

CSA Notice 52-314 Securities Regulators Want Your Feedback on XBRL

Introduction

Today the Canadian Securities Administrators (CSA) launched a survey to help us understand the level of awareness of Extensible Business Reporting Language (XBRL) in our marketplace and assess the need for information in this format.

The CSA is committed to improving how information is collected and provided to investors. This includes finding ways to use technology to make it easier and more efficient for investors to receive, find, compare and analyze financial information. XBRL is a relatively new business reporting language that is emerging as an international standard for communicating business and financial data. This notice provides a brief overview of XBRL, the benefits and costs associated with it, and current trends and developments around the world.

What is XBRL?

XBRL is a business reporting language that allows financial information to be easily exchanged between organizations and on the Internet. Instead of treating financial information as a block of text, XBRL assigns an identifying tag to each individual item of data. For example, XBRL assigns tags to individual financial statement items, such as “revenue” or “cost of sales”.

These tags allow information to be processed automatically in various ways for different users, eliminating labour-intensive manual data re-entry and verification. As a result, XBRL can increase the speed of handling of financial data, reduce errors and make it easier to analyze information.

XBRL is administered by XBRL International, a non-profit consortium of approximately 450 major companies, organizations and government agencies around the world.

Benefits

1. Information only has to be entered once

Preparing financial statements for printing, for a website and for filing with regulators may require an individual to key in data multiple times to produce the necessary information. XBRL only requires information to be entered once, saving time and reducing the potential for data entry errors. The same information can be used by different software packages to produce printed financial statements, an HTML document for a website and a SEDAR filing.

2. Easier access to information

Information can be easily exchanged between applications and over the Internet, allowing analysts and investors quick access to financial information using their own XBRL-enabled software.

3. Analytical capabilities

Analysis of financial information is typically done by either entering financial data into a spreadsheet or purchasing data from a third party supplier. XBRL data is in a readily usable format and does not need to be re-entered into another format in order to perform quantitative analysis. Analysts and

investors can use XBRL to extract specific financial information of interest to them and customize it according to their needs. For example, they can create analyses and comparisons over time across several companies and business sectors (i.e. side-by-side and line-by-line comparisons, for financial periods for the same company or for many different companies). Analyst coverage and investor interest in smaller public companies could potentially increase given that financial information can be obtained and analyzed more readily with XBRL.

Costs

1. XBRL software

Although the XBRL specification is freely licensed, preparing information in XBRL requires software that is XBRL enabled. One type of XBRL-enabled software that continues to be developed is software to create XBRL documents. Another type is software to read and analyze XBRL data.

The cost of these products varies at this time. For example, financial statements in a spreadsheet format can be tagged and converted to XBRL using relatively inexpensive software (approximately \$800). On the other hand, implementing enterprise-wide financial software that can generate, validate and convert XBRL documents into a usable form will be more expensive.

It is important to note that since XBRL is still evolving as a technology, the number of software products currently available is limited. As XBRL becomes more widely accepted, the development of new software products with enhanced features will likely intensify and the costs of these products will start to decrease.

2. Education and training

Although XBRL software is becoming increasingly more user-friendly, preparers of XBRL documents will need to acquire a general knowledge of XBRL and will also need to learn how to use the specific software that will allow them to prepare XBRL financial information.

3. Time preparing documents

The time and effort involved in preparing XBRL documents will mainly depend on the complexity of the issuer's financial statements and the preparer's knowledge of XBRL. As users become more familiar with XBRL, the time needed to prepare XBRL documents will decrease.

Current trends

Taxonomies

Taxonomy refers to how information is described, classified and organized. XBRL taxonomies are essential in preparing XBRL documents because they are the "dictionaries" or "vocabularies" that allow each element to be tagged. Users can expand or "extend" taxonomies (thus the term "eXtensible" in the name "XBRL") according to their needs. For instance, if the element "sales" was too generic, the user could extend the taxonomy with two more specific items such as "equipment revenue" and "consumables revenue". Both of these would roll up to the standardized "revenue" element.

XBRL International is responsible for approving the taxonomies of each country. Many XBRL jurisdictions are involved in developing the taxonomy for their local accounting standards (e.g. International Financial Reporting Standards (IFRS), Canadian Generally Accepted Accounting Principles (GAAP), U.S. GAAP etc.). Other taxonomies have been developed by government agencies and regulators to address their specific regulatory reporting requirements. One example is the taxonomy for the Call Reports that was developed by the Federal Deposit Insurance Corporation in the U.S.

XBRL Canada has completed developing a Canadian taxonomy for primary financial statements in accordance with Canadian GAAP (i.e. general purpose GAAP financial statements) and for the notes to these financial statements. The Canadian GAAP taxonomy has both French and English built in, which allows for companies to present financial information electronically in multiple languages.

International developments

There have been a number of significant XBRL developments around the world. In September 2004, the Securities and Exchange Commission (SEC) issued a concept release paper called “Enhancing Commission Filings through the use of Tagged Data”. The paper sought public comment on the benefits and implications of tagging data to improve reporting quality and efficiency. In March 2005, the SEC implemented a voluntary financial reporting program for registrants to file supplemental financial information using XBRL. Under the program, registrants could voluntarily provide XBRL data as an exhibit to specified EDGAR filings. In addition, the SEC has established a test group that will provide financial information in XBRL for at least one year and give feedback on their experiences, including the costs and benefits of reporting in this format.

A number of stock exchanges, government agencies and regulators across Europe and Asia have implemented, or are in the process of implementing, XBRL-enabled systems. The following are a few examples of XBRL projects that have been implemented or are currently in progress around the world:

- The U.K. tax authority will require the use of XBRL for all company tax returns due after March 2010. In addition, the Companies House, the official body which receives company financial statements in the U.K., has started receiving financial statements in XBRL for audit-exempt companies and expects to expand the use of XBRL for larger companies.
- Japan’s Financial Service Agency said it will require public companies to report financial information in XBRL by fiscal 2008. In addition, the Tokyo Stock Exchange has launched a free web-based trial service showing Japanese public company financial information in XBRL.
- The Spanish Securities Regulator now receives financial reports of public companies in XBRL.
- The Shanghai Stock Exchange receives all financial information from its public companies in XBRL.
- The European Commission funded XBRL International \$1 million euros to accelerate the development and adoption of XBRL in the European Union

In Canada, a number of XBRL projects are in the initial phases. Statistics Canada, for example, conducted a pilot project using XBRL to collect selected financial information from one of its surveys.

The survey

We are interested in hearing your views on XBRL in the Canadian securities industry and we encourage you to participate in the survey. You can access the survey online at:

<https://data.grapevinesurveys.com/survey.asp?sid=20066274643546>

For more information

You can find more information about XBRL on the following sites:

www.xbrl.org
www.xbrl.ca
www.sec.gov/rules/final/33-8529.htm
www.sec.gov/rules/concept/33-8497.htm

For examples of financial information converted to XBRL documents, visit the Korean Stock Exchange (Kosdaq) website or the Tokyo Stock Exchange website at:

<http://xbrl.kosdaq.com/?lang=english>
www.tse.or.jp/listing/xbrl/english/1_e_xbrl_demonstration_program/13_e_xbrl_instance.html

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