**`Data Quality Committee**

**Conference call**

**October 7, 2020**

**Meeting Notes**

**Attendees**

Committee Members

Campbell Pryde, Joan Berg, Pranav Ghai Glad Sully, Sophia Sharp, Amit Varshney

Absent

Adrian Cloutier, Charles Kessler, Mohini Singh, Heather Krupa,

Staff

Ami Beers, David Tauriello

Observers

Louis Matherne, Iza Ruta, Vivek Baid

**Welcome**

* Chair welcomed Committee and introduced attendees.

**Minutes Approval**

* Motion to approve minutes from July 15, 2020 DQC meeting, by Sophia Sharp, seconded by, Pranav Ghai
* Vote (For 6, 0 Against)
* Motion passed. July 15, 2020 DQC meeting minutes approved.

**Review and Approval of Version 13 DQC Rules**

* Joan explained that three rules were exposed for public review for the period August 1 – September 15, 2020. These rules included:
  + DQC\_0098 - Liability Revenue Recognized – This rule will apply 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 the FASB staff.
  + DQC\_0099 – Financial Statement Elements with No Associated Calculation –This rule looks at all monetary items in the presentation linkbase in the face financial statements and checks that each participate in a calculation. The rule identifies monetary elements 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 that calculations are defined in any role of the company extension. Impact analysis identified 4,500 errors. Many companies have run the rules and have corrected issues during the public review period, therefore; lower errors are expected in the future.
  + 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 or later.
  + Minor comments were received from committee members which were incorporated into the rules. Proposed effective date for these rules is January 1, 2021.
* Motion to approve rules DQC\_0098, DQC\_0099, and DQC\_0100 effective January 1, 2021, by Campbell Pryde, seconded by Pranav Ghai
* Vote (For 6, 0 Against)
* Motion passed. Rules DQC\_0098, DQC\_0099, and DQC\_0100 approved effective January 1, 2021.

**Review and Approval of Version 14 DQC Rules for Public Review**

* Campbell explained the rules proposed for Version 14. These rules cover the IFRS taxonomy.
  + DQC\_0101 – Movement of Concept between Calculation Trees – This rule is similar to the US GAAP rule that is already in place. The rule identifies inappropriate calculation descendants of investing, financing or operating items in the company's extension filing for the statement of cash flows.
  + DQC\_0102 – Element Values are Equal – This rule is consistent with the US GAAP version of the rule. This rule tests that the values reported between element relationships that are identified as an accounting constant are consistent within the filing. The rule only runs when there are no dimensions. Relationships tested in the rule include:
    - Assets = LiabilitiesAndStockholdersEquity (1 error)
    - Assets = CurrentAssets + NoncurrentAssets (76 errors)
    - Liabilities = CurrentLiabilities + NoncurrentLiabilities (73 errors)
    - Equity = EquityAttributableToOwnersOfParent + NoncontrollingInterests (25 errors)
    - ComprehensiveIncome = ProfitLoss + OtherComprehensiveIncome (44 errors)
    - IncreaseDecreaseInCashAndCashEquivalentsBeforeEffectOfExchangeRateChanges = CashFlowsFromUsedInOperatingActivities + CashFlowsFromUsedInInvestingActivities + CashFlowsFromUsedInFinancingActivities (30 errors)
    - CashFlowsFromUsedInFinancingActivities = CashFlowsFromUsedInFinancingActivitiesContinuingOperations + CashFlowsFromUsedInFinancingActivitiesDiscontinuedOperations (0 errors)
    - CashFlowsFromUsedInInvestingActivities = CashFlowsFromUsedInInvestingActivitiesContinuingOperations + CashFlowsFromUsedInInvestingActivitiesDiscontinuedOperations (8 errors)
    - CashFlowsFromUsedInOperatingActivities = CashFlowsFromUsedInOperatingActivitiesContinuingOperations + CashFlowsFromUsedInOperatingActivitiesDiscontinuedOperations (0 errors)
    - IncreaseDecreaseInCashAndCashEquivalentsDiscontinuedOperations = CashFlowsFromUsedInOperatingActivitiesDiscontinuedOperations + CashFlowsFromUsedInInvestingActivitiesDiscontinuedOperations + CashFlowsFromUsedInFinancingActivitiesDiscontinuedOperations (8 errors)
  + DQC\_0103 – Invalid Value for Percentage Items. This rule identifies where filers have used a percentage item type with a value that is greater than the value of 10 (i.e., 1000%). The rule tests base taxonomy elements of the IFRS taxonomy. There were approximately 118 errors for this rule.
  + DQC\_0104 – Axis with Inappropriate Member - Certain axes in the IFRS taxonomy should only have certain members as shown in the IFRS taxonomy. This rule tests whether these axes have inappropriate members (associated with Guidance document).
  + Guidance on Tagging Axis and Members Using IFRS Taxonomy – Document provides guidance for modeling axis and members (DQC\_0104) using the IFRS and provides guidance for the following axes:
    - Default Dimension
    - AssetsAndLiabilitiesClassifiedAsHeldForSaleAxis (499 errors)
    - ContinuingAndDiscontinuedOperationsAxis (3,091 errors)
    - ConsolidatedAndSeparateFinancialStatementsAxis (8,708 errors)
    - SegmentConsolidationItemsAxis (18,626 errors, many filers creating inappropriate extensions)
    - SegmentAxis (1,800 errors)
  + DQC\_0105 – Financial Statement elements with no calculations - This rule identifies where an 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 without being defined in a calculation (logic works same as US GAAP rule). (595 errors)
  + DQC\_0106 - Assets and Liabilities Classified as Held-For-Sale using Duration Element – The Held-For-Sale axis is used to identify balance sheet items that are held for sale (should be instant type items). The rule identifies fact values with duration types that have been used with this axis. (418 errors)
  + Iza stated that the IFRS Staff will check whether any rules conflicts with IFRS principles.
  + Campbell also explained that there is an update for US GAAP rule DQC\_0001 to add the Segment axis.
* Public Review period is proposed for November 1 - December 15, 2020.
* Motion to approve rules DQC\_101, DQC\_102, DQC\_103, DQC\_104 (with associated guidance for Tagging Axis and Members Using IFRS Taxonomy), DQC\_105, DQC\_106, and modification of DQC\_0001 for addition of Segment Axis for public review November 1 - December 15, 2020, by Pranav Ghai, seconded by Campbell Pryde
* Vote (For 6, 0 Against)
* Motion passed. Rules DQC\_101, DQC\_102, DQC\_103, DQC\_104 (with associated guidance for Tagging Axis and Members Using IFRS Taxonomy), DQC\_105, DQC\_106, and modification of DQC\_0001 for addition of Segment Axis approved for public review November 1 – December 15, 2020.

**IFRS Guidance - US Extension for IFRS Taxonomies**

* Campbell explained that the IFRS taxonomy has a lot less common elements available and as a result there is a higher extension rate on IFRS filings. In the US, there is a lack of ability to customize the taxonomy for local purposes. The DQC would like to discuss with SEC Staff an approach to develop an extension taxonomy to be used for IFRS filings in the US. It is anticipated that the filings will be more useful. SEC would be expected to endorse and approve the extensions. This would support common practice elements for IFRS filings. IFRS has added common practice elements for ESMA filings, but these will be only for face financial elements so there will continue to be issues related to note disclosures.
* Iza commented that IFRS is aware of high extension rates and staff has been adding common practice elements for a few years. However, it is not always easy to add elements, as they may not be in accordance with IFRS principles. Iza mentioned that proposals for new elements for the 2021 taxonomy will be published in October. The common practice elements will be identified and referenced as common practice elements. Iza stated that she expects that when anchoring is applied, understanding extensions will be less difficult.
* Joan mentioned that anchoring may not always help because, sometimes based on location, the only element available for a wider anchor is already identified by calculation relationship.
* Pranav mentioned that users have difficulty because data is missing in analysis. For example, time series comparisons have missing data points due to extensions. This needs to be minimized for users.

**Due process to update DQC Rules Taxonomy (DQCRT)**

* Louis stated that the purpose of the discussion is to share a process that the FASB staff is laying out for accepting rules into the (DQCRT). FASB is looking to solicit input on approach.
* David Shaw joined the meeting and presented a draft of the DQC Rules Acceptance Program. The document provides 10 procedures for accepting DQC rules.

1. Document purpose of rule.

2. Review the DQC process for designing, exposing and addressing feedback for rule (include rules that have been published for one year).

3. Identify the risks of including DQC rule in the DQCRT.

4. Independently verify the exceptions identified by DQC.

5. Identify potential issues in implementing rules that warrant further investigation.

6. Provide results of analysis to SEC Staff for review.

7. Provide results to sampling of service providers on exceptions by their clients.

8. Perform substantive testing (provide alternative means of accepting the rules for inclusion in DQCRT).

9. Review updates to DQC rules and maintain version changes. (on an annual basis)

10. Perform annual exposure for 30 day comment period of DQCRT.

* For 2021 Taxonomy, DQC Rules: DQC\_0004, DQC\_0009 and DQC\_0048 will be considered for inclusion and have been discussed with Campbell and the SEC Staff.
* Louis mentioned that criteria for rule inclusion will include: how long rule has been published, how difficult is it to implement rule, rules with higher error rates.
* Joan showed an analysis of all rules and errors and will provide analysis to FASB staff for consideration of next set of rules for acceptance.

*Action: DQC members to provide FASB with comments on procedures document.*

**EFM/FAQs**

* Campbell explained that there are two items to discuss with SEC Staff related to adjusting the EFM.
  + Default periods - When capturing acquisition data, context periods have been inconsistent and it is difficult to use the data. In particular, the price paid for an acquisition is not impacted by the passage of time. Campbell stated that the DQC should recommend to the SEC Staff to adjust the EFM to allow for a Forever Period in certain circumstances. (Default period which means no period is defined).
    - Pranav mentioned that cleaning up data for acquisitions takes a lot of time.
  + Duplicate calculations - Many users rely on the calculation linkbase; however, there is only a requirement to have one calculation and users may not know which calculations go with certain disclosures when the calculations are spread across the filing. Campbell recommend that all calculations in a disclosure be included in a role regardless of whether it has been included in another calculation (i.e., recommend EFM to allow for duplicate calculations).
  + Louis mentioned that the FASB staff have had ongoing discussions with the SEC staff regarding EFM changes. Duplicate calculations and Forever Period were included on the list of items that have been considered.

**Other Disclosures/Taxonomies**

*ESG Reporting*

* Campbell explained that Sustainability Accounting Standards Board (SASB) recently released a taxonomy for exposure. Campbell recommended that the DQC make SEC Staff aware that SASB metrics have been included in SEC filings and to recommend that the SASB taxonomy be approved for voluntary use by companies that wish to provide tagged data. It will be helpful if users can issue letters of support to the SEC on this. Campbell mentioned that he will provide a list of companies that have reported SASB metrics in SEC filings and other corporate reports. Campbell noted that investors have had interest in collecting this data.
* Campbell also mentioned that the IFRS has issued a consultation draft on establishing a new entity under the IFRS Foundation for sustainability standards (Sustainability Standards Board).

*Non GAAP measures*

* Campbell stated that Non GAAP measures are reported with extensions in the XBRL files (Non GAAP elements are not included in the US GAAP taxonomy). There should be standardization for these elements, as many analysts use this data. DQC would like to have a discussion with SEC staff on what to do in this area (potentially develop extensions for Non GAAP measures).
* Iza commented that the IFRS has a technical working group addressing the topic of Non GAAP measures and a public exposure draft on this topic is currently out for review. There is no intention to include these elements within the taxonomy, but there are plans to provide principles to explain what the elements mean (e.g., explanations and reconciliations). IFRS standards do not have any guidance about disclosing Non GAAP information, there may be confusion about how to tag the information.
* Glad stated that the investor community is interested in the reconciliation between GAAP and Non GAAP measures. It is important to be able standardize in a way that the information is accurately and consistently reported.
* Pranav stated that we should be careful because there are so many Non GAAP measures and items may be named or reported differently among companies. Many users request this type of data but it is difficult to find the information within the filings.
* Campbell stated that the DQC will recommend various mechanisms to identify common Non GAAP elements within a filing (e.g., footnote, reported under an abstract, wider/narrower arc, scenario, suffix).
* Joan stated that this is an important topic for SEC, as staff issue comment letters in this area and XBRL would be helpful to quickly identify those elements.

Meeting adjourned 11:20PM DQC held a closed session.