Data Quality Committee
Joint Meeting with SEC Staff
Conference Call
September 21, 2022

Highlights

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Attendance

Data Quality Committee	Securities and Exchange Commission	Observers and Guests
Shelly Wavrin, Chair	***Division of Economic Risk and Analysis***	Ami Beers, AICPA
Pranav Ghai	Julie Marlowe	David Tauriello, XBRL US
Campbell Pryde	Brian Gale	Louis Matherne, FASB
Jennifer Liu	Jim Yu	Iza Ruta, IFRS Foundation
Glad Sully	Christine Cheng	Mark Ward, XBRL US
	Matthew Slavin	Michelle Savage, XBRL US
	PJ Hamidi	
	Walter Hamscher	
	Division of the Office of the Chief Accountant	
	Melissa Raminpour	
	Ross Drucker	
	Division of Corporation Finance	
	Jim Budge	
	Chris Windsor	
	Mark Green	
	Edgar Business Office	
	Laura Finch	

Office of the Chief Data Officer
Alexandra Ledbetter

Introductions

- Julie Marlow opened the meeting with introductions of the participants. Julie provided an SEC disclaimer for the meeting.

Validation Rules and Guidance Update

- Campbell announced that Version 19 was approved by DQC and will become effective December 1, 2022. This version includes three new rules:
    - Rule to check bank capital ratios are tagged correctly.
    - Rule to check calculations on the investment schedule are correct.
    - Rule to check that correct elements are used on the investment schedule, it ensures that consistent elements are used for including and excluding accrued interest. One exception was added when a reconciliation is provided.
    - These rules were exposed for public review and adjustments were made based on feedback received.
- A number of changes were made to existing rules which included updating the non-negative rule for both US GAAP and IFRS elements and adding the Business Develop Company (BDC) axes to the rule.
- Campbell also mention that a few rules were updated for BDCs to handle the reporting of cash flow statements
- There was a question as to why the DQC chose to develop rules on accrued interest. Campbell responded that the FASB has continued to add elements to the taxonomy and the DQC has noted errors related to implementation in this area. Therefore, DQC is addressing these issues with new rules.
- Campbell stated that Version 20 is under development. The DQC plans to meet in November 2022 to review and approve these rules for public exposure starting November 15, 2022. This version will include rules for BDCs, these rules support the FASBs implementation guide in this area. Version 20 will also include guidance for BDCs. The preliminary guidance has been posted on the XBRL US website.

DQC Errors

- Shelly presented results of the DQC rules. Shelly mentioned that there are 96 total rules approved (73 US GAAP, 14 IFRS, 9 for both).

- Shelly provided results of errors for quarters 1 and 2 of 2022 and quarter 4 of 2021. She explained that errors increased in Q1 and Q2 of 2022 as compared to Q4 2021. This was due to more annual filings submitted during these periods which contain more disclosures/tags. Shelly mentioned that errors reported in Q4 2021 were 17,117, Q1 2022 were 19,718 and Q2 2022 were 19,402. The reason for the increase in Q1 and Q2 2022 over Q4 2021 are a result of the annual filings. She mentioned that the errors have been decreasing over time.
- Shelly presented errors for rules that are included in DQC Rules taxonomy (DQCRT) and reported that significant decreases in errors occurred for these rules since inclusion of the rules in the EDGAR system. This is a result of filers seeing errors in test filings results prior to filing.
- Shelly presented an analysis of trends for the rules with the highest errors for the second quarter 2022 and noted decreases as compared to the fourth quarter of 2021. The top 7 rules represent approximately 65% of total errors for the quarter.
- Shelly presented errors for DQC_0080 which test IFRS negative values. Shelly noted that there has been a decrease in number of errors since the first year of XBRL mandate on IFRS filings. However, Shelly noted that there was a slight increase in errors in 2022. It was found that 15 filers had more than 100 errors in 2022. There are 2 filers that have over 350 errors. Shelly presented possible next steps:
  - Contact filers (e.g., XBRL US, SEC staff)
  - Develop a separate DQCRT for IFRS elements. Comparable negative value rule for US GAAP is included in DQCRT which has resulted in reductions to errors.
  - EDGAR to check for negative values for IFRS elements based on DQC's rules.
- Shelly stated that the DQC recommends that the EDGAR system identify nonnegative errors for IFRS filers.
- There was a question as to whether DQC_0080 errors were related to new filers. Shelly responded that the errors are not related to new filers.
- Shelly presented errors for DQC_0121 which tests incorrect transition elements used for standards which have become effective December 2021. Errors have increased in Q1 and Q2 of 2022 over the month of December 2021. However, this rule is similar to other DQC rules which test line items that should no longer be used after adoption of new standards. We have seen reductions in errors over time as these rules have been implemented. Shelly stated that she is hopeful that there will be a reduction in the errors as filers become aware of these errors.

- There was a question as to which areas are more complex. Some areas have more complex accounting areas and cause more errors when filers don't understand the reporting requirements.

Closing Loopholes in Rules
- Campbell mentioned that the DQC Version 20 is focusing on errors in the face financials. There are still a number of issues that smaller filers have. Some examples include incomplete calculations, lack of calculations in filings. It is expected that this will result in adjusting existing rules or adding new rules.

Tagging of BDCs
- Campbell mentioned that XBRL US has posted preliminary tagging guidance on the website related to tagging BDCs and there are a number of open questions that filers have. DQC had sent a list of questions to the staff in advance of the meeting including:
  - The CEF taxonomy includes only duration elements. However, this is inconsistent with tagging for US GAAP and would be problematic for consumption. The CEF taxonomy table text block is tagged to one-day duration, whereas the table text block tag is applied to the entire duration of the current reporting period in the footnotes to financial statements. Will the SEC add more elements?
  - For the prospectus items such as fee example and effect of leverage, filers sometimes present information based on different assumptions (scenarios). The CEF taxonomy currently does not have structures to tag multiple sets of such data, filers could tag only one set of data that is resulted from the basic assumption. Does the SEC plan to add more elements to the CEF taxonomy? There are only 3 specific axes in the CEF taxonomy but they are not appropriate. The EFM validation does not allow adding axes.
  - For the Share Price table, the CEF taxonomy provides elements for Lowest and Highest price or bid of NAV (Net asset value per share), how do filers tag the NAV, if they present the NAV as of the last day in the relevant quarter (instead of Lowest and Highest price). Does the SEC plan to add more elements to the CEF taxonomy, so filers can tag this information?
  - Do filers tag the preliminary 424B filing or just the final 424B filing?
- SEC Staff noted that questions sent ahead of time are being looked at by the rule making division and will be addressed. Staff is appreciative of DQC pointing out these issues and the staff is aware of the issue. All elements in CEF taxonomy were created for Form instructions for the specific rule. So the taxonomy was not developed for financial statement submissions.

Executive Compensation
- Campbell mentioned that Corporation Finance will be holding a webcast in November 2022 on this new rule. There will be an announcement and comment period for the taxonomy.

Rendering Engine

- DQC has observed that filers are using the SEC's rendering engine less. There is a question whether the rendering engine should be sunset. If filers do not use it, the DQC could develop rules to detect errors that would ordinarily be detected through review using the rendering engine.