

**Data Quality Committee  
 Joint Meeting with SEC Staff  
 SEC Offices, Washington D.C.  
 November 30, 2016**

**Highlights**

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**Attendance**

<b>Data Quality Committee</b>	<b>Securities and Exchange Commission</b>	<b>Observers and Guests</b>
Mike Starr, Chair Lou Rohman, Vice Chair Emil Efthimides Pranav Ghai	<b><i>Division of Corporation Finance</i></b> Mike Stehlik, Disclosure Standards Office	Louis Matherne*, FASB Ami Beers, AICPA David Tauriello, XBRL US Andromeda (Andie) Wood*, IASB
Emily Huang Campbell Pryde Mohini Singh* Chase Bongirno* Steve Soter	<b><i>Division of Economic Risk and Analysis</i></b> Mark Flannery, Director Scott Bauguess, Deputy Director Mike Willis, Office of Structured Disclosure Kimberly Earle, Office of Structured Disclosure Walter Hamscher, Office of Structured Disclosure Joe Bishop, Office of Structured Disclosure Mialy Andriamananjara, Office of Structured Disclosure Julie Marlowe, Office of Structured Disclosure	Susan Yount, Workiva
	<b><i>Division of the Office of the Chief Accountant</i></b> Julie Erhardt* Robert Sledge*	

\*joined by phone

## Introductions

Mike Willis opened the meeting with introductions of the participants.

## Framework for Element Selection

- Mike Starr explained that the DQC has worked on two major priorities during 2016.
- **Contributed Rules** - First priority for the DQC was to get the contributed rules into open source. This process entails a working group of service providers who vet rules, and then the rules are put through a public review and comment process. The first set of rules were released in January 2016. An analysis of the filings for the first quarter of 2016 compared to the prior year showed a 65% reduction in errors for those rules. The second set of rules were released and will become effective January 1, 2017. The third set of rules is currently out for public review and comment until December 13, 2016. These rules detect inappropriate negative values, input errors and inappropriate combinations of axis members.
- **Eliminate Extensions** - Data consumers on the DQC recommended that the second priority should be to focus on eliminating unnecessary extensions and make any necessary extensions machine readable. The project has evolved over time to include assessing appropriate element selection in addition to extension use. The DQC is currently working on two documents which will be released for public comment and feedback.
- *Proposed Framework to Ensure Consistency and Comparability of XBRL Data (Framework)*  
The purpose of the framework will be to guide work of the DQC as it issues guidance and rules to meet its mission of ensuring consistency of the data and simplification of tagging. There are 6 guiding principles under the Framework.
  1. *Selection of standard elements must be based on the disclosure requirements under U.S. GAAP for public companies.* – Guidance that the DQC will issue will be predicated on there being a clear unambiguous link from the required disclosures in US GAAP to the US GAAP taxonomy. The DQC is collaborating with the FASB staff on a project to ensure accurate links between the disclosure requirements in the codification to the taxonomy. The DQC had a meeting with the FASB staff in the fall of 2016 to kick off the project. The effort will begin in January 2017.
  2. *The data modeling for required disclosures should be standardized with a bias for simplification.* There must be only one way to tag a disclosure. It is important to avoid multiple ways to tag disclosures across companies. The DQC has seen instances where the same information is tagged differently by companies which is problematic for comparability.
  3. *The use of extensions must be limited to defined, specific cases.* - The guidance will specifically state when extensions are appropriate for use. The service providers on the DQC is in the process of analyzing the S&P 500 companies to test the DQC guidance on revenues for those companies.

4. *Extensions, where permitted, must be linked to a standard element in the U.S. GAAP Taxonomy.*
  5. *The application of materiality to element selection must be the same as applied in preparing the printed financial statements.* – The DQC has noticed that more time than necessary is spent on tagging immaterial amounts and many times extensions are created for these amounts. An example of this is when filers are tagging aggregation where the individual components of the aggregation are immaterial. The DQC guidance in this area will state that filers should use the standard tag for “Other” in these situations and change label to match the HTML financial statements.
- *Application Guidance on Balance Sheet and Income Statement (Application Guidance)* – This document will provide specific guidance for tagging the required disclosures on the balance sheet and income statement according to the guiding principles in the Framework. This document will be released along with the Framework.
  - Request for Feedback - There will be a limited release of the Framework and Application Guidance to the FASB and IASB observers on the DQC and the staff of the SEC in January 2017 for initial feedback. In addition, a small working group under the SEC Professionals Group (which is a group of 7,500 prepares) has been formed to provide the DQC feedback. This group will have a call with the data consumers of the DQC to understand how the data is used and will be provided the Framework and Application Guidance for initial review/feedback.
  - Problems observed in the market:
    - Many companies outsource tagging and don't take full responsibility for the XBRL filings. Those who prepare the XBRL files are different from those who prepare html financial statements. Therefore, the tagging process leads to reading the labels in printed financial statements in order to select tags. The preparation of inline XBRL files will not change this behavior.
    - Those companies who may have errors; however, have not received comments letters in the past will not change the tagging selections going forward.
    - There is a lack of guidance available for tagging data.

#### Smaller Reporting Company XBRL Data

- Mike Willis asked the vendors about the use structured data from Smaller Reporting Companies, noting that one vendor had approximately 100% extensions within the note disclosures for their client's reports. Emil Efthimides and Pranav Ghai both responded to the question and stated that data quality is important for both small and large filers. Pranav added that substantially all of their users are looking to get information on smaller firms.

## **Voluntary Inline XBRL Filing Program**

- Mike Willis asked members of the DQC for feedback on the inline XBRL Program and adoption plans.
  - The service providers on the DQC explained that so far approximately 30 companies filed using inline XBRL. Many vendors are making plans to adopt and are supportive of inline XBRL but are not fully ready. Many had held off investing in inline XBRL until the SEC's announcement and need a 3-6 month period to implement.
  - Steve Soter explained that from a company perspective, there is no sense of urgency for companies to convert to inline XBRL. There is an open question of what the benefit is for companies. Some companies may be hesitant to change their processes until inline XBRL is mandated by the SEC. Some companies may not want to highlight themselves as being one of the few that are filing using inline XBRL.
- Mike Willis asked about assurance on inline XBRL filings.
  - Ami Beers explained that there is an expectation gap because the financial statements that have embedded tags are accompanied by auditor reports. The SEC staff has been clear in their statements that there are no changes to the SEC's rules for auditor involvement. However, it should be important that auditors are involved with the data that is actually used by investors and that in the future there should be auditor involvement. Data consumers on the DQC agreed that auditor involvement on the data is important. Members of the DQC stated that the work of the DQC, moving to disclosure driven approach, will help auditors by reducing the judgment needed. Auditors already provide opinions on whether the financial statements are in compliance with GAAP.

## **Frequency of Future Meetings**

- Mike Starr stated that the joint meetings between the SEC staff and the DQC are beneficial. Recently, there has been an acceleration of effort to improve quality; we would propose quarterly joint meetings with staff.

## **Contributed Rules**

- The 2 releases of rules in 2016 will be effective January 1, 2017. A new set of rules is under development. The new set will deal with calculation reversals and dimensional equivalency checks (checking line items vs. dimensions). The work on the remaining contributed rules will be conducted during the first half of 2017. The DQC will then focus will on guidance on topical areas and rules to be developed for that guidance.
- There was a question as to how many vendors are using rules. XBRL US has certified the integration of the rules into the software of certain vendors (<https://xbrl.us/data-quality/certification/>). XBRL US also provides filers a way to run rules in Arelle on its website. Campbell Pryde reminded everyone that the rules are freely available for all software providers and public companies and that providers that provide filing software and/or tagging services for companies comprise approximately 88% of all public companies.

- DQC continually requests feedback on the rules in order to reduce false positive results.

### **Proposed 2017 Taxonomy**

- A working group of service providers under the DQC drafted a letter to the FASB providing feedback on the proposed taxonomy. DQC met with the FASB staff to discuss initial observations. Based on a variety of feedback received, the FASB made revisions to taxonomy. The DQC letter is currently being updated to reflect the changes to the taxonomy.
  - The DQC letter includes information on when typed dimension are appropriate for use in the future. It also expresses concerns with the timing of implementation of extensible enumerations and templates in the taxonomy. The DQC believes that service providers have not had ample time to update software to adopt these changes and; therefore, if not all providers adopt there will be inconsistency in filings.
  - Specific feedback on the templates is not included in the letter because templates were published in the proposed taxonomy later and there was not enough time to comment. The DQC plans to review the implementation guides for revenue, retirement plans, leases and discontinued operation and will provide separate feedback.

### **Entity Specific Disclosure Task Force**

- Mike Willis asked about options that are under consideration for entity-specific disclosures and what is data consumer feedback.
- Andie Wood explained that the idea would be to provide an “anchor” or a single link from each entity-specific disclosure to the base taxonomy element. However, there is a need for guidance for preparers on how to provide the links.
- There are options to using existing linkbases and the Task Force is leaning towards leveraging existing syntax. Many legacy projects may not have appetite to pick up something new versus using what is currently available. Improvements may be necessary to existing syntax and the Task Force will make recommendations to XBRL International to improve specifications.
- The first outreach to consumers was to the DQC at its recent meeting. The Task Force does not have user participation. Therefore, the Task Force will outreach to users when the document is published.
- The DQC plans to leverage work of Task Force and has asked Andie to join DQC as permanent observer.

### **Q&A**

- DQC asked the SEC staff about the status of IFRS taxonomy. The staff continues to evaluate the taxonomy for readiness in the market.

- The SEC staff stated that the inline XBRL viewer highlights references in the taxonomy and asked whether there is a concern with completeness or accuracy of references. Members of the DQC responded that references are critical to understand context of the data and that there needs to be an explicit link from the disclosure requirements under U.S. GAAP for publicly companies. Unfortunately, there is not an explicit link for many detailed disclosure requirements and, in some cases, where there is an explicit link, it is incorrect. DQC is considering draft guidance that, if approved, would state, in part, that:
  - improving the consistency of tagging and the comparability of tagged data is dependent on establishing an explicit link from the disclosure requirements under U.S. GAAP and then selecting elements based on the disclosure requirements instead of how compliance with those requirements is organized or described in the printed financial statements.
  - where allowable extensions are used, the extension should be linked to a standard element and, where deemed necessary, the label should be changed to match printed financial statement.
  
- The SEC asked what the use and benefit is for inline XBRL for filers. Members of the DQC responded that until there is a mandatory requirement to use inline XBRL, there is no incentive for companies to adopt it. In addition, companies see no benefit to being an early adopter of inline XBRL. One of the service providers said that they have strongly encouraged their customers to adopt inline XBRL. The service provider stated that although there is no discernable benefit to its customers, its management believes that it would benefit all other registrants and that participation in the voluntary program is, therefore, in the best interests of the capital markets.
  
- One of the service providers mentioned that for certain disclosure areas, tagging certain detailed information that is entity specific (e.g., debt covenants) creates excessive extensions which are very difficult to consume. There was a suggestion to clarify the SEC rules on tagging all numeric information. The suggestion was that such information (limited to specific, defined disclosure types) be tagged as a block of text instead of tagging the detailed information. DQC could help determine, during its review of disclosures by topical area, where disclosures could be block tagged in lieu of tagging the detail information that is entity specific.