Data Quality Committee
Joint Meeting with SEC Staff
Conference Call
October 7, 2020

Highlights

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Attendance

Data Quality Committee	Securities and Exchange Commission	Observers and Guests
Joan Berg Chair	***Division of Economic Risk and Analysis***	Ami Beers, AICPA
Glad Sully	Mike Willis	David Tauriello, XBRL US
Campbell Pryde	Julie Marlowe	Louis Matherne, FASB
Sophia Sharp	Josh Caust-Ellenbogen	Iza Ruta, IASB
Pranav Ghai	Vikas Malik	Vivek Baid, IASB
	Jim Yu	Mark Ward, XBRL US
	Steve Yang	
	PJ Hamidi	
	Christine Cheng	
	Division of the Office of the Chief Accountant	
	Paul Munter	
	Division of Corporation Finance	
	Jill Davis	
	Mark Green	
	Mike Stehlik	
	Chris Windsor	
	EDGAR Business Office	
	Mark Elbert	

Office of the Chief Data Officer
Austin Gerig

Office of the Investor Advocate
Alexandra Ledbetter

Introductions

- Mike Willis opened the meeting with introductions of the participants. Mike provided an SEC disclaimer for the meeting. Joan Berg introduced the agenda.

Validation Rules and Guidance Update

- Joan Berg informed the group that the DQC approved version 12 rules effective September 1, 2020. The rules were exposed for public review May 15 – July 1, 2020. The rules included:
    - o DQC_0015 (elements which should never be negative) updated to include elements added in the 2020 US GAAP Taxonomy.
    - o DQC_0091 Invalid Scale for Percentages – The intent of the rule is to identify those percentage items that have a scaling issue associated with them. Any percentage over 1000% is flagged by the rule.
    - o DQC_0092 Non Positive Amounts – This rule is for IFRS filings. The intent of the rule is to identify those facts that have been entered with a positive value when the value should have been a negative amount. There is a similar rule in the XBRL Formula Linkbase
    - o DQC_0093 Durational Aggregation – This rule is for IFRS filings. The rule identifies where the values of a durational element for a series of periods of time do not aggregate to the value representing the aggregated period in the instance. This rule has a tolerance factor for rounding. This rule is similar to and already exists for US GAAP.
    - o DQC_0094 Fiscal Maturities – This rule is intended to check that the changes in the 2020 taxonomy (the definition of the maturity schedule elements has been clarified) are applied to the instance documents using the 2020 (and subsequent) taxonomy.
    - o DQC_0095 Scale Common Stock Outstanding - The intent of the rule is to identify where filers have used an incorrect scale when reporting Common Stock Shares Outstanding. Compares values tagged with DEI element versus values in balance sheet.

- Joan explained that the DQC approved version 13 of the rules that included 3 rules which were exposed for public review August 1 – September 15, 2020 the rules were approved at the DQC's meeting earlier that day. The rules included:
  - DQC_0098 - Liability Revenue Recognized – This rule applies only to US GAAP filings. The rule identifies where the Contract with Customer, Liability, Revenue Recognized is greater than the value of Contract With Customer Liability reported. The rule compares the value of the opening balance of the liability to ensure that it is greater than or equal to the value recognized as revenue during the period. This rule was requested by FASB staff.
  - DQC_0099 - FS with No Associated Calculation –This rule looks at all monetary items in the presentation linkbase in face financial statements and checks that they participate in a calculation. The rule identifies where a monetary element is defined in the presentation linkbase of the filing for the Income Statement, the Balance Sheet, the Statement of Cash Flows and the Statement of Comprehensive Income and checks if a calculation is defined in any role of the company extension. The impact analysis had identified 4,500 errors for this rule; however, many companies have run the rules and have corrected their tagging during the public review period and we will expect lower errors.
  - DQC_0100 – Invalid Consolidation Axis - This rule identifies where the filer has reported a fact value which uses the axis InvestmentsByConsolidatedAndNonconsolidatedEntitiesAxis. The rule checks for the existence of any facts that have used this axis and reports an error. This axis will be deprecated in 2021 so should not be used in 2020 filings. This rule only exists for the 2020 taxonomy.
- Minor comments were received from committee members which were incorporated into the rules and one public comment was received. The effective date for these rules will be January 1, 2021
- There was a question as to whether any rules have been considered for elements related to COVID-19 disclosures. There are no standard elements in the US GAAP taxonomy specifically for these disclosures. The FASB has issued an FAQ identifying text which should be included in any extensions created.

DQC Errors
- Joan presented a spreadsheet that showed quarterly errors for the 3 quarters in 2020 as compared to the quarter of each rule's initial release for the top 10 rules with the highest errors. There have been significant improvement in the amount of errors.
  - Three of the rules have been added to the FASB DQCRT (Data Quality Committee Rules Taxonomy).

- o Joan noted that for rule DQC_0015 there was an increase in errors and the primary reason is due to a new market entrant.
- Joan presented a table of the recently developed rules and noted that the rule with the largest amount of errors is DQC_0081 (Sibling Child Relationships), which became effective January 1, 2020. Improvements on the other recently developed rules have been shown throughout the year.
- For rules DQC_0001 (Axis Member) and DQC_0015 (Negative Value), Joan presented graphs of the error trends which showed decreased errors for these rules. Joan also presented details of the axes and elements from each of the rules that had the highest errors for the most recent quarters.
- It was noted that most errors are made by very few filers. A new market entrant has had a big impact on the error rates. This vendor accounted for 26% of the errors in Q3 (out of a total of approximately 22,000 errors). It is a concern to the DQC, as one vendor is skewing error rates. Campbell stated that he has reached out to the software vendor that provides the software to filing agents. XBRL US encouraged the software vendor to incorporate rules into the software and make filing agents who use the software aware of the rules.
- Louis stated that looking at results of the rules, he noticed that there was a large decrease in errors for DQC_0015 and he stated that the SEC validation includes this rule. Therefore, it would be helpful to get other rules into this process.

Version 14 Rules for Public Review
- Joan stated that the DQC approved version 14 rules for public review for November 1 through December 15, 2020.
- Campbell stated that this set of rules relates to IFRS filers. The rules will be available on the XBRL US website during public review. An effective date for these rules is expected to be in early 2021.
- Many of the rules already exist for US GAAP and have been adjusted for the IFRS taxonomy. The rules include:
    - o Inappropriate axis/members (with an accompanying guidance document)
    - o Invalid percentage values
    - o Inappropriate calculation descendents
    - o Equivalent values
    - o Face financial statement elements with no calculation
    - o Assets and liabilities classified as held for sale axis with durational values
- IFRS staff will review rules and provide feedback. We want to make sure that there is global alignment on these rules.
- Campbell also mentioned that the Segment Axis will be added to existing US GAAP rule for Axis/Member (DQC_0001).

IFRS Guidance/ESMA Rules
- Campbell discussed the fact that within IFRS filings in the US there has been a lot of extensions due to the fact that there is limited guidance.

- As the DQC builds rules, areas of guidance are being captured on how to tag IFRS filings. DQC plans to develop guidance for SEC filers using IFRS taxonomy (especially in the area of detailed footnotes) and will collaborate with IFRS standard setter. There are cases that have been identified where extensions are needed, guidance will include which extensions to use rather than companies creating their own. DQC will request IFRS to include additional elements in the taxonomy. IFRS staff have indicated that they have performed a review of commonly used tags and they are contemplating adding elements into the 2021 version of the taxonomy.
- Campbell stated that ESMA and XBRL International (XII) had discussions about creating a European committee (similar to DQC) under XII to develop rules for ESMA filings. He noted that XBRL US is willing to share infrastructure. ESMA would be able to adopt already approved DQC rules for the IFRS taxonomy. DQC would then adopt any rules that are developed in Europe and both committees can maintain alignment. This would help filers that file in both markets to run one set of rules for IFRS.

EDGAR Filer Manual (EFM)/FAQs
- Campbell explained that there may be some adjustments that could be made to the EFM to improve quality of the data.
    - Default Periods – Some values reported in XBRL filings are not impacted by the passage of time (e.g., associated with an individual transaction, such as an acquisition). These facts should be able to be recorded without a specific period in order to avoid filers applying an arbitrary date that may change over time when the fact is constant and does not change with the passage of time. DQC proposes the following for constant facts that do not change over time:
        - Update EFM to allow use of forever period in limited circumstances
        - Restrict use of forever period to dimensions that represent transactions or descriptions of the details of a single specific event.
        - Use a taxonomy defined dimension for a fact using forever period
        - Update EFM to require filers to tag the transaction date (in order to capture the date the transaction occurred)
        - Use Members consistently over time to designate a transaction if referred to in subsequent reports
        - Develop DQC rules to restrict use of forever period on facts with dimensions that represent transactions
    - Calculations - Campbell stated that EFM 6.15 and FAQ E.25 require calculations not to be duplicated but allow the calculations to be included in different groups. This causes ambiguity about the meaning of concepts because the calculations can be spread across the entire filing. Ideally, the calculations that comprise an item in a group should be in the same role. DQC recommends:
        - Relaxation of the EFM rule to allow for duplication of calculations
        - Calculations disclosed within the grouping to be included within the group
- Joan mentioned that these topics have been previously presented to the SEC staff by the FASB staff and the DQC supports these efforts.

Other Disclosures (ESG/NonGAAP Measures)

ESG

- Campbell stated that the Sustainability Accounting Standards Board (SASB) announced that they are working with PWC to develop a taxonomy to capture SASB metrics. DQC recommends that the SEC allow filers to use the taxonomy on a voluntary basis to tag disclosures in their filings.

- Campbell mentioned that filers are already including ESG disclosures in their filings. SEC Commissioners are publicly commenting about sustainability metrics.

- Campbell also mentioned that portfolio managers (i.e., Blackrock) and funds are changing their investment strategy to invest in companies that report sustainability metrics. Companies have been requested to complete surveys of ESG metrics for rankings to be sold to investment managers.

- Campbell presented a spreadsheet that included approximately 400 companies that have used SASB standards to report data. Some companies are disclosing metrics in SEC filings. Campbell demonstrated 2 companies that report SASB metrics within an SEC filing and within other reports. Investors are interested in this data and it is difficult to access.

- Campbell mentioned that IFRS has issued a Consultation to form a Sustainability Standards Board to develop standards.

- Campbell stated that considering that the SEC already has a channel for information, it would be helpful for investors for the SEC to allow companies to tag this information using the taxonomy.

- Pranav stated that his company receives requests for ESG data and he would like to see consolidation in this area. It would be helpful if the SASB taxonomy is taken as the standard to work from. Pranav mentioned that CEO pay ratio information is requested often.

- Ami stated that the AICPA has seen an increase in this area by companies disclosing information in their filings and wishing to obtain assurance engagements on this information. There are many members interested in this topic.

NonGAAP Measures

- Campbell discussed that many users are looking to identify NonGAAP measures within filings. Companies report these measures within their filings and it would be very useful for users to be able to easily identify them (currently no requirement to indicate elements on NonGaap measures). It is expected that this would be useful for SEC staff. There are a few possible options to identify these:
    - Footnotes – XBRL superscript footnote on each fact
    - Specific relationship – similar to arc roles/anchoring
    - Suffix in the element name
    - Child of a specific abstract element
- The proposal will be considered by the members of the DQC working group.