



Remarks to the 16th XBRL International Conference

“XBRL in Canada's Capital Markets”

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Good afternoon.

I'm delighted to be here at this conference, and among such distinguished company.

We have speakers here from such diverse places as India, Australia, Spain and Japan, and delegates from many more countries.

The presence of delegates from so many different parts of the world speaks to an important point: that the eXtensible Business Reporting Language (XBRL) is a development of truly international significance.

No country that wants to participate in global capital markets can afford to overlook XBRL.

No country can afford not to participate in the development and adoption of XBRL.

I'm here to give you a Canadian view of XBRL as Chair of the Ontario Securities Commission.

The Ontario Securities Commission regulates the Ontario capital markets, by far the largest in Canada, and is a leading member of the Canadian Securities Administrators (CSA).

The CSA is a council of provincial and territorial securities regulators that works to coordinate and harmonize securities regulation across Canada.

I'll focus my remarks this afternoon on three areas:

1. Where the CSA stands on XBRL;
2. The potential benefits of XBRL for our marketplace; and
3. The progress made in implementing XBRL in Canada.

It's quite clear that, globally, we're moving steadily towards implementation of XBRL, even if there's some distance still to go.

I would especially like to note the contribution of Chris Cox, Chair of the U.S. Securities and Exchange Commission, for his contribution. Chairman Cox has been a leader in the drive for worldwide acceptance of XBRL.

He has recognized not only the importance of establishing it as a global standard but, more importantly, he's been communicating the intrinsic value

of XBRL to investors, analysts and issuers. He's been linking XBRL to the more efficient functioning of capital markets.

Chris has been a leader in helping us to see past the technology itself and remain focused on the benefits XBRL holds for investors, public companies and regulators.

The size of the U.S. capital markets and the prominent position of the SEC, give the SEC a major role in pushing for international implementation.

I think we're all grateful to Chris for having articulated such a clear vision of the future of data reporting. And for acting on that vision.

1. The Canadian Position

Looking at Canada, all the members of the CSA are working together on XBRL, and my first area of focus is to let you know our position on this technology.

At the most basic level, the fact that I'm here says that we support XBRL.

More than that, we welcome it and are encouraging its use.

This technology is revolutionary.

And unlike some revolutionary technology that complicates life, XBRL simplifies it.

Yet, it does more than that.

It simplifies life for the very people we securities regulators are here to serve: investors.

Information has always been the lifeblood of capital markets.

Since the days when stock was traded in coffee houses, markets have been subject to sudden movements that have been driven by information – sometimes accurate, sometimes not.

The quality of information is obviously of paramount importance.

To minimize sudden swings in valuations, to facilitate smooth trading, and to foster fair and efficient markets, we need to ensure that information is accurate – or as accurate as can possibly be.

Over the years, this has always proven to be a challenge.

In the era before electronic communications, information could move slowly or was incomplete – providing opportunities for speculators or insiders that could cause market gyrations or undermine investor confidence.

Now, in the era of hyper-communication, we have a different challenge: the sheer quantity of data. Information moves so fast and in such massive volumes that investors risk being overwhelmed. This can create a competitive imbalance between larger investors and smaller investors.

The rigorous enforcement of rules governing timely disclosure is meant to provide a level playing field. Everybody must get the same information at the same time.

Companies are required to produce a wide array of information that permits regulators to monitor markets, oversee compliance and maintain investor confidence.

Yet we all know that the mass of financial data has become unmanageably huge.

Electronic filing systems like SEDAR – which is Canada’s equivalent to EDGAR – are like a massive library that has more information than even the most brilliant analyst could ever use.

Unfortunately, this library’s search function is severely limited. It can point you to where the books are, but if you want a specific piece of information, you have to go into the stacks, find the right book and flip through its pages for the information.

That’s one reason why there’s a large financial information industry.

Middlemen are repackaging and reselling existing information. This costs money – for those who can afford to pay it. And to those who can’t – there’s not much you can do about it.

To paraphrase Francis Bacon who said “Knowledge is power”: Knowledge can also be money.

We securities regulators need to ensure that money is not the only route to knowledge.

There can't be two markets – one for those who can afford to get and use information and another for those who can't. At the CSA, we believe that XBRL has the potential to prevent that inequity.

Looking at XBRL, I think there's a good analogy to be drawn with the advent of electronic trading on stock exchanges.

For years, trades were executed by traders on the exchange floor. It was a reasonably reliable process, though sometimes chaotic and cumbersome.

Sometimes the most successful traders were simply the biggest, or those with the loudest voice – or the most colourful jacket. But there was nothing better than the human outcry system at the time.

Yet with the introduction of electronic trading platforms, we witnessed the decline of that physical trading market: the pieces of paper, the trading floor, the direct interactions.

Electronic trading is a much faster and more efficient way to match buyers and sellers. Technology re-shaped the trading marketplace.

The same is true for the move from paper information filings to electronic filings, which we use today.

Electronic filing brought us into a new age.

XBRL represents a very similar kind of change.

Historically, investors and analysts have had to review paper-based financial statements, re-enter the information and perform manual calculations to process the information.

While investors now receive information in electronic formats, the cumbersome processing of that information remains the same – as when the format was paper.

XBRL can change that.

In the same way electronic trading eliminated paper-based order execution by exchanges, XBRL could eliminate the long and awkward process of manipulating financial information manually.

And this has profound implications for how markets operate.

XBRL will provide all investors with equal access to financial information.

Everyone will now be able to access the right chapter or the right page or the right quote in the vast library of information on systems like SEDAR and EDGAR.

And that's good for markets.

The impact on analysts and other market participants will be significant. And that can only make markets fairer and more efficient.

It also means investment professionals such as the sell-side analysts can review and recommend more investment choices more efficiently.

Knowledgeable retail investors will have more access to more accurate information, more easily. XBRL will allow market players to deploy their resources more effectively and efficiently.

That's a pretty grand claim, so let me elaborate.

As I mentioned before, investors spend considerable amounts of money simply buying information that they need to make intelligent investment decisions.

This happens even though the information already exists and has been provided in public filings free of charge. Paying for something that you can get for free is hardly a productive use of resources.

It's been made inevitable by technology, which has provided us with mountains of information – forcing investors to pay people to climb those mountains to find what they need. But now technology can overcome the problem that it created. And in doing so, it can free up resources for more productive activities.

The standardization of information formats lets investors, public companies and regulators get on with their real jobs – and saves them time and resources in the process.

For example, once a public company files in XBRL, a regulator can quickly check for errors or deficiencies in the filing.

This makes our job easier and allows us to follow-up promptly and ensure that the public is provided with what it needs.

It also makes our work more efficient, thus lowering the cost of regulation – and who in their right mind could argue with that?

All of these benefits will be felt whenever XBRL is employed.

2. XBRL and Canada's Capital Markets

This brings me to my second area – the specific benefits that XBRL would bring to the capital markets in Canada. I'll also mention some of the challenges that need to be dealt with along the way.

Canada is home to some 4,500 public companies.

Many of them are small – in fact 70% of all these public companies have a market cap of under \$25 million. Many of these junior public companies are headquartered here in B.C.

All are required to file quarterly and annual financial statements and MD&As in PDF format. In addition, Canada functions in two official languages, and information must often be duplicated in both English and French.

I'd like to dwell a bit on market capitalization, to stress why we feel XBRL is so important in our market here in Canada.

With so many small companies, Canada's capital markets can benefit significantly from XBRL.

By making coverage easier for analysts, XBRL allows them to cover more companies—and to discover investment opportunities that otherwise might have gone unnoticed.

That's good for investors, public companies and markets generally. And that benefits the Canadian economy as a whole.

As advantageous as XBRL will be for an economy like Canada's, awareness of XBRL here remains quite low.

In a survey the CSA conducted among stakeholders in 2006, we found that only 53% of respondents were aware of XBRL. In addition, 96% of respondents who are users of financial information had never used it in their analysis. And virtually no one who prepares financial information had worked in the XBRL format.

Certainly part of the challenge comes from the fact that analysts are not asking companies for information in this format.

It's hard to stimulate supply in the absence of demand.

And the large number of small Canadian public companies makes it that much more challenging – since the costs of switching over to a new language for a small company are relatively greater than for a large one.

There are other perceived problems associated with moving to XBRL.

Both users and preparers of financial information believe that the time and effort needed to learn about XBRL poses a significant barrier to adoption.

This is compounded by the fact that Canada is moving to adopt International Financial Reporting Standards (IFRS), which is a major step – and a major distraction. IFRS will enable better comparisons between public companies across international borders.

The implementation of an XBRL platform would continue the trend of eliminating borders between the international capital markets.

However, for many smaller companies, changing both the accounting system and the reporting language may be seen as simply too much to take on at the same time.

However, despite these impediments, support for adopting XBRL is strong in Canada. A significant majority of the respondents to our survey were in favour of moving forward with XBRL.

3. Canada's Progress Towards XBRL

So let me now move to my third area and report to you on Canada's progress in implementing XBRL.

In May of this year, we started down this path. We introduced a voluntary filing program, similar to the one implemented in the United States.

It asks for optional XBRL filing in addition to the required PDF filing, and that the data be made available on SEDAR, our financial reporting website.

Shortly before the launch, "XBRL Canada" completed the Canadian GAAP XBRL taxonomy containing both official languages.

We greatly appreciate the support and hard work of XBRL Canada in making our program a reality. Without their determination and conviction, we wouldn't be where we are today.

We feel that the CSA's XBRL program is an important first step. It doesn't just get some companies accustomed to filing in XBRL – it also educates decision-makers about the advantages of the system.

I believe that it will steadily lead to greater acceptance among the Canadian business community.

We'll use the results of the voluntary program to gain practical knowledge and experience with XBRL. The results will also help us learn about its functionality and the challenges involved in using XBRL filings.

This is a necessary stage before making any decisions on mandating XBRL filings.

We're communicating directly with public companies in our markets, pointing out the benefits of the move to XBRL.

We're educating as many people as possible by talking about XBRL at conferences and seminars.

We've also been educating other segments of the business community – such as filing agents, law firms and accountancies – about XBRL.

What's more, we're looking into the issue of available XBRL software on the market.

And we're sharing information and exchanging ideas with the SEC to keep each other apprised of our progress on what we see as an important step forward for capital markets in both our countries.

While we have a lot more work to do, I'm very confident that XBRL will become the norm in Canada – just as it will in jurisdictions around the world.

This is an inevitable development, and a positive one.

Twenty years ago, very few people knew what HTML was, let alone what it stood for. Today, everybody who uses the Internet benefits from HTML.

Many know it's HTML that makes the Internet functional. But, still, few know what the letters HTML stand for.

Twenty years from now, or sooner, I think the same will be said of XBRL.

Many market participants may not know what the letters stand for – but everyone will know what XBRL is and how it helps.

Because XBRL will be the financial reporting system that the capital markets of the world run on. While it may not be quite as revolutionary as the Internet has been, it will be so successful that people will wonder how we ever managed without it.

Conclusion

Ladies and gentlemen, that vision – of such a fundamental step forward in financial reporting – is what’s driving the support for XBRL in Canada.

As securities regulators, we can see it.

We are confident that others will see it, too.

The benefits of accessible and accurate information for investors, for public companies, for everyone participating in the capital markets are crystal clear.

We believe that, given the nature of our market, XBRL holds particular benefits for Canada:

- it could enhance the research coverage of smaller public companies;

- it could help expand the investor universe for companies raising capital; and
- it could provide more usable data that will allow all investors to make more informed decisions.

Furthermore, XBRL will help securities regulators fulfill our statutory mandate to provide protection for investors and foster fair and efficient capital markets.

That's why we Canadian securities regulators are playing our small part in making the use of XBRL a global reality.

I'm very pleased that this conference, and others like it, are bringing us closer to that reality.

Thank you.