



October 21, 2024

On behalf of the undersigned organizations who represent members of the Public Finance Network (PFN), we write today to provide comments on S7-2024-05, the Proposed Rule to establish data standards to meet requirements in the Financial Data Transparency Act (FDTA) of 2022 (P.L. 117-263). Collectively our organizations represent over 100,000 state and local governments and entities from across the country who are affected by the mandates that will be implemented through this and future rulemaking.

These comments cover important general points that need to be raised about the proposed rule. We urge regulators to view the more detailed remarks submitted individually by organizations such as the Government Finance Officers Association, the National Association of Health and Educational Facilities Finance Authorities and the National Association of State Treasurers as well as our industry partners, the National Association of Municipal Advisors and the National Association of Bond Lawyers.

Many PFN organizations have been concerned about the impact the law will have on our members and have articulated these concerns to legislators and regulators¹. Now that the first proposed rulemaking has been published, we can point to the key areas where it will be vital for regulators to thoroughly understand and consider the impact any Final Rules will have on our sector, which we believe will disproportionately affect issuers and borrowers of municipal securities. It is critical to the well-being and functioning of the U.S. that the municipal marketplace remains a thriving market for raising capital for our nation's infrastructure. We need practical, feasible and market-based solutions, not static technology and unfunded mandates.

First and foremost, issuers of municipal securities do not oppose transparency and accessibility of information. In fact, significant financial transparency standards are already in place. Most state and local governments adhere to governmental reporting standards established by the Governmental Accounting Standards Board (GASB) while others follow accounting standards as determined under state law. The determination of these accounting standards is the right of each state. Additionally, all financial and budget information exists in the public domain, unlike the corporate sector. What this means is that investors and the public have access to a great deal of information related to governments' financial standing. To be clear:

¹ See letter dated September 29, 2022: [cbd44500-5f08-4ce2-9b61-93dc2bc28423_PFN+Ltr+on+FDTA+FINAL.pdf](https://prismic.io) (prismic.io)

issuers of municipal securities already exhibit transparency to stakeholders through established and standardized means and are fully committed to robust financial transparency standards.

For this comment letter we stress the following points for consideration in the development of these final regulations and future regulations.

We urge the SEC to stay true to the text of the law prohibiting direct regulation of issuers, citing the Tower Amendment specifically, and text in the FDTA stating that regulations may not impose any new disclosure requirements.^[1] Issuers of municipal securities and obligated borrowers are not directly required to submit information to the Covered Agency *SEC. Subsection (d) of Section 15B(b) of the Securities Exchange Act of 1934* prohibits both the SEC and MSRB from direct regulation of municipal securities issuer disclosure. Disclosure is determined by a contract between a public issuer and investors and is furnished to all stakeholders via Electronic Municipal Market Access. FDTA specifically references these protections when it states that “nothing in this paragraph may be construed to affect the operation of paragraph (1) or (2) of subsection (d).”² The SEC should adhere to the letter of the law.

We urge the SEC to stay true to the text of the law and utilize the provisions to scale data reporting requirements and minimize disruptive changes to entities affected. The municipal securities market is comprised of a wide variety of issuers. Any costs associated with the extraction, organization and reporting of the data to meet the requirements when the rules are finalized will be borne by the issuer. Additionally, implementation costs (e.g., financial, staff time, ongoing compliance) will impact each issuer differently. Therefore, we urge the SEC to carefully construct any new data standards and mandates in a manner that will not impose direct and indirect financial burdens on tens of thousands of governments and entities.

SEC and other federal regulators should adhere to the text of the law as it requires consultation with municipal market participants throughout the rulemaking process. Without careful and thorough discussions and understanding of public sector financial reporting from issuers of municipal securities, there will likely be unnecessary confusion, burdens and costs for our members in implementation of new data standards and other requirements. According to the law, the SEC “shall consult market participants”. Therefore, the SEC should seek multiple opportunities to speak with our organizations and members to understand the breadth of the public sector and how the variety of decisions to be made in rulemaking disproportionately affects our market.

Regulators need to be aware of the difficulties with applying broader mandates such as entity and securities identifiers in the public sector. While many segments of the proposed rule have broader implications than just our sector, we urge regulators to realize that standards established for federal government agencies, financial entities and/or corporate entities may not be easily applied in our sector. This is why it is important for regulators to consider the unique qualities and processes of the municipal bond sector and have thorough discussions with varieties of market participants so that any new standards can be applied without causing market disruption and burdensome costs to issuers.

^[1] See Subsection (d) of 15 U.S.C. 78o–4(b) often referred to as the Tower Amendment. Also see sec. 5826 of FDTA citing the SEC shall impose “no new disclosure requirements.”

² See Section 5823 of the FDTA.

We have highlighted four key issues that need serious consideration by Agencies as rulemaking moves forward, especially the SEC. We again call your attention to detailed letters from municipal securities issuer and partner comments that discuss these and other matters in greater depth. These Proposed Regulations are only the first round. By their very nature they are wide in scope, and it is difficult to provide detailed comments on matters that will have a significant impact on state and local governments and entities. Therefore, we again stress the need to have many conversations about the multitude of issues that encompass this proposed rule and future rulemaking efforts.

Thank you for the opportunity to comment on this important proposed rule. We look forward to future engagement with the SEC and other regulators about these important matters.

Sincerely,

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