IFRS 17 Insurance Contracts: CSM allocation for annuities

Executive Summary

Project Type	Endorsement
Project Scope	Significant
Purpose of the paper	
This paper presents an update on issues relating to the allocation of the contractual service margin (CSM) for annuities, including information about the discussion expected at the IFRS Interpretations Committee meeting on 15 March 2022, the potential implications for the UKEB's endorsement assessment and potential next steps.	
Summary of the issue	
There has been extensive debate in the UK over the interpretation of IFRS 17's requirements for determining coverage units that appropriately reflect the insurance coverage service provided under annuity contracts. A submission from some UK stakeholders identified two different ways of interpreting the IFRS 17 requirements relating to the allocation of the CSM for certain types of annuity contracts. The IFRIC paper available at the time of writing identifies only one of those interpretations as being compliant with the IFRS 17 requirements. The IFRS Interpretations Committee discussion is expected on 15 March 2022. A verbal update of the conclusions of the IFRS Interpretation Committee will be provided at the Board meeting.	
Decisions for the Board	
The Board is not asked to make any decisions at this meeting. However, the Board is asked for its views on the implications of the [expected] IFRS Interpretations Committee conclusion for its endorsement assessment and for its recommendations as to next steps.	
Recommendation	
We intend to bring an assessment to the Board's April meeting at which point we would anticipate a final adoption decision.	
Appendices	
None	

Introduction

1. At its February 2022 meeting the Board decided to wait for the outcome of the IFRS Interpretations Committee's consideration of the allocation of CSM for annuities before finalising its IFRS 17 adoption decision. The staff paper[1] for the IFRS Interpretations Committee (the Committee) meeting (the staff paper) is now available but at the time of writing the Committee has not yet met to discuss the matter.

2. This paper provides:

   a) a reminder of the question at issue and an overview of the Board's consideration of the matter to date;

   b) a summary of the analysis and conclusions of the staff paper provided for the Committee meeting to be held on 15 March 2022;

   c) a reminder of the relevant contents of the IFRS 17 DECA, in both the technical accounting criteria and the UK long term public good assessments; and

   d) a summary of the consultation and other feedback received by the UKEB on this issue.

3. Finally, the paper then considers the potential implications for the UKEB's overall IFRS 17 endorsement criteria assessment.

4. Ahead of the UKEB's March meeting, we expect to meet with members of the group that helped draft the ICAEW submission to the Committee to discuss the implications of the Committee's conclusions. A verbal update will be provided to the Board on the outcome of the Committee's deliberations and the meeting with the industry representatives.

The issue

5. Under IFRS 17, the CSM is the balance sheet item representing the unearned profit the entity will recognise as it provides services in respect of a group of insurance contracts. IFRS 17 requires an amount of the CSM for a group of insurance contracts to be recognised in profit or loss in each period to reflect the insurance contract services provided in that period.

6. The standard sets out at a high level how recognition in profit or loss should operate but does not provide detailed requirements or guidance for particular product types. The standard's accounting requirements are set out in detail in the staff paper and described in previous Board papers for the UKEB (links on next page).

7. There has been extensive debate in the UK over the interpretation of the requirements of IFRS 17 for determining coverage units that appropriately reflect the insurance coverage service provided for annuities, including bulk purchase annuities (BPA), in the pay-out phase. Two main interpretations of the standard's requirements have emerged. Under Approach A, CSM allocation is based on the periodic benefit payable in each

[1] Paper available on the IASB website here

period that services are provided. Under Approach B, the service in a period is based on the value to the policyholder of surviving to the end of the period, including both the annuity payment in the period and the continued access to the stream of future payments.

8. Some insurers advocate Approach B and have been concerned that, under Approach A, the accounting will not fairly reflect the economic substance of the transactions, will not provide useful or understandable financial information and will therefore not meet the technical accounting criteria. These insurers have also expressed concerns over potential adverse effects of Approach A on the UK annuity and BPA markets.

9. Some other stakeholders consider only Approach A to be valid under IFRS 17 and have been concerned about the wider implications and unforeseen consequences for other insurance products should Approach B be treated as acceptable.

The Board's consideration of the issue

10. The Board considered this issue at its meetings on 20 July 2021[2] and 17 September 2021[3].

11. At the July meeting the Board considered the standard's requirements, points noted during IASB Transition Resource Group discussions, an explanation of the debate in the UK and the accounting implications of the different approaches put forward. At that meeting the Board agreed that an appropriate step would be for industry to prepare a comprehensive technical paper as a basis for an approach to the IASB for formal advice on this matter.

12. At the September meeting the Board considered information on the significance of the annuity and BPA market in the UK and on the accounting impact of the transition from current accounting practice to IFRS 17. The Board also discussed a preliminary assessment of IFRS 17's requirements in this area against the technical accounting criteria.

The submission to the IASB

13. The technical paper seeking advice from the IASB was drafted by a group of insurers and auditors convened by the ICAEW Insurance Committee and was submitted to the IASB on 18 November 2021. The submission sought views regarding the interpretation of IFRS 17 with respect to the service provided by a life contingent annuity and the application of IFRS 17 principles for recognising that service through the release of the CSM. The submission presented two possible interpretations:

- *"**Approach A** – the CSM allocation is determined based on the periodic benefit payable in each period that services are provided"*[4]
- *"**Approach B** – the service in a period is based on the value to the policyholder of surviving to the end of the period which includes both the annuity payment in the*

[2] 20 July 2021 paper here
[3] 17 September 2021 paper here
[4] This corresponds to View A as described in the 20 July Board paper

period as well as the continued access to receive a continuous stream of future payments for as long as the policyholder survives aligned to the description within policyholder documentation [as set out in section 2]"[5]

14. The question asked by the submission was:

    "*Are both Approach A and Approach B permissible interpretations of IFRS 17 to support the principle in IFRS 17 to release the CSM in line with the service provided to the policyholder?"*

15. Details of the two approaches and the arguments put forward in respect of each are included in the submission which is attached as an appendix to the staff paper (link on page 2 above).

16. The submission focuses on immediate annuities and only briefly addresses potential implications for deferred annuities. The recognition of an investment-return service is also touched on only very briefly.

17. As explained in the July 2021 Board paper, IFRS 17 requires the CSM to be recognised in line with the provision of both insurance coverage and, if any, an investment-return service. There has also been some debate over the extent to which an investment-return service can be recognised and how the quantity of benefits should be split between insurance coverage and investment-return service.

18. While UK deferred annuities (including BPAs) may meet the conditions for recognition of an investment-return service in the deferred period, typically UK annuities in payment do not meet the conditions. Our understanding has been that, if the question regarding the recognition of insurance coverage is resolved to insurers' satisfaction, then questions around the investment-return service become less of a concern.

IFRS Interpretations Committee – staff paper

Introduction

19. As a basis for the Committee's discussion of the issue, the staff paper sets out an analysis of the question asked in the ICAEW submission and a conclusion as to whether to add a standard-setting project to the IASB work plan.

20. The analysis and conclusions in the paper are those of the staff, not the Committee, so while it is unusual for the Committee's conclusions to diverge significantly from those proposed by the staff, we advise against putting undue weight on those conclusions. It is more important to consider the outcome of the Committee's deliberations. As the Committee is expected to discuss the paper on 15 March 2022 (after the time of writing this paper), a verbal update will be provided to the Board at its 18 March 2022 meeting.

[5] This corresponds to View B as described in the 20 July Board paper

Scope of staff paper

21. As noted above, the ICAEW submission focused on a group of immediate annuity contracts, although it did also touch on deferred annuities and considered how the principles in the two approaches might apply to other types of insurance contract. Similarly, the staff paper concentrates mainly on immediate annuities but briefly addresses deferred annuities. However, the staff paper does not comment on implications for other types of insurance contract, nor does it address questions related to the recognition of an investment-return service.

22. The submission asked only about the recognition of the CSM in profit or loss. For this reason, although the staff analysis has implications for the measurement and release of the risk adjustment, these are not specifically addressed in the staff paper.

Staff paper conclusions

23. The staff paper concludes that:

- Approach A (claim amount payable for the period) meets the principle in IFRS 17 paragraph B119 of reflecting the insurance coverage provided in each period;
- Approach B (balance of all claim amounts expected to be payable over the duration of the contract) does not meet the principle in IFRS 17 paragraph B119.

24. The staff analysis places emphasis on the idea that 'insurance coverage' means 'an entity's obligation to investigate and pay valid claims for insured events'[6]. This is based on the definitions of 'liability for incurred claims' and 'liability for remaining coverage' in IFRS 17 Appendix A. In the staff view, this indicates that in determining the quantity of benefits provided in the current period an entity considers the amount that can validly be claimed in the period. An immediate annuity contract obliges the entity to pay valid claims that can be made in the current period but does not oblige the entity to pay claims for future years.

25. Approach A aligns the quantity of benefits provided in a period with the amount of the valid claim that can be made in that period (the constant annual benefit) and so, in the staff's view, meets IFRS 17's principle. Approach B, however, takes into account claim amounts the entity has no obligation to investigate and pay in the current period and that the policyholder can access and benefit from only in future periods. In the staff view, therefore, Approach B does not meet IFRS 17's principle.

26. The staff paper assesses a number of arguments put forward in the ICAEW submission in support of Approach B and in each case concludes that they are not valid arguments to support Approach B[7]. Some of those arguments seem of less central importance and this paper does not attempt to summarise each argument and the related staff response. However, key elements of the staff conclusions include:

    a) *Future claims*: the policyholder benefits from the right to make valid claims in future periods only when it survives in those future periods – the staff are not

[6] See staff paper paragraphs 30 - 32
[7] See staff paper paragraph 41

persuaded by the view that the policyholder benefits in the current period from the continued right to insurance coverage [Argument A].

b) *Pricing*: a younger customer might be prepared to pay relatively more for an annuity than an older customer, as, amongst other things, there is greater uncertainty about how long the policyholder will survive; however, in the staff view this does not mean that the benefit received by the policyholder in earlier years is greater than that in later years [Argument C].

The risk adjustment

27. The staff paper notes the importance of the risk adjustment when considering the recognition of profit from annuities:

a) Paragraph 33 notes that an entity can accept risk before it is obliged to perform insurance coverage service; in the case of deferred annuities, the entity has accepted insurance risk from contract inception, even if insurance coverage does not start until the pay-out phase.

b) Paragraph 34 agrees that uncertainty of survival (insurance risk) is a key feature of an annuity contract and that the transfer of this risk to the entity is a benefit to the policyholder for which the entity charges compensation. Under IFRS 17 this is recognised in the risk adjustment, which represents the margin the entity charges for bearing risk and is recognised separately from the CSM.

c) Paragraph 41 [Argument B] refers to IFRS 17 B87 which explains that the risk adjustment measures the compensation an entity would require to make it indifferent between:

i. fulfilling a liability that has a range of possible outcomes arising from non-financial risk; and

ii. fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts.

Accordingly, the staff paper states that IFRS 17 requires an entity to reflect in full – in the risk adjustment for non-financial risk – the difference between a fixed term annuity and a life-contingent annuity with an expected duration equal to the fixed term.

28. The staff paper recommends the issuance of a Tentative Agenda Decision by the Committee, setting out the conclusion and arguments in the staff paper.

Question for the Board
29. Does the Board have any comments or questions on the staff paper analysis or conclusions?

Assessments included in the IFRS 17 DECA

30. The IFRS 17 DECA addressed the issue of CSM allocation for annuities as a priority issue for the purpose of the **technical accounting criteria assessment**. The [tentative] assessment noted that recognising the CSM in profit or loss over the coverage period of a group of insurance contracts, and in a pattern that reflects the provision of service, will result in relevant information and enhance understandability and comparability of insurers' accounts with those of entities in other industries. Disclosures will provide useful information about the expected pattern of service provision and increase understandability.

31. The [tentative] assessment noted that IFRS 17 does not prescribe how an entity should determine coverage units for annuity contracts and that significant judgement will be required. However, risks to comparability and reliability are balanced by the objective of relevance. The assessment suggested that, over time, it is likely that a consensus for typical UK annuity products will develop: this should enhance comparability. Disclosures should also mitigate concerns over the degree of judgement required.

32. The assessment concluded as follows:

"*The appropriate approach to determining coverage units ……. is essentially a matter of interpretation. As noted by the IASB's TRG in May 2018, different methods can be used to determine the quantity of benefits as long as they achieve the objective of reflecting the insurance service provided in each period. The standard's objective and principles are clear on this question, and current difficulties in finding a consensus in the case of annuities do not necessarily indicate that the technical accounting criteria as a whole are not met.*" [8]

33. The **UK long term public good assessment** in the DECA noted that it was not possible to accurately assess the impact of different annuity profit recognition approaches as data was not publicly available. However, summary information on the significance of the annuity and BPA markets in the UK was presented (paragraphs 4.156 onwards) along with illustrative examples of the potential profit recognition profiles.

34. The [tentative] assessment noted stakeholder concerns that a potential consequence of enforcing Approach A was that it might encourage structuring transactions. This could enable groups of contracts to be traded to release profit that has built up in the CSM, which in turn may result in uneven profit recognition. Further, in the view of some annuity providers, Approach A could discourage investment in the annuity and BPA business and provide an advantage to companies not required to apply IFRS.

35. The [tentative] assessment concluded, however, that it seems unlikely that financial reporting changes brought about by IFRS 17 will directly result in a significant reduction in this market given the profitable and growing nature of the BPA business and the fact that cash flows from annuity contracts will not change as a direct result of IFRS 17. In addition, from interviews with annuity providers it emerged that they are not planning to change their product offering/pricing as a direct result of IFRS 17. It is possible, however, that IFRS 17 implementation could lead to greater use of alternative

[8] Paragraph 3.55 in the draft final ECA presented as part of agenda item 4 to this meeting

performance measures as insurance companies try to explain the changes in profit recognition to their investors.

DECA consultation and other stakeholder feedback

36. The Board discussed a summary of the DECA consultation feedback on the CSM allocation issue at its February 2022 meeting (see agenda paper 3 for that meeting[9]). The paper noted that six respondents (one preparer, one user, three accounting firms and one professional body) agreed explicitly with the UKEB's tentative assessment, while eight respondents did not comment specifically on this issue.

37. Of the remaining seven respondents:

    a) Two agreed with the UKEB's tentative assessment but recommended the UKEB consider the views of the Committee before confirming its endorsement decision.

    b) One agreed with the UKEB's tentative assessment but only to the extent that the Committee considered both Approaches A and B to be acceptable.

    c) Three preparers did not agree with the UKEB's tentative assessment, expressing the view that the UKEB should await the outcome of the Committee's process before concluding and that until then the UKEB should consider that an endorsement issue does exist. One of these preparers believes that the UKEB should consider using its powers to make amendments to the standard for use in the UK.

    d) An investor representative body noted concerns that, depending on the interpretation of IFRS 17's requirements, the standard will not meet the technical accounting criteria. However, this respondent did not provide explanatory detail or suggest how the issue should be addressed.

38. Responses from the three preparers who did not agree with the [tentative] assessment include the following comments:

    a) *"To the extent the interpretation of the standard as written is not considered to permit [Approach B], ….., then we consider there is a fundamental flaw in the standard. Our view is that IFRS 17 is sufficiently clear on the principle that CSM should be recognised in line with service such that this principle can be applied to align with observable market pricing of this service."*

    "We are concerned that if this [Committee process] does not deliver an appropriate outcome, such that we are able to recognise CSM revenue associated with the protection component of an annuity contract guaranteeing the policyholder will receive an income for life, there are further challenges around assessing whether IFRS 17 meets [the true and fair view] criterion."

    "… we would encourage UKEB to support the validity of an interpretation of CSM allocation for annuities that enables recognition of CSM in line with the service

[9] Paper available here

provided and that can be demonstrated in the UK's large and active market for annuities."

b) "*We believe that the primary purpose of IFRS 17 is to fairly represent the economics of insurance contracts in the income statement. [Approach A] does not facilitate this. If this is the outcome of the standard it undermines the usefulness of IFRS 17 and, for annuity writers, fails the endorsement assessment criteria."*

"We do believe that IFRS 17 should be endorsed for use in the UK. However, we believe the UKEB should consider a carve out in relation to annuity CSM amortisation depending on the conclusions of IFRIC."

c) "… *we consider it imperative that interpretation of the standard may be aligned with [Approach B*]."

"… we believe there needs to be consensus prior to endorsement. It should also be noted that the resolution of this issue is likely to require system and process developments and the ability for firms to implement the standard on time will depend on the timely resolution of coverage unit methodology requirements."

"… failure to land on an agreed interpretation that [Approach B] is permissible would call into question the appropriateness of the standard in this respect."

39. By contrast, accounting firms generally supported adoption of IFRS 17, irrespective of any remaining concerns from some stakeholders on this issue. Comments included:

a) "*We recognise that these topics [CSM allocation and reinsurance to close transactions] have been subject to a lot of discussion. However, we believe that these topis should not detract from the conclusion that IFRS 17 as a whole is an improvement over existing requirements, given the unsatisfactory nature of IFRS 4. Timely endorsement is important to provide clarity and certainty to preparers*."

b) "*We acknowledge that the UKEB is seeking input on a number of significant technical accounting issues. Acknowledging the legitimate concerns that have been raised, we believe that the advantages to all stakeholders, including insurance companies and users of financial statements, of having a globally consistent accounting standard for insurance contracts outweighs the concerns identified in these technical papers*."

c) "*We agree the appropriate approach for determining coverage units for annuities is one of interpretation. The standard's objective and principles are clear on this and current difficulties in finding a consensus in the case of annuities do not necessarily indicate the technical accounting criteria as a whole are not met. …. Regardless of the outcome of [the Committee's] deliberations, we would support the timely adoption of the standard as issued by the IASB*."

d) "*We are supportive of the endorsement of IFRS 17 in the UK. Whilst there are some UK specific technical accounting issues as noted in the DECA, we do not believe that this should hold up the endorsement process particularly considering the UK being aligned with other jurisdictions."*

e) *"We continue to believe that the smooth functioning of UK capital markets is best served by the adoption of a single set of international accounting standards. We strongly support the tentative conclusion to endorse the standard. Whilst we understand why the UKEB has sought views on certain requirements of IFRS 17, given the level of discussion there has been on these matters in the UK, the significant* *improvement in insurance accounting that will be achieved by moving to IFRS 17 and the benefits of international consistency justify that conclusion."*

40. Several participants in our Preparer survey (October 2020) expressed concerns about CSM allocation requirements, but only two explicitly opposed the requirements. As the comments were generally high level and related in large part to the investment-return service, this paper does not discuss those comments in any further detail.

41. Participants in our User survey and User roundtable generally provided little in the way of comment on this issue, and the few comments that were made expressed mixed views. For example, while a ratings agency said that "*understanding the balance and split behind the CSM and RA is critical*", an analyst thought that most analysts would "*ignore the CSM*". Other analysts considered that "*alternative performance measures will remain inevitable*" and that "*the risk adjustment and CSM could be looked at together especially for comparability*". Overall there was no clear view that the CSM would be central to users' assessment of insurance companies.

Potential implications for endorsement assessment

42. In determining its next steps, there are a number of factors the Board will need to consider, including:

    a) Whether there is potential for industry to reassess the initial measurement and subsequent release of the risk adjustment. The implication of the staff paper is that the uncertainty of survival, which under Approach B influences CSM allocation, should be recognised through the risk adjustment.

    b) Any implications for the recognition of the investment-return service.

    c) The precise nature and significance of insurers' concerns about the potential impact of Approach A on the annuity and BPA business in the UK:

        i. The extent to which the accounting would in practice affect the attractiveness of the life insurance sector for investors (including insurers' ability to explain performance and any impact on dividends);

        ii. The degree to which the accounting would in practice discourage investment into a growing and profitable business, or encourage structuring transactions; and

        iii. Wider economic impacts such as that on tax payments.

43. More discussions with insurers and auditors are likely to be necessary to ensure the implications of the Committee's conclusions are fully understood and the above factors are fully explored.

44. At this stage, it is important to note that the Board will be conducting these deliberations in the context of its consideration of adoption of IFRS 17 for use in the UK, not as an influencing project where it aims to influence the development of an IASB standard. UK stakeholders fully participated in the development of IFRS 17 throughout the IASB's lengthy deliberations of the standard before it was issued in 2017 and amended in 2020. At this juncture, the Board's objective is to determine whether, taking IFRS 17 as

a whole and considering its impact on all stakeholders, on balance the standard meets the statutory endorsement criteria for use in the UK. It will be necessary to balance the concerns of certain insurers with the urgent need to improve insurance accounting in the UK.

Next steps

45. The principal options that appear to be open to the Board are:

    a) to adhere, broadly, to its assessment as set out in the DECA and adopt IFRS 17 without modification;

    b) to wait until the Committee's due process for the Tentative Agenda Decision has been completed before concluding; or

    c) to seek a UK-specific adoption solution.

46. Whether a) is appropriate will depend at least in part on the outcome of the further discussions with insurers and auditors.

47. Option b) would introduce delay into the adoption decision process which is likely to be negatively viewed by most insurers, investors and other stakeholders and may harm ongoing implementation efforts. Assuming the Committee agrees to issue a Tentative Agenda Decision, as recommended in the staff paper, we would expect a public consultation period to follow (normally 60 days). Given the timing of the Committee's scheduled meetings, the Committee's due process for the Tentative Agenda Decision therefore seems unlikely to be complete until September 2022.

48. Option c) would be appropriate only if the Board were persuaded that IFRS 17 as issued did not, overall, meet the statutory endorsement criteria. There are a number of further implications associated with option c) and, while this option may turn out not to be relevant, for completeness these are set out below.

UK-specific adoption solution - implications

49. Under the terms of SI 2019/685, an accounting standard that resulted from a UK-specific adoption solution (whether a 'carve-out' or 'carve-in') would require a full assessment against the endorsement criteria [Reg 6 (3) (b)], including consultation with stakeholders.

50. The Board would need to follow a number of steps, starting with a consideration of whether a carve-out or carve-in is actually possible without undermining the objectives of the standard and creating unintended consequences.

51. Only one concrete suggestion for an amendment to the standard has been communicated to us during our assessment work so far; this was from an insurance company, on an informal basis, and as far as we know has not been considered or field tested more widely. The suggestion was to delete the text in IFRS 17 B119B imposing conditions on the recognition of an investment-return service. The intention would be, broadly, to permit recognition of an investment-return service throughout an annuity contract (not just in the deferral phase). Such an amendment would therefore not

directly address the allocation of CSM for insurance coverage and would appear to also permit recognition of an investment-return service for an unrestricted range of contracts. This illustrates the potential significant difficulties of option c).

52. The Board would also need to consider the industry's need for clarity and certainty in the context of the standard's effective date of 1 January 2023. Stakeholders have informed us that a solution is required before the date of initial application due to the significant operational and financial impact on transition. Further, the on-going uncertainty around UK adoption of the standard, and the significant impact of CSM allocation on performance reporting, may have contributed to a reluctance amongst insurers to share information on the impact of the standard on their accounts. Investors we consulted were keen to see that information so that they can commence their dialogue with management on the impact of the standard on insurers' financial position and profitability.

53. An extensive period is likely to be needed to enable full analysis of, and consultation on, any proposed UK-specific amendment. It seems unlikely that this would be achievable while retaining the standard's current effective date, so the Board would need to assess whether a delay was in the UK long term public good.

54. Finally, given the global nature of the standard and the UK insurance industry, the Board would need to consider the implications of a unilateral decision taken for the purposes of the standard's UK adoption.[10] Considerations would include the attractiveness of the UK insurance industry to international investors, the wider impact on the UK capital markets' reputation for transparency and the UK's support for use of international standards.

55. It should be noted that for all major standards, issues arise at the time of implementation as well as after that date. These are dealt with through the processes set up by the IASB for reporting such issues for consideration at the international level. Those processes help ensure international consistency of application of those standards. An additional, but marginal, risk for the UKEB itself is that pursuing a UK-specific solution may set a precedent for future endorsement projects, potentially undermining the international consistency of application of IFRS and impacting the wider reputation of UK financial reporting.

Recommendation

56. The current project plan envisages the Board concluding its deliberations and coming to an overall adoption decision at its April meeting. The package of documents considered in April would include the final ECA and Feedback Statement, updated to reflect revised assessments against the endorsement criteria in the light of the Committee's conclusions.

57. For the reasons set out above we do not recommend any further delay to the Board's IFRS 17 adoption decision. Our recommendation would be to consider a further

[10] We are not aware of similar concerns with these requirements of the standard being raised in any other jurisdictions.

assessment of this issue at the Board's April meeting at which point we would anticipate a final endorsement decision.

58. We recommend continuing to monitor the issue through the IFRS 17 implementation phase as well as post-implementation. Any significant issues remaining at that stage could be addressed as a separate influencing or endorsement project.

Questions for the Board

Questions for the Board
59. Assuming the Committee's conclusion is aligned with that of the staff paper, what are the Board's views on the implications of that conclusion for: a) its endorsement assessment? b) its recommendations as to next steps?