

**Data Quality Committee
Joint Meeting with SEC Staff
SEC Offices, Washington D.C.
May 18, 2016**

Highlights

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Attendance

Data Quality Committee	Securities and Exchange Commission	Observers and Guests
Mike Starr, Chair Emil Efthimides Pranav Ghai Lou Rohman Campbell Pryde Mohini Singh Chase Bongirno	<p><i>Division of Corporation Finance</i> Mike Stehlik, Disclosure Standards Office Julie Marlowe, Disclosure Standards Office</p> <p><i>Division of Economic Risk and Analysis</i> Scott Bauguess*, Deputy Director Hermine Wong, Office of Chief Counsel Mike Willis, Office of Structured Disclosure Kimberly Earle, Office of Structured Disclosure Joe Bishop, Office of Structured Disclosure Mialy Andriamananjara, Office of Structured Disclosure Walter Hamscher*, Office of Structured Disclosure</p> <p><i>Division of Enforcement</i> Margaret Mcguire*, Chief of Financial and Audit Group, Division of Enforcement</p>	Louis Matherne, FASB Ami Beers, AICPA Susan Yount, Workiva David Tauriello, XBRL US

**joined by phone*

Data Quality Committee Update

Mr. Starr opened the meeting and stated that the mission of the Data Quality Committee (“Committee”) is to improve the utility of the XBRL data submitted so that is easier to use and more widely used. The Committee is focused on addressing inconsistencies and errors in the tagging. The Committee has two main priorities for 2016: (1) making the rules contributed by XBRL US and Workiva and those subsequently developed by the Committee freely available to the public and (2) developing guidance for element selection and extension use.

First Priority – Contributed Rules

The goal is to publish a significant portion of the contributed rules (i.e., rules that identify 80% of errors in the 2014 filings) as open source. The process involves developing a rule submission form that explains the function and purpose of the rule. A working group of service providers, which meets on a weekly basis, reviews and approves the rules to be submitted to the Committee. The Committee then approves those rules for coding. After the rules are coded, they are exposed for public comment for a 60-day period. The process also includes a post implementation review to reduce false positives. The Committee approved the second set of rules for public exposure at its most recent meeting.

Results of Running Approved Rules

The Committee’s first approved release of rules included seven rules that were effective January 1, 2016. Members of the Committee presented a graph that showed quarterly results of running the rules on filings submitted to the SEC during the four quarters in 2015 and first quarter of 2016. The graph showed the number of errors flagged per 1,000 facts filed in each quarter. There was a 64% reduction in errors for filings in the first quarter of 2016 versus the same period in 2015. It was noted that error rates for filings in 2015 versus 2014 were flat year over year. The largest component of the errors was the test for negative values. It was noted that by publishing the rules as open source, the rules are being used more broadly beyond the members of the Center for Data Quality (“Center”). There have been over 6,000 hits on the XBRL US website to access an API for the rules. It was also noted that there was a gradual decrease in errors in the third quarter of 2015 which coincided with the Committee providing preliminary rules to the service providers of the Center to test rules. Providers made corrections to the filings based on testing and running the rules. The service providers of the Center were recently provided a report that showed uncorrected potential errors in 2016 filings and were asked to review those errors and to inform the Committee about any facts that were flagged incorrectly so that the rules can be refined to eliminate false positives. One of the service providers on the Committee noted that some of the errors in the negative value test resulted from the constraint in the EDGAR Filer Manual (EFM) that requires filers to use the same element for amounts across periods reported on the same line in the printed financial statements. The example provided was for the table of Deferred Tax Assets where in different periods the information reported may be for an asset or a liability (these are different elements). Allowing a different element to be used for the various periods reported may help reduce incorrect signs on the elements.

The Staff asked the members of the Committee whether inline XBRL would help to reduce the errors presented in the graph. The members responded that some errors may be identified by the use of inline XBRL during the review process; however, an automated review process that incorporates validation rules would result in a more significant reduction than relying solely a manual review of inline XBRL. The Staff asked whether the validations could be incorporated with inline XBRL. The members responded that incorporating the validation rules into an inline XBRL automated review process would be easy.

Second priority- Element Selection/Use of Extensions

The Committee started the initiative to develop guidance on the use of extensions in late 2015. Members of the Committee analyzed filed data and looked at reasons why filers use custom tags. Based on this analysis, the Committee shifted the focus to element selection and extension use. The Committee spent time during its most recent meeting reviewing and revising a discussion document which is targeted to be released in the next few weeks. The document proposes two guiding principles:

1. Element selection should be based on the standard element for the required disclosure and not on how the disclosure is described or communicated in the printed financial statements. This will be a significant change from current practice. Individuals who prepare the XBRL tagging need to have the same expertise and experience as those who prepare the printed financial statements. There are some who think it is important to retain the information on how the disclosure is described in the printed financial statements. In order to address this point, there is a question in the paper that asks if the retention of the information is so important that it overrides the benefit of an automated process. Members of the Committee noted that some filers perceive that EFM 6.6.29 currently provides a hierarchy for element selection; however, in the Committee's view, the first criteria should be the disclosure requirement.
2. Materiality used in selecting elements should be same as those judgments applied when creating the printed financial statements. Members of the Committee stated that they saw examples where materiality was not considered in the selection of elements.

To implement these guiding principles, there are many cases where registrants will need to improve the controls and procedures related to XBRL data. This is because there are a number of instances where the individuals who prepare the XBRL documents do not have the same level of experience and expertise as those who prepare the printed financial statements. In addition, many filers believe that the data is not being used widely, and that it does not receive the same scrutiny by the SEC staff as the printed financial statements.

The discussion document is focused on tagging information on the balance sheet and income statement. The intent is to expand the guidance to eventually cover all data in the XBRL files. The guiding principles apply to all disclosures. In order to apply the guiding principles three things are necessary:

1. Extensions need to be limited to certain specified cases.
2. Location of the information in the printed financial statements should not be the basis for element selection.

3. Registrants should only use most recent version of taxonomy. (There are instances where registrants use older versions.)

Under the proposed guidance, an extension could not be used for a fact that complies, in all material respects, with a disclosure requirement. The Staff asked whether a reviewer should expect to see further information in the printed financial statements when an extension is used for a required disclosure. Members of the Committee said that reviewers in those instances should focus on whether the registrant had complied with the disclosure requirement in all material respects.

A member of the Committee stated that applying this guidance will help reduce extensions; however, enforcing the guidance without support from the SEC staff will be difficult for those registrants who use a service provider who is not a member of the XBRL US Center for Data Quality or software that XBRL US has not certified for compliance with the Committee's open source validation rules.

The Staff asked if the Committee had presented the guidance to the Financial Accounting Standards Board as it would be helpful if they agreed with this approach. The chair of the Committee responded that the FASB is a permanent observer on the Committee.

The Staff asked whether the tagging would be different if an analyst tagged the files. Members of the Committee responded that analysts are not necessarily experts in financial reporting standards and that experts in financial reporting should prepare or review the XBRL documents.

Data users on the Committee informed the Staff that they are excited for the changes that are being proposed in the Element Selection guidance and that they would like to see more consistency in the data and a reduction in extensions.

Data Quality Committee Comment Letter

The Committee had sent a comment letter to the Chair of the SEC requesting that a public comment period be provided for any proposed EFM changes related to XBRL. Members of the Committee asked the Staff when there would be a response to the letter. The Staff responded that they will ask the Chair's office about the status of a response to the letter.

SEC Use of XBRL

The Staff stated that the EDGAR renderer now has a rules engine that rejects submissions because of significant filing errors or issues warnings when certain rules are not met. This rules engine has the ability to be expanded.

The Chair of the Committee asked the Staff how use of XBRL within the SEC has changed in the past years. The Staff responded that they are always looking for different technology to improve the review process. Four years ago the use of XBRL in the SEC was close to zero, but use has increased. For example, the Staff now has a Financial Statement Query viewer that is deployed and used throughout the SEC, and allows users to query XBRL data.

Inline XBRL

The Staff asked the service providers on the Committee how they would assess their readiness for inline XBRL. The service providers responded there is no information on what the SEC's requirements will be and that they will need 30 days to six months to implement inline XBRL. In addition, data consumers indicated that they will time to make adjustments for consuming the data in an inline XBRL filing. The members of the Committee recommended that when inline XBRL is allowed, its use be voluntary to provide a transition period. A member of the Committee stated that the CFA Institute will issue a paper to support use of inline.

The Committee's January 2016 comment letter to the Chair of the SEC strongly recommended that the staff get input from all stakeholders. Members of the Committee recommended that the Staff outreach to other service providers, data consumers, auditors and registrants.

The Staff asked what can be done to improve quality when using inline XBRL? Members of the Committee responded that the change to inline XBRL is an opportunity to extend the Internal Controls over Financial Reporting (ICFR) to XBRL tagged data. The current rules are clear that there should be adequate controls and procedures for the preparation of the XBRL exhibits but do not require that ICFR cover the preparation and submission of XBRL data.

The Staff asked members of the Committee what they thought about the awareness level regarding legal liability. Members of the Committee responded that there may be some awareness but more outreach is necessary.

XBRL International Entity Specific Disclosure Task Force

Mr. Matherne, Co-Chair of the Entity Specific Disclosure Task Force, explained that the Task Force has been created to identify mechanisms to anchor extensions. The Task Force has been surveying projects around the world to gather data points and understand how different projects are dealing with extensions. The Task Force has found that the SEC's requirements permit more discretion and flexibility than other regulators. The Task Force is looking at specific mechanisms on how to connect extensions to the base taxonomy. The Task Force will issue preliminary recommendations within the next 30-60 days.

Data consumers on the Committee want the extensions to be connected to be the most appropriate standard element. The discussion document seeks on which mechanism is preferred by data consumers.

IFRS

The Staff asked the members of the Committee what demand they are seeing for XBRL data of foreign private issuers. The members responded that there have been requests by consumers for this information. The Staff asked the service providers on the Committee what their degree of readiness is to use the IFRS taxonomy. Service providers on the Committee responded that this will not be a difficult task; however, they will need some lead time to provide capability to tag financial data using the IFRS taxonomy.

The Staff asked members of the Committee whether a principles versus rules based set of standards will make a difference in the tagging and the number of extensions? Service providers on the Committee responded that there will not be a material difference. A few of the members of the Committee stated that they had tested tagging using the IFRS taxonomy and there was not a material difference in the amount of extensions needed between the US GAAP and IFRS taxonomies.

Next steps

The proposed guidance for element selection and extension use in the discussion document focuses on the balance sheet and income statement. The Committee is discussing priorities for future guidance. The Chair of the Committee asked the Staff what topical areas were of current interest. The Staff responded that there have been recent speeches and recently issued Compliance and Disclosure Interpretations on Non GAAP measures.

The Chair of the Committee stated that the meetings held with the Staff have been beneficial for the Committee and he made a request that the Chair of the SEC consider the need for quarterly meetings with the Staff going forward.