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IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
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E14 4HD

3 February 2026

Dear Sir

**Tentative IFRS Interpretations Committee Agenda Decision: Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)**

We are pleased to comment on the above noted Tentative Agenda Decision (TAD) of the IFRS Interpretations Committee (the Committee). Following consultation with the BDO network<sup>1</sup>, this letter summarises views of member firms that provided comments on the TAD.

Gains and losses arising on economic derivatives used to manage foreign currency exposures, as described in the submission, are common within corporate groups that have international operations and centralised treasury functions. We therefore appreciate the IFRS Interpretations Committee (the Committee) considering this matter.

We agree that the technical analysis presented by the Committee in the TAD represents an appropriate interpretation of the requirements of IFRS 18 *Presentation and Disclosures in Financial Statements*. In our view, the conclusion in the TAD results in a more appropriate outcome than would otherwise arise if it were concluded that the 'gross up' prohibition in IFRS 18.B72 were applicable.

However, we note that the fact pattern considered is simplified, and further application issues may arise in circumstances involving greater complexity.

For example, consider a situation in which the maturity dates of the loan receivable and the loan payable are not aligned. In such a case, the net exposure might initially be a payable of FC20 (as illustrated in the agenda decision) and subsequently become a receivable of FC100 once the payable matures, assuming that it matures earlier than the receivable. If hedge accounting is not applied, this raises the question of whether gains and losses on the derivative should be allocated to the financing category for the initial period when both the receivable and payable were recognised and then to the investing category from the point at which the payable matures. Changes in classification of foreign exchange differences in this manner would be challenging for entities to track and categorise appropriately.

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We acknowledge that the Committee can only respond to the questions asked in the submission, however, we consider it important that the Committee be made aware of the potential broader implications arising from this issue.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at [abuchanan@bdoifra.com](mailto:abuchanan@bdoifra.com).

Yours faithfully

Andrew Buchanan

*Global Head of IFRS and Corporate Reporting*