

**Data Quality Committee
Conference call
March 24, 2021
Meeting Notes**

Attendees

Committee Members

Campbell Pryde, Joan Berg, Pranav Ghai, Mohini Singh, Amit Varshney, Charles Kessler, Glad Sully

Absent

Adrian Cloutier, Heather Krupa

Staff

Ami Beers, David Tauriello, Michelle Savage

Observers

Louis Matherne, Iza Ruta, Vivek Baid, Melissa Nicholson

Welcome

- Chair welcomed Committee and introduced attendees.

Minutes Approval

- Motion to approve minutes from January 20, 2021 DQC meeting, by Mohini Singh, seconded by, Pranav Ghai
- Vote (For 7, 0 Against)
- Motion passed. January 20, 2021 DQC meeting minutes approved.

Review and Approval of Version 15 DQC Rules for Public Review

- Campbell explained the rules proposed for Version 15. The rules will address concentration risk and reporting related to acquisitions.
 - DQC_0107 – General Text Block - The rule identifies where the text block “Schedule Of Acquired Finite Lived Intangible Assets By Major Class Text Block” is used with a value on the Business Acquisition Axis.
 - DQC_0108 – Fact Value Consistency Over Time - The rule identifies those facts that are only expected to grow over a reporting period. This rule is intended to identify those cases where the value of a monetary fact has a larger value reported than the value reported for another fact that represents the same

concept, but over a longer duration of time. The rule also identifies any elements that cannot be negative but may increase or decrease over a measurement period. The rule excludes the following elements that meet this category, CapitalExpendituresIncurredButNotYetPaid and ConstructionInProgressExpendituresIncurredButNotYetPaid, also any elements that represent average, minimum or maximum are excluded. Rule was run over sample of 1,500 filings from Q1 2021, there were 461 errors.

- DQC_0109 - Concentration Risk – The FASB is working in this area so there may need to be changes to this rule in the future as the FASB makes changes to the taxonomy. Companies are required to report concentration risk in a number of areas (e.g., customers, suppliers, products). The rule consists of a number of parts that check concentration risks are reported correctly. The correct reporting of concentration risk requires use of multiple dimensions. Each part of the rule tests the line item ConcentrationRiskPercentage1 with the required dimensions. The Concentration Risk by Benchmark Axis and Concentration Risk by Type Axis are required for all disclosures. A third axis (e.g., Major Customers Axis or Statement Geographical Axis) may be used to disaggregate the data. Campbell explained each part of the rule. The rule provides an appendix that shows the benchmarks with allowable risk types. The impact for this rule includes about 3,500 errors over a sample of 1,500 filings from Q1 2021.
 - Melissa Nicholson asked a question related to part 6. The standards allow for concentrations to overlap and there is flexibility in how filers can disclose risks. Specifically, for the accounts receivable benchmark, many filers disclose customer risk, should the customer concentration also be included? Joan stated that filers usually tag based on the way the disclosure is presented in their table so it is tagged as a customer risk, but users will be able to interpret as a credit risk. Pranav agreed with Joan. Campbell stated that the rule will be amended to allow customer concentration risk for accounts receivable.
 - Melissa also mentioned that FASB has an Insurance implementation guide that has an example for risk that should be considered. Campbell stated that the rule will be amended to allow insurance risk and benchmarks.
 - Louis suggested an editorial wording change to the rule form to state that the third axis is used to disaggregate the data. Campbell agreed to amend.
 - There was a question as to whether part 6 allows extension members. The rule will not test extensions for this part. There was a suggestion to add language on the rule form that the rule will not flag extensions.
- DQC_0110 – Missing Business Acquisition Axis - This rule identifies where the company has reported the details of a specific acquisition but has not identified the actual acquisition. It also identifies those cases where the aggregate consideration transferred for the reporting period has not been reported using

appropriate dates. This rule will flag errors for those cases where the company has not used the Business Acquisition Axis. The rule looks for those cases where the element BusinessCombinationConsiderationTransferred1 has been used with no dimensions but has been reported with a duration period less than the reporting period by 20 days. The impact of this rule during the first quarter 2021 on the sample of filings was 422 errors.

- DQC_0112 – Line Items Requiring the Business Acquisition Axis - This rule identifies those cases where the company reports facts that are expected to include the business acquisition axis. The rule checks a list of line item concepts and flags an error if the concept is reported without the business acquisition axis and a member representing the actual acquisition. 901 errors were flagged on a sample of 1,500 filings.
 - DQC_0113 – Gross Acquisition Less Than Net Acquisition - This rule ensures that filers use the correct elements to identify the Gross Payments and the Net Payments for business acquisitions. This rule is intended to identify those cases where the company reports the total “Payments To Acquire Businesses Gross” with an amount that is less than the value of “Payments To Acquire Businesses Net Of Cash Acquired”. 21 errors for this rule based on a sample of filings.
 - DQC_0114 – Assets Acquired Net of Goodwill - This rule is intended to identify those cases where the company reports the values of Assets acquired and liabilities assumed excluding goodwill, the value of assets acquired and liabilities assumed including goodwill and the value of goodwill. The rule flags an error when the value net of goodwill plus goodwill does not equal the amount including goodwill. This rule will only run on those facts that use the BusinessAcquisitionAxis. This rule may have to change in the future, there has been a lot of comments in this area and this topic is under review by the FASB. There were 11 errors for this rule based on a sample of filings.
 - DQC_0115 – Fact Value Consistency Over Time (IFRS) - This rule is equivalent to DQC_0108 for US GAAP. Rule flagged 52 errors based on a sample.
 - DQC_0116 – Line Items Requiring the Asset Acquisition Axis - This rule is intended to identify those cases where the company reports facts that are expected to include the Asset Acquisition Axis. The rule flags an error when specific line item concepts are reported without the Asset Acquisition Axis and a member representing the actual acquisition. No impact due to only applicable to 2021 taxonomy. This rule is similar to DQC_0112.
- Joan stated that the public Review period is proposed for April 15 – May 31, 2021.
 - Motion to approve rules DQC_0107, DQC_0108, DQC_0109, DQC_0110, DQC_0112, DQC_0113, DQC_0114, DQC_0115, DQC_0116, for public review April 15 - May 31, 2021, by Campbell Pryde, seconded by Joan Berg
 - Vote (For 7, 0 Against)

- Motion passed. Rules DQC_0107, DQC_0108, DQC_0109, DQC_0110, DQC_0112, DQC_0113, DQC_0114, DQC_0115, DQC_0116, for public review April 15 - May 31, 2021, approved.

Anchoring for US GAAP

- Joan explained that anchoring was a topic that was discussed at the recent FASB Tag meeting. Materials from the FASB's meeting were provided to the DQC as background for the discussion.
- Campbell provided background on the ESMA XBRL requirements in Europe for anchoring extensions to base taxonomy elements (all extensions will require an anchor). The mechanism that ESMA is providing is a wider-narrower relationship linkbase for anchoring.
- For the ESMA program, only face financial statements are required at this time. The SEC will allow anchoring mechanisms for filings with the SEC.
- Members of the DQC stated that use of anchors for extensions will be useful. Pranav stated that extensions that do not link to elements are a problem for users that needs to be solved; therefore, there is a need to provide meanings to extensions. Meaning of extensions are not available in the calculation link.
- Campbell stated that use of the wider/narrower linkbase may not solve the problems as there may not be enough specificity to be useful or if too specific, it will be too complex to implement. Campbell proposed developing other types (roles) of relationship linkbases that allow more description of the relationship of the anchor.
- Louis stated that the initial implementation for ESMA filings is for face financial statements only; therefore, this will be simpler than dealing with disclosures. The idea of developing different roles for different relationships may be helpful, but may cause complexity for both preparers and users. Louis also explained that this is the beginning of a discussion and FASB is looking for additional examples/use cases to understand the consumption of anchors.
- Campbell questioned whether this should be resolved at a global v. jurisdictional level. Mohini questioned what the impact on filers and users would be by addressing the solution at both the jurisdictional and global levels. Globally would be ideal; however, it is difficult to get consensus and the optimum solution for all jurisdictions. Louis stated that it is being discussed at a global level with the XII TF. FASB is also involved with this, so it is being thought about at both levels.
- ESMA's requirement will allow us to see examples of how the requirement is being implemented. However, ESMA filings are not easily accessible to the user community

due to the fact that the filings are submitted at the jurisdictional level. Campbell mentioned that there are a few countries that have adopted and a review of the first filings can be conducted to assess the usefulness of the anchors. Mohini mentioned that there is a proposal to create a central repository for the ESMA filings; CFA Institute has issued a letter supporting a central repository.

Action Item - Campbell stated that he will develop proposals for other types relationships that may be useful, with examples to be presented to DQC.

EFM/FAQs

- Campbell explained that the EFM restriction for calculations to be defined only once in a filing is problematic because elements can be calculated multiple ways and calculations may not be grouped together. This creates ambiguity in understanding the data. Campbell proposed EFM rule changes that would permit calculation relationships to be used multiple times within a filing. Louis mentioned that this issue is also on the FASB's list of issues they are discussing with SEC. Joan stated that she expects less duplication as a result of the changes to the requirements of reporting consolidating condensed financial statements in the MD&A.
- Campbell presented a proposal for the ability to use Forever Period on certain facts that represent transactions or descriptions of the details of a specific event (such as, acquisitions). Use of dates for acquisitions have been used inconsistently, forever period allows for the period to remain constant over time. DQC rules could be developed to address this.

ESG Disclosures/SASB Taxonomy

- Joan mentioned that the materials included a link to the SEC consultation on climate disclosures and the SASB taxonomy has been released for public comment through April 22nd, 2021.
- Campbell mentioned that there is a lot happening in this space in terms of reporting standards. There is a question as to whether there would be a global standard or US standard. XBRL allows for transparency in which standards are used. IFRS is working to create a Sustainability Standards Board (SSB) for global standards. There may be political pressure for the SEC to set up US standards rather than follow a global effort because there would be less ability to influence a global effort.
- Issuers will be interested in common standards because they spend a lot of time to complete individual surveys of this information.
- DQC to continue to monitor this environment.

Meeting adjourned 11:25PM, after which the DQC held a closed session.