later than two years after the Joint Rulemaking. Thus, while most of the federal financial regulators likely have some discretion under the scaling/disruption provisions to

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13 This term is used uniformly throughout the FDTA provisions related to the other federal financial regulators, with the difference being that such federal financial regulators are not expected to apply their Regulator-Specific Data Standards to entities they do not regulate.

14 The FDTA states that it does not prohibit an agency head from tailoring its data standards, thus not placing constraints on the SEC to tailor the Municipal Market Data Standards. FDTA Section 5891(c).

15 See FDTA Section 5823(a), which adds new Exchange Act Section 15B(b)(8)(C).

16 See FDTA Section 5823(a), which adds new Exchange Act Section 15B(b)(8)(D).

17 Exchange Act Section 15B(d)(1).

18 Exchange Act Section 15B(d)(2).

provide for an orderly roll-out of the various Regulator-Specific Data Standards, the SEC likely has greater discretion to potentially introduce the Municipal Market Data Standards in stages over a period of time consistent with the FDTA.

**Submitters and Types of Submissions Potentially Subject to Municipal Market Data Standards.** The Municipal Market Data Standards will apply to “information submitted to” the MSRB.<sup>19</sup> The FDTA does not identify specific types of submitters, nor does it identify specific types of information submitted, although it provides the SEC with the ability to scale the data standards to reduce any “unjustified burden on smaller regulated entities” and must seek to “minimize disruptive changes to the persons affected” by the requirement.

Under current MSRB and SEC rules, information is submitted to the MSRB for a variety of reasons and by various types of municipal market entities. Some submissions are made directly to the MSRB through its primary website ([www.msrb.org](http://www.msrb.org), in most instances through MSRB Gateway), while others are made through the MSRB’s Electronic Municipal Market Access (EMMA) website ([emma.msrb.org](http://emma.msrb.org), through EMMA Dataport), and still others are submitted through a third-party utility. These submission requirements are summarized in the table below.

<b>INFORMATION SUBMITTED TO THE MSRB<sup>20</sup></b>			
<b>Rule</b>	<b>Information Submitted</b>	<b>Submission Venue</b>	<b>Submitter</b>
MSRB Rule A-12	Registration/Contact Information (Form A-12)	MSRB Gateway	Broker-dealers; municipal advisors
MSRB Rule G-14/ Information Facility-1	Trade Reports	DTTC Interactive Messaging & Real-Time Trade Matching System; MSRB RTRS Web	Broker-dealers
MSRB Rule G-32/ Information Facility-3	Primary Offering Disclosure (Form G-32)	EMMA Dataport; DTCC New Issue Information Dissemination Service	Broker-dealers
MSRB Rule G-34/ Information Facility-2	Variable Rate Security Market Information	SHORT System/EMMA Dataport	Broker-dealers
MSRB Rule G-37	Political Contributions (Form G-37)	EMMA Dataport	Broker-dealers; municipal advisors
MSRB Rule G-45	Information on Municipal Fund Securities (Form G-45)	EMMA Dataport	Broker-dealers
SEC Rule 15c2-12/ Information Facility-3	Municipal Securities Disclosure	EMMA Dataport	Municipal issuers; obligated persons

<sup>19</sup> See FDTA Section 5823(a), which adds new Exchange Act Section 15B(b)(8)(A). Broker-dealers and dealer municipal advisors currently registered with FINRA should be aware that FDTA Section 5824(a), which adds new Exchange Act Section 15A(n), would similarly make FINRA’s Regulator-Specific Data Standards broadly applicable to “all information that is regularly filed with or submitted” to FINRA and places development of such standards on the same timeframe as the Municipal Market Data Standards.

<sup>20</sup> Excludes information submitted by the public (comments, complaints, etc.) through the MSRB website.

**Establishing Data Standards for Document-Based Submissions and Potential Application to Data Elements Within Documents**—The FDTA introduces the greatest ambiguity in its intended approach in the case of information currently required to be submitted to the MSRB as documents rather than fielded data. For example, broker-dealers are currently obligated to submit documents as PDF files provided to them by third parties, including official statements and other primary market documents, under MSRB Rule G-32, and letters of credit and other liquidity-related documents for variable-rate securities under MSRB Rule G-34. Municipal issuers and obligated persons are obligated, pursuant to continuing disclosure agreements entered into as contemplated by SEC Rule 15c2-12, to submit documents, currently as PDF files, to the MSRB.

This ambiguity can be illustrated best by considering audited financial statements, which likely represent the context of greatest concern to the municipal issuer community. Such financial statements currently are submitted either as exhibits to the issuer's official statements submitted by underwriters to EMMA under MSRB Rule G-32, or as continuing disclosures submitted by issuers or obligated persons to EMMA under their continuing disclosure agreements, entered into as delineated by SEC Rule 15c2-12.

The FDTA is silent on how such financial statements are to be submitted, although there is little doubt that the expectation is that financial statements will be prepared using structured data consistent with the Municipal Market Data Standards. However, a technical specification for FDTA-compliant data standards requires that such standards establish the meaning of the data "as defined by the underlying regulatory information collection requirements." Similarly, another technical specification requires that data that "exists to satisfy an underlying regulatory information collection requirement" be consistently identified. Currently, there is no underlying regulatory information collection requirement with respect to financial statements as a whole in the context of their typical (although not mandated) inclusion in official statements, and no underlying regulatory information collection requirement regarding specific data elements or data assets within financial statements, either as part of an official statement or in the context of continuing disclosure.

Federal securities laws currently do not mandate the contents of municipal issuers' financial statements, nor do they mandate the standards or principles pursuant to which they are prepared.<sup>21</sup> The financial statements of municipal issuers are not required to be audited, and SEC Rule 15c2-12 does not mandate the use of generally accepted accounting principles (GAAP) established by the Government Accounting Standards Board (GASB) or the Financial Accounting Standards Board (FASB).<sup>22</sup> In addition, SEC staff have recognized that other accounting principles, such as mandated state statutory principles, may be followed by some issuers.<sup>23</sup>

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21 SEC Rule 15c2-12(b)(5)(ii)(B) currently requires that a continuing disclosure agreement entered into as contemplated under the rule specify in reasonable detail the accounting principles pursuant to which financial statements will be prepared.

22 See Municipal Securities Disclosure, Exchange Act Release No. 34961 (Nov. 10, 1994) at note 108; 59 FR 59590 (Nov. 17, 1994).

23 See National Association of Bond Lawyers, SEC Staff No-Action Letter, June 23, 1995 (NABL I), answers to questions 10 and 11, available at <https://www.sec.gov/info/municipal/nabl-1-interpretive-letter-1995-06-23.pdf>.

The standards-body specifications for FDFTA-compliant data standards—particularly the data standards “use, be consistent with, and implement applicable accounting and reporting principles”—will cause significant complexity with respect to the establishment and implementation of the Municipal Market Data Standards. While they may be effective for establishing FDFTA-compliant data standards in which the underlying regulatory requirement establishes that data must be produced in a manner consistent with specified accounting and reporting principles (*e.g.*, in the corporate securities market), they falter where no such underlying regulatory requirement exists, as is currently the case with respect to the municipal securities market. Any attempt to provide for detailed requirements at the data element or data asset level, or to require adherence to a specific set of accounting or reporting principles, would need to be consistent with the generally understood constraints under the Tower Amendment, which the FDFTA confirms remains in full force and effect without diminution as to how it has operated historically.<sup>24</sup> Further, the FDFTA provides that its provisions shall not be construed to require the SEC or MSRB to collect or make publicly available additional information beyond what was collected or made publicly available before the enactment of the FDFTA.<sup>25</sup>

The ambiguity regarding how Municipal Market Data Standards are intended to apply to information currently required to be submitted to the MSRB as documents rather than fielded data extends beyond financial statements if such other submissions of information are not excluded by the SEC. For example, it is unclear whether the SEC would seek to make all or certain portions of the official statement beyond any attached financial statements subject to the Municipal Market Data Standards. Similarly, it is unclear whether the SEC would seek to make the information included within the 16 categories of continuing disclosures set out in SEC Rule 15c2-12(b)(5)(i)(C) also subject to the Municipal Market Data Standards.<sup>26</sup>

Also not addressed by the FDFTA is whether information that is currently submitted as a document rather than as a set of data elements would need to continue to be made available to the public in traditional document (*e.g.*, PDF) form. In particular, unlike other federal financial regulators, neither the SEC nor the MSRB is required under the FDFTA to render data subject to the Municipal Market Data Standards in a human-readable format.<sup>27</sup> Particularly given the retail nature of the municipal securities market, human-readability would be a practical necessity, and market participants can expect that Municipal Market Data Standards, at least as applied to such document-based submissions, would incorporate such a requirement, just as the SEC has mandated iXBRL for many current corporate and fund filings to EDGAR.<sup>28</sup>

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24 In addition, enforcement of adherence to the Municipal Market Data Standards would face the same issues currently faced in regard to enforcement related to submissions of issuer disclosures to the MSRB under MSRB Rule G-32 and SEC Rule 15c2-12.

25 FDFTA Section 5826.

26 These open questions also apply in regard to broker-dealer submission of certain documents relating to variable rate securities issues under MSRB Rule G-34.

27 More broadly, unlike other federal financial regulators, neither the SEC nor the MSRB is required under the FDFTA to make published data subject to the Municipal Market Data Standards available as an “open Government data asset” or to otherwise make it (i) freely available for download, (ii) rendered in a human-readable format, and (iii) accessible via application programming interface where appropriate. *See, e.g.*, FDFTA Section 5822. Notwithstanding, Exchange Act Section 15B(b)(3) would continue to apply, which prohibits the MSRB from charging a fee to obtain, directly from the MSRB’s website (including EMMA), documents or information submitted by issuers, obligated persons, broker-dealers or municipal advisors, including documents submitted under MSRB or SEC rules; although the MSRB is not prohibited from charging commercially reasonable SEC-approved fees for automated subscription-based feeds or similar services or charging for other customized services.

28 In the alternative, the regulators might mandate that such submissions be made in both PDF and XBRL format, although such an approach would likely be highly disfavored by many market participants.

**Current Specifications-Based Submissions**—Several information submission requirements under MSRB rules are fulfilled, in whole or in part, pursuant to published specifications that may meet some, but not all, aspects of the technical and access specifications (but not identifier and standards-body specifications, in many cases)<sup>29</sup> that data standards under the FDTA must meet. The most prominent specifications-based submission process consists of trade data submitted by broker-dealers under MSRB Rule G-14, with other examples consisting of the data portions of primary market disclosure submissions under Rule G-32, variable rate securities data under Rule G-34, and municipal fund securities data under Rule G-45. However, the Rule G-14 and G-32 data submissions may include data submitted by broker-dealers to the MSRB indirectly through a third-party system or data product. The Rule G-32 and G-34 data submissions are made in conjunction with the submission of documents produced by third parties, and all of these data submission requirements offer a manual online data entry option, which is discussed below. The SEC will need to consider whether these submission requirements are to be made subject to Municipal Market Data Standards.

**Current Online Form-Based Submissions**—Other required information submissions currently are made primarily through data entry in online forms by broker-dealers and municipal advisors, such as registration/firm contact information under MSRB Rule A-12<sup>30</sup> and information concerning political contributions and municipal securities/advisory business under Rule G-37. The form completion process itself creates a *de facto* set of specifications that share some, but not all, aspects of the technical and access specifications (but not identifier and standards-body specifications)<sup>31</sup> that data standards under the FDTA must meet. The SEC will need to consider whether these submission requirements are to be made subject to Municipal Market Data Standards.

#### **FOURTH STEP: MSRB AND MARKETPLACE IMPLEMENTATION**

While the SEC will adopt the Municipal Market Data Standards, market participants will need to modify their processes; obtain necessary software or other technology assets; identify, on-board, and train appropriate staff resources and/or engage qualified third-party contractors; and marshal initial and ongoing financial resources to ensure compliant and effective implementation of any applicable Municipal Market Data Standards for their submissions to the MSRB. The MSRB will also need to engage in rulemaking to adapt its existing submission requirements to any applicable Municipal Market Data Standards. Furthermore, the MSRB will need to engage in potentially significant systems development and associated rulemaking to ensure that its information systems (including EMMA) are able to accept submissions subject to the Municipal Market Data Standards and to undertake the myriad downstream data handling processes needed to effectively retain, display, and re-disseminate the submitted information in a manner that meets the expectations of users and that allows for the benefits that structured data is intended to provide to the ultimate end users and the marketplace as a whole.

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29 LEIs are requested but not required for certain entities under Rule G-32, and message-based submissions of trade data under Rule G-14 adhere to International Organization for Standardization (ISO) 15022 standards.

30 While the FDTA does not mandate that the SEC's registration process for broker-dealers, municipal advisors, and other market professionals generally be covered by the SEC's Regulator-Specific Data Standards, the breadth of the FDTA mandate with respect to FINRA under FDTA Section 5824 is broad so that FINRA will need to assess if, for example, it needs to adopt Regulator-Specific Data Standards with respect to its members' filings with FINRA, including registration and reporting information submitted through FINRA's Central Registration Depository (CRD) system or the Investment Adviser Registration Depository (IARD) operated by FINRA on behalf of the SEC and the North American Securities Administrators Association (NASAA).

31 LEIs are requested but not required for regulated entities on Form A-12.

Some initial steps to undertake these critical implementation activities can begin in parallel with certain aspects of the regulators' adoption of the Joint Data Standards and Municipal Market Data Standards, including engaging in meaningful interface with the SEC and MSRB through formal comment processes and other ongoing formal and informal engagements to ensure that the Municipal Market Data Standards are appropriately tailored for the marketplace and that the regulators do not proceed along a path that cannot be effectively implemented. However, many other significant steps beyond these cannot prudently begin until, at earliest, the SEC proposes for comment the Municipal Market Data Standards. Resource-intensive preparation by market participants and the MSRB, particularly those requiring more than minimal financial resources or technological changes, is not likely to be undertaken until the final Municipal Market Data Standards are adopted.

The SEC, MSRB, and Congress must accept the necessity of a meaningful period for systems development, process enhancement, and phased market adoption to meet the requirements of the newly imposed Municipal Market Data Standards.

## **TIMELINE FOR MUNICIPAL MARKET DATA STANDARDS ADOPTION AND IMPLEMENTATION**

In summary, assuming no unexpected delays in the rulemaking process, the establishment of data standards under the FDTA should proceed along the following timeline:

- By June 2023—SEC establishes a corporate data quality program and submits an initial report to Congress on the costs and benefits of structured data in corporate disclosures.
- By June 2024—federal financial regulators publish proposed rules for comment to establish Joint Data Standards.
- By December 2024—federal financial regulators issue final Joint Rulemaking adopting Joint Data Standards.
- Mid-to-late 2026—SEC likely publishes proposed Municipal Market Data Standards for comment; MSRB likely publishes shortly thereafter conforming proposed rule changes and information system enhancements for comment.
- By December 2026—Joint Data Standards become effective; SEC issues final rule adopting Municipal Market Data Standards.
- 2027 and thereafter—likely effective date(s) for Municipal Market Data Standards and associated MSRB rule changes and information system enhancements.

Municipal issuers and other municipal market participants seeking to better understand the implications of the FDTA, what steps they can take as the rulemaking process for the Municipal Market Data Standards unfold, and how to prepare for implementation of the Municipal Market Data Standards should feel free to reach out to any member of Ballard Spahr's [Public Finance](#) or [Municipal Securities Regulation and Enforcement](#) teams.



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