

July ____, 2024

MEMORANDUM TO: Board of Directors

FROM: Geoffrey Nieboer, Chief Data Officer
Chief Data Officer Staff

THROUGH: Sylvia Burns, Chief Information Officer
Chief Information Officer Organization

SUBJECT: Notice of Proposed Rulemaking: *Financial Data
Transparency Act Joint Notice of Proposed Rulemaking*

I. RECOMMENDATION

Federal Deposit Insurance Corporation (“FDIC”) staff recommend that the FDIC Board of Directors (“FDIC Board”) authorize the publication of the attached joint Notice Proposed Rulemaking (“NPR”) in the *Federal Register* for a 60-day public comment period.

II. SUMMARY

The adoption of open, modern data standards promotes greater use, sharing, and interoperability of data, increasing the efficiency and effectiveness of FDIC operations and those of the FDIC’s partner agencies. The *Financial Data Transparency Act of 2022* (“FDTA”) addresses establishment and adoption of such data standards by federal financial regulators in the financial regulatory environment. The interagency FDTA working group has developed a joint rule proposal which establishes core standards that the group expects will provide value while allowing for flexibility in implementation given the diverse needs of, and statutory constraints applicable to, the agencies involved.

Concur:

Harrel M. Pettway
General Counsel

III. BACKGROUND

The FDTA was enacted on December 23, 2022 as Title LVIII of Division E of the *James M. Inhofe National Defense Authorization Act for Fiscal Year 2023*, Pub. L. No. 117-263, 136 Stat. 3421-39 (2022). The FDTA amended, among other acts, the *Financial Stability Act of 2010* (Title I of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, hereinafter, “Title I”) and the *Federal Deposit Insurance Act* (“FDI Act”).

The FDTA imposes requirements on the Department of the Treasury (“Treasury”); Board of Governors of the Federal Reserve System; Office of the Comptroller of the Currency, Treasury; Consumer Financial Protection Bureau; Securities and Exchange Commission; Federal Deposit Insurance Corporation (“FDIC”); Federal Housing Finance Agency; National Credit Union Administration Board; and Commodity Futures Trading Commission (“CFTC”)¹ (collectively, the “Agencies”), as described in more detail below.

A. Statutory Mandate: Joint Rule

Section 5811 of the FDTA amends subtitle A of Title I by adding a new section 124 (“Section 124”). Section 124 requires the Agencies to jointly issue a rule that establishes data standards for the collections of information reported to each Agency by financial entities under the jurisdiction of the Agencies and data collected from the Agencies on behalf of the Financial Stability Oversight Council (“FSOC”).²

The data standards must include a legal entity identifier with certain properties specified by the statute and should include other common identifiers.³ Further, the data standards should, to the extent practicable, satisfy other criteria set forth in Section 124, including that the standards should render data machine-readable, define the semantic meaning of the data, and incorporate standards developed and maintained by voluntary consensus standards bodies.⁴

Section 124 requires the Agencies to jointly issue proposed rules establishing data standards for public comment 18 months after enactment (*i.e.*, June 23, 2024)⁵ and to promulgate a final rule (the “Joint Final Rule”) 2 years after enactment (*i.e.*, December 23, 2024).⁶ The Joint Final Rule must be effective no later than 2 years after the date on which the Joint Final Rule is promulgated.⁷

¹ Treasury designated the CFTC as a “covered agency” under the FDTA on May 3, 2024.

² Section 124(b) of Title I, codified at 12 U.S.C. § 5334.

³ Section 124(c)(1)(A) of Title I. Section 124(c)(1)(A) requires a “common nonproprietary legal entity identifier that is available under an open license.”

⁴ Section 124(c)(1)(B) of Title I.

⁵ Section 124(b)(1) of Title I.

⁶ Section 124(b)(2) of Title I.

⁷ Section 124(d) of Title I.

B. Statutory Mandate: FDIC-specific Rulemaking Requirement

Separate from Section 124 under Title I, the FDTA requires each Agency (except Treasury and CFTC) to issue individual rules that adopt applicable joint standards for certain collections of information that are regularly filed with or submitted to that Agency.⁸

Specific to the FDIC, section 5831 of the FDTA adds a new section 52 to the FDI Act, titled Data Standards, which requires the FDIC to issue rules (each rule, an “FDIC Rule”) adopting applicable data standards that have been established by the Joint Final Rule (“Section 52”).⁹ The FDIC Rules must apply to collections of information with respect to information received by the FDIC from any depository institution under the FDI Act or any financial company under title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Title II”).¹⁰

While Section 52 requires the FDIC to adopt data standards by rule, the FDTA (including Section 52) provides the FDIC flexibility in its rule(s) adopting such standards. For example, Section 52 provides that each FDIC Rule shall incorporate, to the extent feasible, and shall include, to the extent practicable, the specific data standard characteristics set forth in Section 124.¹¹ In addition, the FDTA permits the FDIC to scale its requirements to reduce any unjustified burden on smaller regulated entities and requires the FDIC to seek to minimize disruptive changes to persons affected by any FDIC Rule.¹² Further, section 5891(c) of the FDTA clarifies that nothing in the FDTA may be construed to prohibit the FDIC from tailoring the data standards it adopts in any FDIC Rule.

The FDIC Rules must take effect not later than 2 years after the date on which the Joint Final Rules are promulgated.¹³ FDIC staff expect to work with staff of the relevant Agencies, including the other Federal banking agencies, in the development of the FDIC Rules to provide for ongoing uniformity for collections like information collected under the Consolidated Reports of Condition and Income (“Call Report”).

C. Impact of Jointly-established Standards

A standard “established” in the Joint Final Rule creates a presumption that the FDIC will “adopt” such “established” standard in any FDIC Rule:

- for existing information collections (as defined under the Paperwork Reduction Act of 1995 (“PRA”),¹⁴ described in more detail below) that are received by the

⁸ See, e.g., section 5831 of the FDTA, adding a new section 52 to the FDI Act.

⁹ Section 52(b) of the FDI Act, codified at 12 U.S.C. § 1831cc.

¹⁰ *Id.*

¹¹ Section 52(c) of the FDI Act.

¹² Section 5833(b) of the FDTA, codified at 12 U.S.C. § 1831cc, note.

¹³ Section 5833(a) of the FDTA, codified at 12 U.S.C. § 1831cc, note.

¹⁴ 44 U.S.C. 3502(3) (defining the term “collection of information,” as used in 44 U.S.C. 3501 et seq.).

FDIC from depository institutions under the FDI Act or by financial companies under Title II;

- where the standards are applicable; and
- when the standards are feasible;

provided that, the FDIC has discretion to scale adopted standards to reduce any unjustified burden on smaller regulated entities and tailor adopted standards, as the FDIC sees fit in accordance with the FDTA.

D. Consultation

Section 124 requires the Agencies to consult with Federal departments and multi-agency initiatives responsible for data standards before issuing the Joint Final Rule.¹⁵ During the development of the NPR, Agency staff (other than CFTC staff) met with staff from the FSOC, the CFTC (prior to CFTC designation as a “covered agency”), the Department of Homeland Security, the Federal Chief Data Officer Council, the Federal Financial Institutions Examination Council, the National Institute of Standards and Technology, and the Federal Evaluation Officer Council to discuss issues involved in establishing and adopting joint standards.

E. Interoperability

Section 124 also requires the Agencies to “seek to promote interoperability of financial regulatory data across members of” FSOC.¹⁶ The preamble to the NPR specifies the various ways in which the Agencies considered the interoperability of the proposed standards.

IV. NOTICE OF PROPOSED RULEMAKING

A. Overview

The Agencies are inviting public comment on the attached joint NPR that would establish data standards. Jointly establishing such data standards would likely promote interoperability of financial regulatory data across these Agencies and would fulfill requirements of the FDTA.

¹⁵ Section 124(c)(2)(A) of Title I.

¹⁶ Section 124(c)(2)(B) of Title I.

B. Collections of Information

The joint standards established by the joint rule would apply to collections of information reported to each Agency. Although the FDTA does not define the term “collections of information,” that term is defined in the PRA, an act to which the Agencies are subject.

The Agencies propose to define the term “collections of information” in the FDTA by reference to the definition of that term in the PRA. The PRA definition is widely understood by the Agencies and by public stakeholders. All approved and pending PRA collections of information have been categorized and are accessible to the Agencies and the public. The FDTA uses the term “collections of information” in a way that is consistent with the PRA definition, and the PRA definition is consistent with the purposes of the FDTA.

C. Legal Entity Identifier

Section 124(c)(1)(A) of Title I requires the joint standards to include “a common nonproprietary legal entity identifier that is available under an open license for all entities required to report to” the Agencies. The Agencies propose to establish International Organization for Standardization (“ISO”) 17442 – Financial Services – the Legal Entity Identifier (“LEI”) as the legal entity identifier joint standard.

The LEI is a global, 20-character, alphanumeric, identifier standard that uniquely and unambiguously identifies a legal entity. The LEI is nonproprietary and is made publicly available by the Global LEI Foundation (“GLEIF”) under an open license, free of charge to any interested user.¹⁷ The GLEIF was established by the Financial Stability Board (“FSB”) in June 2014¹⁸ to support the implementation and use of the LEI. The GLEIF is a Swiss-based foundation that must adhere to various public-interest principles that were designed by the FSB and the Regulatory Oversight Committee (“ROC”). The ROC is a group of financial markets supervisors and regulators, consisting of public authorities from around the world (treasury departments, central banks, and market regulators).¹⁹ The ROC designated the LEI as the standard and assigned responsibility for maintenance of the standard to GLEIF, and oversees its work so that it remains in the public interest. Today, the LEI is used worldwide in the private and public sectors and, in certain jurisdictions, including the U.S., is used by agencies for regulatory reporting.

The Agencies acknowledge that requiring entities to obtain an LEI would impose some cost. The LEI system is based on a cost-recovery model and cost associated with obtaining and renewing an LEI covers the administrative expenses associated with the LEI system.

¹⁷ Note that while use of the LEI is free of charge to any interested user, there are fees associated with registering and renewing an LEI.

¹⁸ <https://www.gleif.org/en/about/this-is-gleif>.

¹⁹ <https://www.gleif.org/en/about/governance/regulatory-oversight-committee-roc#>.

D. Other Common Identifiers

In general, FDIC staff expect that supervised entities will be able to implement many of these standards with a minimal amount of effort. Implementation will require Agency work to update systems and forms, but should not require substantial new work for regulated entities, including insured depository institutions.

1. UPI and CFI

For swaps and securities-based swaps, the Agencies propose to establish ISO 4914 – Financial services — Unique product identifier (“UPI”).²⁰ For other types of financial instruments, the Agencies propose to establish ISO 10962 – Securities and related financial instruments — Classification of financial instruments (“CFI”) code.²¹ The UPI and CFI are complementary standards and provide a taxonomic classification system for all types of financial instruments. These standards are useful for aggregating data and increasing global transparency, which is beneficial in certain financial markets such as swaps, forwards, and non-listed options.

2. FIGI

For an identifier of financial instruments, the Agencies propose to establish the Financial Instrument Global Identifier (“FIGI”)²² created by the Object Management Group, which is an open-membership standards consortium. The FIGI is an international identifier for all classes of financial instruments including, but not limited to, securities and digital assets. It is a non-proprietary identifier available under an open license globally. The FIGI provides free and open access and coverage across all global asset classes, real-time availability, and flexibility for use in multiple functions. The FIGI also fills the gap for asset classes that do not normally have a global identifier, including loans.²³

3. Date

For date fields, the Agencies propose to establish the date as defined by ISO 8601²⁴ using the Basic format option. Date and time express fundamental dimensions of financial data and are ubiquitous in the collections subject to the FDTA. Therefore, consistent representation of dates

²⁰ <https://www.iso.org/obp/ui#iso:std:iso:4914:dis:ed-1:v1:en>.

²¹ <https://www.iso.org/obp/ui/en/#iso:std:iso:10962:ed-5:v1:en>.

²² <https://www.omg.org/figi/>.

²³ For securities, the Agencies also considered CUSIP and the ISIN (which includes the CUSIP). While these are identifiers are widely used, they are proprietary and not available under an open license in the US.

²⁴ <https://www.iso.org/iso-8601-date-and-time-format.html>.

may help facilitate data integration and interoperability across diverse collections. When the data is displayed on forms, web pages, user interfaces, and other media, date and time can be presented in other formats (e.g., Month Day, Year) if those formats preserve the semantic meaning of the data, but the underlying machine-readable data could follow the ISO format.

4. State

For identification of a state, possession, military “state” of the United States of America or a geographic directional, the Agencies propose to establish the U.S. Postal Service Abbreviations, as published in Appendix B of Publication 28 “Postal Addressing Standards, Mailing Standards of the United States Postal Service.”²⁵ Identification of a state, possession, military “state”, or geographic directional is widely used in collections that are subject to the FDTA. Compared to alternative numeric state codes, this proposed standard is both human and machine readable and is more widely used.

5. Countries

For identification of countries, the Agencies propose to establish the country codes with the code(s) for subdivisions, as appropriate, as defined by the most recent version of Geopolitical Entities, Names, and Codes (“GENC”). GENC is the replacement standard for FIPS 10-4 and is the U.S. Government profile of the ISO 3166 international country code standard.²⁶ This standard is very widely used, is incorporated into other data standards, and would provide consistency and interoperability of references to geopolitical entities.

6. Currencies

For identification of currencies, the Agencies propose to establish the alphabetic currency code as defined by ISO 4217 Currency Codes.²⁷ These internationally recognized codes are widely implemented, used, and incorporated into many other data standards. This standard would support interoperability, enable clarity, and reduce errors.

E. Data Transmission and Schema and Taxonomy Format Standards

The formats that the Agencies use to digitally receive collections of information are referred to as data transmission formats. Some collections of information gather data that has an

²⁵ For more information see <https://pe.usps.com/text/pub28/pub28apb.htm>.

²⁶ See <https://nsgreg.nga.mil/genc/discovery>.

²⁷ <https://www.iso.org/iso-4217-currency-codes.html>

associated schema, taxonomy, or ontology model²⁸ that describes the syntax, structure, or semantic meaning of a data asset. A schema and taxonomy format is the formal language used to describe a schema and taxonomy.

In the NPR, the Agencies propose to establish that the data transmission and schema and taxonomy format used have four properties, derived from the requirements listed in section 124(c)(1) of Title I. Specifically, the Agencies propose that the schema and taxonomy formats will, to the extent practicable:

- render data fully searchable and machine-readable;
- enable high quality data through schemas, with accompanying metadata documented in machine-readable taxonomy or ontology models, which clearly define the semantic meaning of the data, as defined by the underlying regulatory information collection requirements, as appropriate;
- ensure that a data element or data asset that exists to satisfy an underlying regulatory information collection requirement be consistently identified as such in associated machine-readable metadata; and
- be nonproprietary or available under an open license.

For example, Extensible Markup Language (XML) is a data transmission format the FDIC currently uses that satisfies these principles and eXtensible Business Reporting Language (XBRL) is a schema and taxonomy format that the FDIC currently uses now that satisfies these principles.

Establishing the joint standards as a list of principles rather than any specific data transmission or schema formats would provide the Agencies with flexibility in selecting their data transmission or schema format data standards, while promoting interoperability and allowing for adaptability to new technological developments. The data transmission and schema formats associated with the Call Report, including XML and XBRL, satisfy these principles and would be compliant.

F. Future Developments and Request for Further Information

The field of standards, data transmissions, and schemas is rapidly evolving. The Agencies request public input related to data standards the Agencies should consider for future updates of the joint rule.

²⁸ Within the field of data science, the terms “schema,” “taxonomy,” and “ontology model” are used in various ways and sometimes in conflicting ways. However, taken together, these terms consistently refer to the combination of syntax, structure, and semantic meaning of a data asset. The joint NPR includes additional discussion of these terms.

V. CONCLUSION

For the reasons set forth above, FDIC staff recommend that the FDIC Board authorize the publication of the attached NPR in the *Federal Register* for a 60-day public comment period.

VI. STAFF CONTACTS

Chief Information Officer Organization

Geof Nieboer, Chief Data Officer, (703) 516-5850

Mark Montoya, Senior IT Specialist, (703) 254-0225

Legal Division

Bill Piervincenzi, Supervisory Counsel, (202) 898-6957

Chris Blickley, Counsel, (202) 262-4709

Michelle Mire, Senior Attorney, (571) 344-8455