

Data Quality Committee
Conference call
March 23, 2022
Meeting Notes

Attendees

Committee Members

Campbell Pryde, Shelly Wavrin, Jennifer Liu, Charles Kessler, Pranav Ghai, Glad Sully, Amit Varshney,

Absent

Adrian Cloutier, Heather Krupa, Mohini Singh

Staff

Ami Beers, David Tauriello, Michelle Savage

Observers

Louis Matherne

Welcome

- Shelly welcomed attendees and introduced the agenda.

Minutes Approval

- Motion to approve minutes from January 19, 2022 DQC meeting, by Campbell Pryde, seconded by Charles Kessler
- Vote (For 7, 0 Against)
- Motion passed. January 19, 2022 DQC meeting minutes approved.

Review of Version 18 DQC Rules

- Campbell introduced the rules that cover equity method investments, investments and extensible enumerations.
 - DQC_0133 - Equity Method Investment Reporting - The purpose of the rule is to ensure that filers consistently report Equity Method Investment (EMI) data. This rule has three components to help filers to ensure that they are consistent with the guidance issued by the FASB “Dimensional Modeling for Disclosures of Consolidated and Nonconsolidated Entities”. (2,000 filings were analyzed each component of the rule produced 1,300, 774, and 356 errors, respectively)

- DQC_0134 - Investment Schedule - Financial Instrument Axis - The purpose of the rule is to ensure that filers report values associated with the element AvailableForSaleDebtSecuritiesAmortizedCostBasis with the correct dimensions. The rule is intended to align filer disclosures with the guidance defined by the FASB in “Financial Instruments Debt Securities”. (448 errors out of 2000 filings analyzed)
- DQC_0135 - Extensible Enumerations for Financial Statement Captions – The FASB has defined a number of elements that if reported and are not included in the face financial statements, filers need to indicate which financial statement caption the amounts appear (these elements have been identified in the US GAAP taxonomy as extensible enumeration elements). This rule has two components. The first component identifies an error if the company has made a disclosure and has not included the caption where the amount appears in the financial statements. The second reports an error for a fact that includes the Balance Sheet and Income Statement Location axis and does not have an associated extensible enumeration using the same dimensions. Campbell mentioned that a small amount of errors were found in the sample analyzed because 2021 taxonomy includes fewer elements that are subject to the validation, but Campbell expects the errors will increase due to the fact that the FASB has recently added more elements that require using extensible enumerations to the 2022 taxonomy. The rule excludes leases, as there is already a DQC rule dedicated to leases.
- DQC_0136 - Caption Value Matches Financial Statements - This rule is intended to identify those cases where the company uses an extensible list item that refers to a Balance Sheet or Income Statement line item that does not exist on the referenced Statement. The rule checks that the values provided for the extensible list items defined in the taxonomy are legitimate financial statement line items that appear in the presentation linkbase. (89 errors out of the sample of filings analyzed).
- Campbell mentioned that there will be an additional rule related to extensible enumerations for the balance sheet and income statement location axis. Campbell is still testing the rule and plans to add it to version 18 before public exposure.
- Working group reviewing the rules and the DQC will be requested to approve rules for public exposure via email.

Analysis of DQC errors by rule

- Shelly presented results of the DQC rules. 91 DQC rules have been published to date (68 US GAAP, 14 IFRS, 9 relate to both US GAAP and IFRS).
- Shelly presented the quarterly analysis of the trends of errors for 2020 and 2021 DQC rules. There were a total of 17,117 errors in Q4. The rules with the top errors in Q4 2021 included:
 - Axis with Inappropriate Members - DQC_0001
 - This rule became effective in March 2017. It has been updated 6 times (Q1 2021 most recent update).
 - A total of 2,538 errors (from 109 filings) in Q4, 2021.

- Approximately 80 (out of the 109 filings) are non-accelerated filers.
 - Large decrease in errors is seen in 2021. Shelly noted that she believes that this is a direct result of the fact that this rule is included in the 2020 DQC Rules Taxonomy.
- Incorrect Calculation Weights in Operating Cash Flows - DQC_0043
 - This rule became effective in June 2018.
 - A total of 1,203 errors (from 297 filings) in Q4 2021.
 - Approximately 20 (out of 297 filings) are accelerated filers.
 - This rule will be included in the 2022 DQC Rules Taxonomy. Shelly noted that the EDGAR system is starting to produce warnings, so she expects to see improvement in the number of errors for this rule.
- Sibling Child Relationships – DQC_0081
 - This rule became effective in September 2019.
 - A total of 2,686 errors in Q4 2021.
- Financial Statements with No associated Calculation – DQC_0099
 - This rule became effective in January 2021.
 - A total of 1,248 errors in Q4 2021.
- Concentration Risk - DQC_0109
 - This rule became effective in September 2021.
 - A total of 1,180 errors in Q4 2021.
 - There is improvement in the error rates. The FASB is considering taxonomy remodeling on this topic; therefore, this rule may require adjustment.
- Incorrect Transition Elements Used – DQC_0121
 - This rule became effective in December 2021. Many filers continue to use elements that should not be issued after adoption of ASUs.
 - Approximately 2,400 errors from December 1, 2021 to March 10, 2022.
 - This rule detects errors when filers use line items that should no longer be used after adoption of:
 - ASU 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities
 - ASU 2016-02 Leases (Topic 842)
 - ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)
 - ASU 2017-12 Derivatives and Hedging Topic 815): Targeted Improvements to Accounting for Hedging Activities
 - ASU 2018-07 Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting
 - Prior DQC rules which detect errors when filers use line items that should no longer be used after adoption of:
 - ASU 2014-09 Revenue (Topic 606) – DQC_0067
 - ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes – DQC_0086

- Pranav mentioned that there has been an increase in the use of extensions. Pranav shared an analysis that showed a 50% increase in use of extensions as a percentage of total tags (analysis included 10-Ks for large accelerated filers) for 2021 v. 2020.
 - Campbell stated that the changes in accrued interest disclosure was a driver because elements were not added to the taxonomy. Campbell has also noticed that filers have been creating extensions because they want to tag more specific elements than the base elements.
 - Shelly mentioned that she has seen extensions related to COVID disclosures and SPAC filings that use high levels of extensions.
 - Shelly also mentioned that she expects to see extensions for financing receivables. She mentioned that FASB is monitoring the issue and they may need to develop common practice elements to reduce the need for extensions.

Demonstration of standardized data

- Campbell provided a demonstration of how XBRL US develops standardized balance sheets and income statements in order to compare filings against them to identify areas where potential problems exist. This process is used to identify areas where filers create extensions or fail to include elements within the calculation linkbase in their filings and this information helps to develop rules.
- Campbell mentioned that data aggregators may be identifying common extensions used and this information could be helpful.
- There was a suggestion that the DQC rules include a mechanism for filers to see the rate of extensions used in the filings (line items only).

Guidance Development

- Campbell explained that the focus going forward will be on investments. We will look to taxes as well.
- For existing rules, filers don't understand how to fix errors that they get when running rules. We would like to provide more guidance for filers to be able to address the errors. The rules provide a "rule message", but filers may need more context for the reasons underlying the errors. This may result in needing to adjust the existing rule forms.
- XBRL US has issued guidance on auditor tagging. There are some specific questions related to this area (e.g., joint auditor). The guidance will need to be updated for the joint auditor situation.
- The topic of extensions will be something to address.

IFRS/ESEF Alignment

- Campbell mentioned that we are working with XBRL International (XII) to leverage IFRS DQC rules for the ESEF filings. There are 14 DQC rules that XBRL US has made available on the XBRL US website that can be run for ESEF. XII will set up a committee to address new rules for ESEF filings.
- XII has loaded ESEF filings on the XII website and are available for viewing.

Meeting adjourned 10:40AM, after which the DQC held a closed session.