

**Data Quality Committee
Joint Meeting with SEC Staff
SEC Offices, Washington D.C.
October 10, 2018**

Highlights

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Attendance

Data Quality Committee	Securities and Exchange Commission	Observers and Guests
Lou Rohman, Chair Mohini Singh* Pranav Ghai Andreas Krohn	<i>Division of Economic Risk and Analysis</i> Chyhe K. Becker, Acting Director Mike Willis, Assistant Director Walter Hamscher, Senior Technical Program Manager* Vikas Malik, IT Specialist Julie Marlowe, Senior Staff Accountant Matthew Slavin, Senior Technical Program Manager Hermine Wong, Special Counsel Andrew Z. Glickman, Senior Special Counsel	Louis Matherne, FASB Ami Beers, AICPA Michelle Savage, XBRL US* Izabela Ruta, IASB*
Campbell Pryde Chase Bongirno	<i>Division of the Office of the Chief Accountant</i> Jane Poulin, Associate Chief Accountant	
	<i>Office of the EDGAR Business Office</i> Brian Hankin, Senior Advisor*	
	<i>Office of the Investor Advocate</i> Alexandra Ledbetter, Senior Counsel	

*joined by phone

Introductions

- Mike Willis opened the meeting with introductions of the participants. Mike provided a statement on SEC policies related to the meeting.

Validation Rules and Guidance

- Lou Rohman provided an update that the DQC has been working on version 7 of DQC rules.
- Campbell Pryde provided detail on the version 7 rules.
 - The rules address tagging issues related to filers adopting the new revenue recognition standard where inappropriate tags are used to tag revenue.
 - The rules also relate to the tagging of pension disclosures with a focus on the standardization of pension plan assets.
 - The DQC also developed a guidance document that follows guidance issued by the FASB on how to tag revenue under the new revenue recognition standard.
- This rule set and guidance has been issued for public review for a 45 day period and comments were received. The DQC approved the version 7 rule set along with the revenue guidance document today during its meeting.
- There was a question as to whether there is a percentage of accepted error rates for DQC rules. The DQC aims for a 0% error rate for approved rules; this is to avoid false positive results. The DQC rules produce true errors and do not provide warnings for this reason.
- Campbell also mentioned that the DQC is working on a guidance document for nonconsolidated legal entity reporting. This guidance has been publicly exposed during the last public review period and the plan will be to approve the guidance in the near future.

DQC Errors

- Graphs (which are available on the XBRL US website) of results of DQC rule errors for negative values and axis/members were provided to participants in the meeting.
- Lou presented the results of rules and walked through the graphs. The DQC error rates show a decrease over time since the DQC rules have been in effect. These results show that DQC rules have been effective to reduce errors; however, errors continue to exist. DQC members expressed that they believe that the SEC can help make the rules more effective by:
 - communicating to filers that they should run the DQC rules
 - enforcing the rules when errors are found
- The SEC Staff asked a question as to how many filers are running rules. DQC members stated that they don't have the exact number of filings. However, most filing agents are running the rules; therefore, it is estimated that more than 50% of filings are covered. Some smaller filing agents and filers are not running them.
- The Staff requested a link to the XBRL US website for the error results which provide the graphs.

- Link to graphs at <https://xbrl.us/data-quality/committee/dqc-results/>
- Lou mentioned that results of running the axis/member rule (DQC_0001) show an increase in errors in 2018. Based on analysis of the data, this increase was due to IFRS filers incorrectly using the US GAAP taxonomy axes. When IFRS filers switch to the SRT, the DQC expects these errors will be eliminated from the results of this rule. We also noted that a new filing company had filed multiple filings during the 2nd quarter of 2018 with many errors which skewed the results.

DQC Letter to SEC Commissioners

- Lou recapped that the DQC issued a letter to the SEC Commissioners. The letter stated that the DQC noticed errors that remain uncorrected in US GAAP filings and the initial IFRS filings contained a large number of errors. The recommendations in the letter encouraged the SEC to communicate to filers to use DQC rules, recommended that the DQC rules be added to SEC filing engine and that the SEC take steps to ensure compliance with SEC rules (including communications, enforcements, and monitoring of filings).
- Lou noted that no response to the letter was received from the SEC. SEC Staff explained that letters are read by Staff, and that direct responses to comment letters are not typically provided. Responses may be addressed if the comments relate to rulemaking where the comment letter will usually be referenced within the final rule.

Changes to EFM

- Lou explained that the latest changes to the EFM have incorporated validation rules that produce warnings for filings related to certain areas that the DQC has concerns.
- Campbell explained that the SEC rules are not run for specific taxonomies. This issue impacts the rule that tests for deprecated elements, as well as the test for inappropriate extension axes.
 - For the deprecated element rule, filers get warnings when valid elements are used from the 2017 US GAAP taxonomy if the elements are deprecated in the 2018 taxonomy.
 - For the extension axis rule, filers receive warnings for using inappropriate extension axes. However, if the filer has used the 2017 US GAAP taxonomy they are directed to use the SRT taxonomy that was published in 2018.
- Campbell explained that he conducted an analysis of the results of the SEC's nonnegative rules as compared to the results of the DQC nonnegative rules. The results from the SEC's rules showed that 13% of the rules gave a false positive result compared to the DQC's rules. This was because the DQC rules include a list of exceptions, some of which are not included in the SEC rules.
- Chase Bongirno explained that when filers incorrectly receive warnings when using elements appropriately from the 2017 taxonomy, they want to change their filing in order to eliminate the warning. When these are false positives, filing agents and filers spend extra time and unnecessary work on these issues. The filing agents on the DQC have received feedback from filers regarding these warnings and it has caused stress in market.

- DQC members expressed that the DQC rules have been thoroughly scrutinized and placed in practice; and therefore, questioned why the SEC has not used this intellectual property.
- The SEC Staff explained that the rules were made public for a 30 day review period and the DQC should provide comments during the public review on the rules.
- DQC members agreed that they need to get involved in public review of SEC rules to minimize false positives. Campbell offered to provide a listing of differences between the SEC and DQC results of the running the nonnegative rules as a component of the comment process.
- Campbell asked the Staff if filers receive warnings for false positive results, should they be ignored. The Staff responded, yes.
- Campbell also explained that a current EFM rule prohibits multiple calculations within a filing. This rule can cause problems specifically in the face statements when calculations are located in the notes to the financial statements. On the face statements, the calculation may be missing, thus forcing data consumers to source calculations from the footnotes to derive a complete calculation for the face financial statements. If the subtotals are included in the notes, then the derived calculation can result in double counting. This causes difficulties for users and the EFM rule should be reassessed.

Different Taxonomy Approaches for Converged Standards

- Campbell explained the three areas where there should be standardization across standards.
 - Transformation Registry – XII publishes the inline transformation registry. The SEC developed eight additional transformations that are not included in the XII registry. The DQC is concerned that ESMA may create its own custom transformations. The DQC recommends that all transformations be included in the XII registry so that all filers are using the same transformations. This will be an easier approach for filers and reduce duplication of efforts. The SEC Staff agreed that if XII includes these transformations in the registry, that they could use the international standards.
 - Shared Taxonomy Standardization (SRT) – The DQC believes that there are elements in the SRT that should be in a central location in XII so that these elements may be shared across filings for different regulators (i.e., both ESMA and SEC). This would reduce the burden on filers.
 - Taxonomy (US GAAP/IFRS) convergence - The DQC believes that when accounting standards are converged, there should not be differences in the modelling of taxonomies (e.g., pensions are modeled differently between the US GAAP taxonomy and the IFRS taxonomy; however the underlying accounting standards are similar). The DQC recommends that, as part of the SEC’s review before accepting the taxonomy, the SEC considers how the IFRS taxonomy has handled modeling of converged standards.

Inline XBRL

- Lou mentioned that through review of the inline filings, the DQC noticed areas that may need to be addressed by the SEC.
- Campbell explained that there are large amount of hidden tags in some of the inline filings. There a number of reasons for this:
 - The value is not presented in html. These instances are mostly related to DEI facts.

- The value is presented in the html, but the fact is hidden in the inline filing. One of the reasons for this is that some software providers cannot yet handle certain features of inline XBRL, such as nesting, so filers are solving for this by using hidden tags. Lou stated that software providers are at different stages of readiness for inline.
- DQC does not want to write a rule that flags errors at this point, because they are not technically errors in the XBRL filing.
- DQC recommends that SEC issue observations or FAQs to help filers in these matters.

Future Topics for Guidance/Rules

- Lou explained that the DQC is developing the next rule set (version 8). These rules will address IFRS nonnegative rules. The IFRS has rules in the Formula linkbase that include a list of elements that should not be negative. The DQC will review the list of elements and address any false positives.
- Chase mentioned that IFRS filers have provided feedback that more filer resources for improving quality are needed.
- There was a question as whether the DQC has had any discussions with the ESMA staff regarding IFRS rules. DQC has not yet reached out to ESMA.
- Version 8 of the rules is expected to be released for comment in first quarter 2019. The plan would be to approve the rules during the first quarter so that they can be used when IFRS filers submit their December 31, 2018 financial statement filings.
- Stockbased Compensation is also a topic that DQC will address. This area has errors associated with tables on grant reporting and investing relating to incorrect tagging and extensions.
- There was a question regarding whether the DQC collaborates with the FASB on guidance and rules. Campbell explained that the DQC works closely with the FASB staff and the DQC provides detailed guidance on implementing the FASB guidance.

Q&A

- There was a question as to whether the DQC rule syntax could be included within the US GAAP taxonomy as a new linkbase. This may help with better adoption of the DQC rules if they are within the taxonomy.
 - This could be possible for some of the rules (i.e., negative values); however, some rules are more complicated.
 - Louis Matherne responded that the FASB is a standard setter and has not historically taken the role of implementing and validating. However, the FASB staff works closely with DQC to recommend rules for new standards.
 - It was noted that the IASB has published a linkbase that includes such validation rules. However, the rules included in the formula linkbase are not a robust set of rules as compared to the extensive listing of DQC rules.
- There was a question as to which errors are the major errors in the filings. Data users on the DQC commented that inconsistencies in the tagging across different companies is highly problematic. This is prevalent in the pension disclosures where filers are not using FASB

templates for filings. DQC rules could be developed to detect when a template is not being used.

- There was a question as to whether the SEC should reject filings if they contain errors. Members of the DQC did not believe that filings should be rejected because there may be outliers that trigger the rule that have not yet been contemplated. It is not possible to predict every scenario. There was a comment that there may be an option to not reject the filing; but rather, filings with errors may be put into a queue for further review and communication to the filer. The DQC recommended additional monitoring and enforcement in its letter to the SEC Commissioners.
- There was a question as to whether any filing agents have used or enhanced the SEC's inline code within their products. DQC vendors stated that their products are using the code. idaciti is using the code and has enhanced it by providing results of DQC errors in the viewer.
- There was a questions as to what are the emerging quality issues. DQC members stated that held to maturity securities have many questions on how to tag this information. Campbell mentioned that there has been discussions with auditors due to inline and how to use the data within the procedures and the PCAOB has reached out to XBRL US to understand inline.