Data Quality Committee
June 11, 2015
In Person Meeting Washington D.C.
Meeting Notes

Attendees

<u>Committee Members</u>

Mike Starr, Will Allen (phone), Chase Bongirno, Emil Efthimides, Pranav Ghai, Jeff Naumann, Minu Palani, Dean Prinsloo, Campbell Pryde, Lou Rohman, Glenn Doggett (for Mohini Singh), Amit Varshney

<u>Staff</u>

Ami Beers, Michelle Savage (phone) David Tauriello, Marc Ward, Susan Yount

<u>Observers</u>

Louis Matherne, Piyush Sattapathy, Seung–Woo Lee

Introduction

- Members introduced themselves
- Meeting with SEC (June 9) - Mike Starr, Campbell Pryde, Marty Vanderploeg, Harvey Pitt and Teresa Goody met with SEC Chair White and SEC staff on June 9. Mike and Campbell provided an overview of the objectives of the Data Quality Committee (DQC). The DQC is a market-based initiative that will develop guidance to improve the utility of the data and rules to test compliance with the guidance.
  - SEC asked whether the market is ready for inline XBRL.
    - Response – yes, service providers might need some time, but it should be relatively easy to get ready.
  - SEC asked about extensions.
    - Response - There is need for guidance on when it is appropriate to extend.
  - SEC asked what is the DQC requesting from the SEC.
    - Response – DQC requests the SEC to:
      - provide public support for what the DQC is doing
      - Begin to monitor application of rules when guidance and the related rules are published and the rules are available for public use.
      - After filers have been given an appropriate grace period to correct , the SEC will issue comment letters to companies and have companies revise financial statements to correct errors
  - Draft DQC press release was provided to the Chair
  - SEC asked whether there are preparers on DQC
    - Response - Service providers on the DQC represent preparer community
    - Priorities will be driven by user community needs
  - SEC responded to DQC via email after meeting.

- SEC encouraged DQC to schedule regular, periodic meetings with SEC staff to update them on progress
- DQC can include a comment in the press release that the DQC will keep the SEC informed and will periodically meet with the staff.
  - SEC future interaction with DQC
    - Staff from the Division of Economic and Risk Analysis will take lead for scheduling meetings with the DQC
    - Staff from the Division of Corporation Finance and the Office of Information Technology will attend those meetings
    - DQC will encourage SEC staff to observe DQC meetings
  - Mike will update the DQC press release to be updated and redistribute it to DQC for review

Action item – review revised press when distributed, provide any feedback/comments to Ami

Minutes Approval (prior meeting)
- Minutes from May 21st meeting were distributed with meeting materials for DQC review.
- Received one comment on minutes.
- Revised minutes distributed to DQC at meeting. If there are any comments/questions forward to Ami.
- Minutes will be approved via email to Ami.
- Minutes will be publicly available.

Action item – review and approve revised minutes, provide any feedback/comments to Ami

Overview of discussion of quality issues and possible approaches for resolution
- Set course of priorities for the next year.
- Make a visible impact to marketplace; consider developing a quality indicator.
- Consistency
  - Ease of consumption in certain countries is due to the regulator not allowing extensions on face financial statements
  - Taiwan, for example, uses a predetermined set of tags for face financial statements.
  - US GAAP Taxonomy has multiple tags for the same fact (over 250 tags for Revenue)
  - Some companies inappropriately use extensions for standard concepts
  - Use of dimension/axes is not consistent among companies; there needs to be guidance on the appropriate use of dimensions
  - Rules currently require most specific tag to be selected. Interpretation of this requirement has caused diversity in tagging
  - Currently there are multiple ways to tag the same fact; there needs one solution.

- Accuracy
  - Users are not interested where data is located within the financial statements, they want to find the data
  - Correct data is more important than correct presentation/format

- o XBRL is consumed by models rather than people
  - o Sign conventions cause issues
  - o Eliminate input errors
  - o Limit use of extensions
  - o Need to find the problematic areas and fix
  - o More important to get individual concepts correct rather than to correct the face financial statements
- Possible need for tagging standard aggregation points whether or not the aggregated information is presented in the HTML financial statements
  - o EFM only permits tagging of concepts that are included in financial statements (do not tag concepts that do not exist)
  - o Some users will want raw data only
- Focus on face financial statements v. footnote data?
  - o Different types of users have different needs – some will focus on face of financial statements v. all information for a company
  - o Compustat currently provides reasonably accurate face statement information so focus on footnote data
  - o Need consistency across companies and timelines
- SEC requiring filers to revise filings for significant errors

Discuss and approve priorities
- The discussion focused on
  - o Input errors
  - o Guidance for
    - Extensions
    - Multiple ways to tag the same disclosure (dimensions)
  - o Guidance for eliminating inconsistencies and errors in tagging data in
    - Face financial statements
    - Footnotes
  - o Specific use cases
- After considerable discussion, the Committee approved the following 3 work streams:
  - o Input errors (contributed rules)
  - o Guidance for extensions on face financial statements, starting with the income statement
  - o Guidance for tagging revenues to enable automated analysis of individual and aggregate revenue for all filers. This specific use case is not currently doable.
- When developing guidance consideration should be given to recommendations to improve existing guidance from the SEC and the FASB
- Mike requested Committee members to contact him if they wanted to assist with one of these three work streams.

Action item – Notify Mike with interest to volunteer on 1 of 3 work streams noted above

Policy Issues (Discussion)
- Severity on validation messages (errors and warnings) –

- o If warnings are used, any false positives generated such use may lead to criticism that rules are not valid.
  - o DQC agreed that rules should be designed to only detect errors.
- Previously filed data –
  - o Should the tagging be changed for previously filed statements with errors?
  - o How far back would we go? How would we handle new rules that are released every quarter?
    - DQC agreed it is not practical to restate filings.

Review of Rules for Public Comment
- Each rule is designed to test an assertion and guidance will be issued by subject matter
- For the public review, the Committee agreed to:
  - o Provide complete list of elements for each rule with label and definition
    - List the errors that would have been detected by each rule in 2014 SEC filings by order of frequency of occurrence
  - o Revise rule submission forms to eliminate technical jargon
- Committee approved the exposure of the following rules for public comment, as revised for the noted changes
  - o Inappropriate negative values (DQC_0015)
    - Removed the element for statutory tax rate from the rule for further consideration because some questioned whether element should be included in the rule.
  - o Incorrect Dates (DQC_0005, DQC_0006, DQC_033, DQC_0036)
    - DQC_0005
      - Revised to only verify that facts tagged with the Subsequent Event Type [Axis], or the Statement Scenario [Axis] and Scenario Forecast [Member] must have a date or date range that ends after the reporting period, or the DEI element Entity Common Stock, Shares Outstanding must have a date after the reporting period. (Deleted the portion of the rule to verify that facts having a date or date range that ends after the reporting period must use the Subsequent Event Type [Axis], or the Statement Scenario [Axis] and Scenario Forecast [Member], or facts that have date after the reporting period must use the DEI element Entity Common Stock, Shares Outstanding)
      - Revised "Guidance for Common Shares Outstanding must be current reporting period" to add "or prior period"
  - o Incorrect elements (DQC_0004, DQC_0009)

Wrap up

- Please provide Ami with any suggestion for improvement on communications or process
- Next Meeting via video call – July 15th, 3:00-5:00PM, information to be distributed

Meeting adjourned at 4:00pm