Comments on behalf of

The Association of Corporate Treasurers

in response to Financial Reporting Exposure Draft 31

Share-based *Payment*

(Accounting Standards Board, 2002)

I. Introduction

The Association

The Association of Corporate Treasurers was formed in 1979 to encourage and promote the study and practice of finance and treasury management and to educate those involved in the field.

Today, it is an organisation of professionals in corporate finance, risk and cash management operating internationally. It has over 3,000 fellows, members and associate members. With more than 1,200 students in more than 40 countries, its education and examination syllabuses are recognised as the global standard setters for treasury education.

The ACT welcomes the opportunity to submit views on this important topic.

We would be pleased to expand further any point made herein or to assist the ASB in any other way.

March 2002

II General comments

We support the view that share-based payments represent a cost that should be reflected in accounts and this underlies the detailed responses, below. Such recognition in accounts would be an important step.

However, a sizeable proportion of our membership has concerns about the proposals, in particular:

- Complexity

  The calculations may be very complex. This may make it extremely unlikely that they will add much real understanding to many readers. If readers cannot follow the complexity of the calculation, they may be unable themselves to interpret the resulting numbers in any meaningful manner, at least until a body of experience is built up. Misinterpretation by the media is particularly concerning and we believe that experience with FRS 17 augurs badly for this.

- "Snapshot" market values

  FRED 31 represents another proposal based on snapshot market values. Members have serious concerns about this principle, believing that market perceptions may be damaged in ways which destroy real value.

- Some members have expressed concern at the changed impact on companies' distributable reserves compared with previous practice.

- SAYE schemes

  Some members also have the view that SAYE schemes are not a reward for services in any way but rather a response to a Government incentive to broaden share ownership and employee involvement. The effect of these proposals may draw attention to their cost. If the schemes are indeed not seen as a potential employee motivator, this may lead to schemes being discontinued.

Some of these concerns would be addressed in part by appropriate TRANSITIONAL ARRANGEMENTS. Furthermore, introducing the change first for listed companies only would give those associated with other companies an opportunity to digest the implications over a longer period and when real data on other companies was in the public domain.

We are aware that a private submission[1] to the ASB regarding FRED 31 will advocate the concept of a separate EQUITY MANAGEMENT ACCOUNT, where how managers have dealt with the shareholders' equity can be set out. We believe that this would be worth examining seriously.

[1] From Dr. D. R. Creed, February 2003

III Responses to questions

Summary of principal points

- Convertible debt

  The share based payment element in convertible debt should follow the FRED 31 principles. (See ASB question 3, page 4)

- Valuation date and re-measurement

  We believe that there is a case for revising the value and are unconvinced by the Framework position that equity interests are not remeasured. (See IASB questions 5, page 7 and 19, page 13)

- Time-apportionment of expense

  We would question the suggested method of time apportionment of expense. (See IASB question 9, page 8)

- Lapsed options

  We question the expensing of lapsed options. (See IASB question 9, page 8 and question 10, page 9)

- Valuation basis

  We foresee difficulty with the complexity of calculations involved in estimating valuation. (See IASB question 11, page 9)

- Cash and equity settled items

  We believe that equivalent treatment is needed for cash-settled and equity-settled transactions. (See IASB question 20, page 13)

- Transition

  We suggest that some form of phased introduction may improve the understanding of the issues more particularly in non-listed companies. (See final paragraph in general comments page 2)

- We believe that the possibility of a separate equity management account should be considered (See final paragraph in general comments page 2)

ASB questions

ASB Question 1

The ASB is proposing to require the adoption in the UK of a standard based on the proposed IFRS from the effective date in the IFRS (which is expected to be accounting periods beginning on or after 1 January 2004). Do you agree with this approach?

We support alignment of international accounting standards.

ASB Question 2

The IASB has concluded that its standard should apply to all entities. The ASB does not believe there are any conceptual or practical reasons why that conclusion should not apply equally in the UK. It is therefore proposing that all UK entities, other than those that are applying the FRSSE, should be required to prepare their financial statements in accordance with the proposed standard. Do you agree with this proposal?

On balance we support this approach. There are practical difficulties to be faced in implementing the standard and these may prove especially challenging for say medium-sized firms unable to apply the FRSSE, but if a line has to be drawn somewhere, then the FRSSE qualification is probably appropriate.

ASB Question 3

The IASB has concluded that its standard should apply to all types of share-based payment transactions, including SAYE-type share purchase plans. The ASB does not believe there are any additional UK considerations that would justify a different conclusion being reached in the context of UK accounting. Therefore, like the IASB the ASB is proposing that the standard should apply to all types of share-based payment transaction. Do you agree with this proposal?

Yes, though we would observe that to be consistent, the same methodology should be applied to the embedded share based payment of interest in debt instruments that are convertible by an investor into equity.

ASB Question 4

The IASB is proposing that its standard should apply equally to all individual entity financial statements and consolidated financial statements, regardless of whether for example the reporting entity is a wholly-owned subsidiary of a group that prepares consolidated financial statements or a parent company that also prepares consolidated financial statements. The ASB does not believe there are any additional UK considerations that would justify a different conclusion being reached in the context of UK accounting and is therefore proposing to adopt the same approach as the IASB. Do you agree with this proposal?

We believe that this requirement is of limited additional value (unless a subsidiary is itself listed), but as it probably also presents limited additional complication and on balance we support it.

ASB Question 5

The ASB is proposing that, when the share-based payments standard is implemented in the UK, the ASB should withdraw UITF Abstract 10 'Disclosure of directors' share options' (if it has not already been withdrawn by then), UITF Abstract 13 'Accounting for ESOP Trusts', and UITF Abstract 17 'Employee share schemes'. It also acknowledges that consequential amendments may need to be made to UITF Abstract 32 'Employee benefit trusts and other intermediate payment arrangements'.

(a) Will these amendments to existing UK requirements be sufficient to enable entities to adopt the proposed standard without being in breach of an existing requirement?

(b) Are any of the amendments unnecessary for this purpose?

We make no comment on this question.

ASB Question 6

The FRED proposes that entities should be required to apply the requirements of the standard to equity-settled share-based payment transactions that were granted after the publication date of the FRED but had not vested at the effective date of the standard. Full retrospective application would not be permitted (unless it can be achieved through early adoption) and nor would prospective application. Do you agree with this proposal?

We make no comment on this question or on IASB Question 22 which also focuses on the transitional requirements set out in the proposed standard. But see our comment in paragraph 3 of our general comments on page 2.

IASB Question 1

Paragraphs 1-3 of the draft IFRS set out the proposed scope of the IFRS. There are no proposed exemptions, apart from for transactions within the scope of another IFRS.

Is the proposed scope appropriate? If not, which transactions should be excluded and why?

We agree that the scope should be fully inclusive

IASB Question 2

Paragraphs 4-6 of the draft IFRS propose requirements for the recognition of share-based payment transactions, including the recognition of an expense when the goods or services received or acquired are consumed.

Are these recognition requirements appropriate? If not, why not, or in which circumstances are the recognition requirements inappropriate?

Whilst there are some differences of opinion within our Association on the fundamental basis of the standard, on balance our view is supportive of the concept behind the standard and of the principles adopted.

IASB Question 3

For an equity-settled share-based payment transaction, the draft IFRS proposes that, in principle, the entity should measure the goods or services received, and the corresponding increase in equity, either directly, at the fair value of the goods or services received, or indirectly, by reference to the fair value of the equity instruments granted, whichever fair value is more readily determinable (paragraph 7). There are no exemptions to the requirement to measure share-based payment transactions at fair value. For example, there are no exemptions for unlisted entities.

Is this measurement principle appropriate? If not, why not, or in which circumstances is it not appropriate?

We support this principle.

IASB Question 4

If the fair value of the goods or services received in an equity-settled share-based payment transaction is measured directly, the draft IFRS proposes that fair value should be measured at the date when the entity obtains the goods or receives the services (paragraph 8).

Do you agree that this is the appropriate date at which to measure the fair value of the goods or services received? If not, at which date should the fair value of the goods or services received be measured? Why?

Agreed

IASB Question 5

If the fair value of the goods or services received in an equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted, the draft IFRS proposes that the fair value of the equity instruments granted should be measured at grant date (paragraph 8).

Do you agree that this is the appropriate date at which to measure the fair value of the equity instruments granted? If not, at which date should the fair value of the equity instruments granted be measured? Why?

We agree that grant date value is a suitable starting point, but we feel that there is a case for revising the value and are unconvinced by the Framework position that equity interests are not re-measured. We note the point in BC 119 that there may be a case for a broader project review of this type of issue, but we feel that it is unsatisfactory to be trying to decide this issue first.

IASB Question 6

For equity-settled transactions with parties other than employees, the draft IFRS proposes a rebuttable presumption that the fair value of the goods or services received is more readily determinable than the fair value of the equity instruments granted (paragraphs 9 and 10).

Do you agree that the fair value of the goods or services received is usually more readily determinable than the fair value of the equity instruments granted? In what circumstances is this not so?

Agreed, but on occasions it may be more readily determinable as the fair value of the instrument if, for instance, the instrument is traded on an exchange.

IASB Question 7

For equity-settled transactions with employees, the draft IFRS proposes that the entity should measure the fair value of the employee services received by reference to the fair value of the equity instruments granted, because the latter fair value is more readily determinable (paragraphs 11 and 12).

Do you agree that the fair value of the equity instruments granted is more readily determinable than the fair value of the employee services received? Are there any circumstances in which this not so?

Agreed

IASB Question 8

Paragraphs 13 and 14 of the draft IFRS propose requirements for determining when the counterparty renders service for the equity instruments granted, based on whether the counterparty is required to complete a specified period of service before the equity instruments vest.

Do you agree that it is reasonable to presume that the services rendered by the counterparty as consideration for the equity instruments are received during the vesting period? If not, when are the services received, in your view?

Agreed

IASB Question 9

If the services received are measured by using the fair value of the equity instruments granted as a surrogate measure, the draft IFRS proposes that the entity should determine the amount to attribute to each unit of service received, by dividing the fair value of the equity instruments granted by the number of units of service expected to be received during the vesting period (paragraph 15).

Do you agree that if the fair value of the equity instruments granted is used as a surrogate measure of the fair value of the services received, it is necessary to determine the amount to attribute to each unit of service received? If not, what alternative approach do you propose? If an entity is required to determine the amount to attribute to each unit of service received, do you agree that this should be calculated by dividing the fair value of the equity instruments granted by the *number of units of services expected to be received during the vesting period? If not, what alternative method do you propose?*

We would question two aspects of the proposed methodology. Firstly, the proposed method of spreading means that the amount expensed could differ, possibly substantially if the assumptions prove seriously wrong, from the grant value. Secondly, we question the expensing of lapsed options. We do not find the argument in BC 204-207 to be very convincing and might be thought to be somewhat ironic in a standard that aims to take account of the shareholder perspective (see question 10 below).

IASB Question 10

In an equity-settled share-based payment transaction, the draft IFRS proposes that having recognised the services received, and a corresponding increase in equity, the entity should make no subsequent adjustment to total equity, even if the equity instruments granted do not vest or, in the case of options, the options are not exercised (paragraph 16). However, this requirement does not preclude the entity from recognising a transfer within equity, ie a transfer from one component of equity to another.

Do you agree with this proposed requirement? If not, in what circumstances should an adjustment be made to total equity and why?

We do not agree with the principle of no subsequent adjustment to equity. Lapsed options represent a gain. At present, accounts (often) do not capture the share premium received by the provider of goods or services nor the matching expense. This FRED is clearly trying to put that right. If an option lapses, there is no share premium received and so there should be no expense. BC 205 says that equity has already been increased by the value of goods or services provided and so there should be no subsequent change, but that increase should be reflected in the P&L reserve, it is not the same as the increase in equity made to reflect the grant value of the options.

IASB Question 11

The draft IFRS proposes that the entity should measure the fair value of equity instruments granted, based on market prices if available, taking into account the terms and conditions of the grant (paragraph 17). In the absence of a market price, the draft IFRS proposes that the entity should estimate the fair value of options granted, by applying an option pricing model that takes into account various factors, namely the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares (where appropriate) and the risk-free interest rate *for the life of the option (paragraph 20). Paragraph 23 of the proposed IFRS explains when it is appropriate to take into account expected dividends.*

Do you agree that an option pricing model should be applied to estimate the fair value of options granted? If not, by what other means should the fair value of the options be estimated? Are there circumstances in which it would be inappropriate or impracticable to take into account any of the factors listed above in applying an option pricing model?

We think that there may be serious practical difficulties here. How widely has this idea been tested – and has it been tested at all for non-listed companies? Do we have any idea how much this might add to professional fees for the many firms who will struggle to manage to do this work in-house? It seems that more guidance is promised with the IFRS, but we see this as one of the major failings of the FRED. We will remain unconvinced until we have seen some practical guidance. See also paragraph of our general comments on page 2.

IASB Question 12

If an option is non-transferable, the draft IFRS proposes that the expected life of an option rather than its contracted life should be used in applying an option pricing model (paragraph 21). The draft IFRS also proposes requirements for options that are subject to vesting conditions and therefore cannot be exercised during the vesting period (paragraph 22).

Do you agree that replacing an option's contracted life with its expected life when applying an option pricing model is an appropriate means of adjusting the option's fair value for the effects of non-transferability? If not, do you have an alternative suggestion? Is the proposed requirement for taking into account the inability to exercise an option during the vesting period appropriate?

Agreed, subject to comments on question 11.

IASB Question 13

If a grant of shares or options is conditional upon satisfying specified vesting conditions, the draft IFRS proposes that these conditions should be taken into account when an entity measures the fair value of the shares or options granted. In the case of options, vesting conditions should be taken into account either by incorporating them into the application of an option pricing model or by making an appropriate adjustment to the value produced by such a model (paragraph 24).

Do you agree that vesting conditions should be taken into account when estimating the fair value of options or shares granted? If not, why not? Do you have any *suggestions for how vesting conditions should be taken into account when estimating the fair value of shares or options granted?*

Agreed, subject to comments on questions 10 and 11.

IASB Question 14

For options with a reload feature, the draft IFRS proposes that the reload feature should be taken into account, where practicable, when an entity measures the fair value of the options granted. However, if the reload feature is not taken into account in the measurement of the fair value of the options granted, then the reload option granted should be accounted for as a new option grant (paragraph 25).

Is this proposed requirement appropriate? If not, why not? Do you have an alternative proposal for dealing with options with reload features?

Agreed, subject to comments on question 11.

IASB Question 15

The draft IFRS proposes requirements for taking into account various features common to employee share options, such as non-transferability, inability to exercise the option during the vesting period, and vesting conditions (paragraphs 21-25).

Are there other common features of employee share options for which the IFRS should specify requirements?

We make no comment on this question.

IASB Question 16

The draft IFRS does not contain prescriptive guidance on the estimation of the fair value of options, consistently with the Board's objective of setting principles-based standards and to allow for future developments in valuation methodologies.

Do you agree with this approach? Are there specific aspects of valuing options for which such guidance should be given?

We agree with the approach, but would expect clear practical guidance in the case of this proposed IFRS including practical examples and plausible short-cut methodologies. See our comments on IASB Question 11 above.

IASB Question 17

If an entity reprices a share option, or otherwise modifies the terms or conditions on which equity instruments were granted, the draft IFRS proposes that the entity should measure the incremental value granted upon repricing, and include that incremental value when measuring the services received. This means that the entity is required to recognise additional amounts for services received during the remainder of the vesting period, ie additional to the amounts recognised in respect of the original option grant. Example 3 in Appendix B illustrates this requirement. As shown in that example, the incremental value granted on repricing is treated as a new option grant, in addition to the original option grant. An alternative approach is also illustrated, whereby the two grants are averaged and spread over the remainder of the vesting period.

Do you agree that the incremental value granted should be taken into account when measuring the services received, resulting in the recognition of additional amounts in the remainder of the vesting period? If not, how do you suggest repricing should be dealt with? Of the two methods illustrated in Example 3, which is more appropriate? Why?

Yes. The accounting treatment should follow the assumption that the instrument is cancelled and reissued, even if the legal form is a repricing. The incremental value of the new options could be spread as an expense over the new vesting period, leaving the original expense to be charged over the old vesting period, but a preferred approach is to recognise any uncharged element of the original expense and spread it over the vesting period of the repriced option, together with the incremental value of that option.

IASB Question 18

If an entity cancels a share or option grant during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the draft IFRS proposes that the entity should continue to recognise the services rendered by the counterparty in the remainder of the vesting period, as if that grant had not been cancelled. The draft IFRS also proposes requirements for dealing with any payment made on cancellation and/or a grant of replacement options, and for the repurchase of vested equity instruments.

Are the proposed requirements appropriate? If not, please explain why not and provide details of your suggested alternative approach.

See question 10, page 9. We do not agree that options which do not vest should represent an expense.

IASB Question 19

For cash-settled share-based payment transactions, the draft IFRS proposes that the entity should measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity should remeasure the fair value of the liability at each reporting date, with any changes in value recognised in the income statement.

Are the proposed requirements appropriate? If not, please provide details of your suggested alternative approach.

By relying on the flawed idea that equity interests are not remeasured, the FRED has created a fundamental imbalance between cash-settled and equity-settled transactions. Private companies with limited ability to have equity-settled transactions will be justifiably aggrieved by the mis-matched treatment. If the IASB wishes to stick to grant date valuation for equity-settled transactions then it should have proposed the same for cash settlement. It is astonishing that the mere fact that an option can be, but is not, cash-settled makes a difference in the accounting. More sensibly, equivalent treatment can be achieved by equity-settled transactions being revalued until exercised.

IASB Question 20

For share-based payment transactions in which either the entity or the supplier of goods or services may choose whether the entity settles the transaction in cash or by issuing equity instruments, the draft IFRS proposes that the entity should account for the transaction, or the components of that transaction, as a cash-settled share-based payment transaction if the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if no such liability has been incurred. The draft IFRS proposes various requirements to apply this principle.

Are the proposed requirements appropriate? If not, please provide details of your suggested alternative approach.

We believe that equivalent treatment is needed for cash-settled and equity-settled transactions (see question 19 above).

IASB Question 21

The draft IFRS proposes that an entity should disclose information to enable users of financial statements to understand:

(a) *the nature and extent of share-based payment arrangements that existed during the period,*

(b) *how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined, and*

(c) *the effect of expenses arising from share-based payment transactions on the entity's profit or loss.*

Are these disclosure requirements appropriate? If not, which disclosure requirements do you suggest should be added, deleted or amended (and how)?

Yes

IASB Question 22

The draft IFRS proposes that an entity should apply the requirements of the IFRS to grants of equity instruments that were granted after the publication date of this Exposure Draft and had not vested at the effective date of the IFRS. It also proposes that an entity should apply retrospectively the requirements of the IFRS to liabilities existing at the effective date of the IFRS, except that the entity is not required to measure vested share appreciation rights (and similar liabilities) at fair value, but instead should measure such liabilities at their settlement amount (ie the amount that would have been paid on settlement of the liability had the counterparty demanded settlement at the date the liability is measured).

Are the proposed requirements appropriate? If not, please provide details of your suggestions for the IFRS's transitional provisions.

We make no comment on this question – but see paragraph 3 of our general comments, page 3.

IASB Question 23

The draft IFRS proposes a consequential amendment to IAS 12 (revised 2000) Income Taxes to add an example to that standard illustrating how to account for the tax effects of share-based payment transactions. As shown in that example, it is proposed that all tax effects of share-based payment transactions should be recognised in the income statement.

Are the proposed requirements appropriate?

Yes, provided that suggested changes to the pre-tax line would also be reflected in the tax line.

IASB Question 24

In developing the Exposure Draft, the Board considered how various issues are dealt with under the US standard SFAS 123 Accounting for Stock-Based Compensation, as explained further in the Basis for Conclusions. Although the draft IFRS is similar to SFAS 123 in many respects, there are some differences. The main differences include the following:

(a) *Apart from transactions within the scope of another IFRS, the draft IFRS does not propose any exemptions, either from the requirement to apply the IFRS or from the requirement to measure share-based payment transactions at fair value. SFAS 123 contains the following exemptions, none of which are included in the draft IFRS:*

- *employee share purchase plans are excluded from SFAS 123, provided specified criteria are met, such as the discount given to employees is relatively small;*

- *SFAS 123 encourages, but does not require, entities to apply its fair value measurement method to recognise transactions with employees; entities are permitted to apply instead the intrinsic value measurement method in Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees (paragraphs BC70-BC74 in the Basis for Conclusions give an explanation of intrinsic value); and*

- *unlisted (non-public) entities are permitted to apply the minimum value method when estimating the value of share options, which excludes from the valuation the effects of expected share price volatility (paragraphs BC75-BC78 in the Basis for Conclusions give an explanation of minimum value).*

(b) *For transactions in which equity instruments are granted to employees, both SFAS 123 and the draft IFRS have a measurement method that is based on the fair value of those equity instruments at grant date. However:*

- *under SFAS 123, the estimate of the fair value of an equity instrument at grant date is not reduced for the possibility of forfeiture due to failure to satisfy the vesting conditions, whereas the draft IFRS proposes that the possibility of forfeiture should be taken into account in making such an estimate.*

- *under SFAS 123, the transaction is measured at the fair value of the equity instruments issued. Because equity instruments are not regarded as issued until any specified vesting conditions have been satisfied, the transaction amount is ultimately measured at the number of vested equity instruments multiplied by the fair value of those equity instruments at grant date. Hence, any amounts recognised for employee services received during the vesting period will be subsequently reversed if the equity instruments granted are forfeited. Under the draft IFRS, the transaction is measured at the deemed fair value of the employee services received. The fair value of the equity instruments granted is used as a surrogate measure, to determine the deemed fair value of each unit of employee service received. The transaction amount is ultimately measured at the number of units of service received during the vesting period multiplied by the deemed fair value per unit of service. Hence, any amounts recognised for employee services received are not subsequently reversed, even if the equity instruments granted are forfeited.*

(c) *If, during the vesting period, an entity settles in cash a grant of equity instruments, under SFAS 123 those equity instruments are regarded as having immediately vested, and therefore the amount of compensation expense measured at grant date but not yet recognised is recognised immediately at the date of settlement. The draft IFRS does not require immediate recognition of an expense but instead proposes that the entity should continue to recognise the services received (and hence the resulting expense) over the remainder of the vesting period, as if that grant of equity instruments had not been cancelled.*

(d) *SFAS 123 does not specify a measurement date for transactions with parties other than employees that are measured at the fair value of the equity instruments issued. Emerging Issues Task Force Issue 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services requires the fair value of the equity instruments issued to be measured at the earlier of (i) the date a performance commitment is reached or (ii) the date performance is complete. This date might be later than grant date, for example, if there is no performance commitment at grant date. Under the draft IFRS, the fair value of the equity instruments granted is measured at grant date in all cases.*

(e) *SFAS 123 requires liabilities for cash-settled share appreciation rights (SARs) to be measured using an intrinsic value measurement method. The draft IFRS proposes that such liabilities should be measured using a fair*

value measurement method, which includes the time value of the SARs, in the same way that options have time value (refer to paragraphs BC70-BC81 of the Basis for Conclusions for a discussion of intrinsic value, time value and fair value).

(f) *For a share-based payment transaction in which equity instruments are granted, SFAS 123 requires realised tax benefits to be credited direct to equity as additional paid-in capital, to the extent that those tax benefits exceed the tax benefits on the total amount of compensation expense recognised in respect of that grant of equity instruments. The draft IFRS, in a consequential amendment to IAS 12 (revised 2000) Income Taxes, proposes that all tax effects of share-based payment transactions should be recognised in profit or loss, as part of tax expense.*

For each of the above differences, which treatment is the most appropriate? Why? If you regard neither treatment as appropriate, please provide details of your preferred treatment.

We make no comment on this question.

IASB Question 25

Do you have any other comments on the Exposure Draft?

We have a general concern about adverse implications for company distribution policies. If expenses are being debited to profit and the matching credit is to undistributable equity, then there will be deterioration in distributable reserves in comparison to the current position. We accept that the current position is already distorted by not having accounted for the cost of share-based payments, but this is a serious practical concern to some and we would suggest that the ASB and IASB explicitly address this issue in their exposure drafts and standards.

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