This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

EFRAG's Letter to the European Commission regarding the Endorsement of Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* ('Translation to a Hyperinflationary Presentation Currency')

Sean Berrigan
Director General, Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Brussels

[dd Month] 2026

Dear Mr Berrigan

Endorsement of Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency*

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, EFRAG is pleased to provide its opinion on the Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* ('Translation to a Hyperinflationary Presentation Currency'), which were issued by the IASB on 13 November 2025. An Exposure Draft of the Amendments to IAS 21 was issued on 25 July 2024. EFRAG provided its comment letter on that Exposure Draft on 20 November 2024.

The objective of the Amendments to IAS 21 ('Translation to a Hyperinflationary Presentation Currency', hereafter referred to as the Amendments to IAS 21) is to change the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy, when translating either its results and financial position, while the entity's functional currency is that of a non-hyperinflationary economy, or the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

An entity shall apply the Amendments to IAS 21 retrospectively for annual periods beginning on or after 1 January 2027, with earlier application permitted, unless its functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and that translates the results and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy. In that case, the entity shall apply the amendments from the beginning of the annual reporting period in which it first applies the amendments.

In order to provide our endorsement advice as you have requested, we have first assessed whether the Amendments to IAS 21 would meet the technical criteria for endorsement – in other words whether the Amendments to IAS 21 would provide relevant, reliable, comparable and understandable information required to support economic decisions and the assessment of stewardship, lead to prudent accounting and are not contrary to the true and fair view principle. We have then assessed whether Amendments to IAS 21 would be conducive to the European public good. We provide our conclusions below.

EFRAG has carried out an evaluation of the Amendments to IAS 21. As part of that process, EFRAG issued its initial assessment for public comment and, when finalising its advice and the content of this letter, took the comments received in response into account. EFRAG's evaluation is based on input from standard setters, market participants and other interested parties, and its discussions of technical matters are open to the public.

Do the Amendments to IAS 21 meet the IAS Regulation technical endorsement criteria?

EFRAG has concluded that the Amendments to IAS 21 meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, and it raises no issues regarding prudent accounting. Therefore, EFRAG has concluded that the Amendments to IAS 21 are not contrary to the true and fair view principle. EFRAG's reasoning is explained in Appendix 2 to this letter.

Are the Amendments to IAS 21 conducive to the European public good?

EFRAG has assessed that the Amendments to IAS 21 will improve financial reporting by reaching an acceptable cost-benefit trade-off. EFRAG has not identified that the Amendments to IAS 21 could have any adverse effect on the European economy, including financial stability and economic growth. Accordingly, EFRAG assesses that endorsing the Amendments to IAS 21 is conducive to the European public good. EFRAG's reasoning is explained in Appendix 3 to this letter.

Our advice to the European Commission

As explained above, we have concluded that the Amendments to IAS 21 meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship; raise no issues regarding prudent accounting; and are not contrary to the true and fair view principle. We have also concluded that they are conducive to the European public good. Therefore, we recommend the Amendments to IAS 21 for endorsement.

On behalf of EFRAG, I would be happy to discuss our advice with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Wolf Klinz
EFRAG Financial Reporting Board Chair

Appendix 1: Understanding the changes brought about by the Amendments

Background of the Amendments to IAS 21

1 The IFRS Interpretations Committee ('IFRIC') discussed the application of the requirements in IAS 21 in translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. These amendments apply when the entity translates to such a presentation currency:

(a) its results and financial position, and the entity's functional currency is that of a non-hyperinflationary economy; and

(b) the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

2 IFRIC's research confirmed that the matter is pervasive in many jurisdictions and could have a material effect on the affected entities. The application of the requirements that existed before the amendments resulted in:

(a) information that was not always useful for users of financial statements; and

(b) diversity in applying the requirements when an entity translated the results and financial position of a foreign operation whose functional currency was that of a non-hyperinflationary economy.

The issue and how it has been addressed

3 The Amendments to IAS 21 were published by the IASB in November 2025 to change the translation procedures for entities in the fact patterns described in paragraph 1 above. The Amendments to IAS 21 aim to improve the usefulness of the resulting information in a cost-effective manner and remove the diversity that existed before them.

What has changed?

4 The Amendments to IAS 21 require an entity, whose functional currency is the currency of a non-hyperinflationary economy but its presentation currency is the currency of a hyperinflationary economy, to translate its results and financial position into the presentation currency by translating all amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) at the closing rate at the date of the most recent statement of financial position.

5 When the entity's functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and the entity translates the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy, the entity shall restate the comparative amounts of that foreign operation included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures for the previous reporting period (i.e. in accordance with paragraph 34 of IAS 29).

6 An entity is also required to disclose:

(a) the fact that all amounts in its financial statements, or the results and financial position of its foreign operations, have been translated at the closing rate at the date of the most recent statement of financial position;

(b) when translating the results and financial position of its foreign operations, summarised financial information about its foreign operations that enables users of financial statements to assess the effect of these foreign operations on the entity's results and financial position. The entity shall label the comparative summarised financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period; and

(c) the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy, when that is the case.

When do Amendments to IAS 21 become effective?

7 An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2027. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

8 An entity shall apply the Amendments to IAS 21 retrospectively, unless its functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and that translates the results and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy. In that case, the entity shall apply the amendments from the beginning of the annual reporting period in which it first applies the amendments.

9 In addition, when the economy whose currency is the entity's presentation currency ceases to be hyperinflationary and the entity's functional currency continues to be the currency of a non-hyperinflationary economy, the entity shall no longer apply the Amendments to IAS 21 and instead apply paragraph 39 of IAS 21. The entity shall do so prospectively from the beginning of the reporting period in which the economy ceases to be hyperinflationary—i.e. the entity shall not retranslate amounts that arose before the beginning of the reporting period.

Appendix 2: EFRAG's technical assessment on the Amendments to IAS 21 against the endorsement criteria

Does the accounting that results from the application of the Amendments to IAS 21 meet the technical criteria for endorsement in the European Union?

10 EFRAG has considered whether the Amendments to IAS 21 meet the technical requirements of the European Parliament and of the Council on the application of International Accounting Standards, as set out in Regulation (EC) No 1606/2002 (the IAS Regulation). In other words, it has considered whether the Amendments to IAS 21:

(a) are not contrary to the principle set out in Article 4(3) of Council Directive 2013/34/EU (the Accounting Directive); and

(b) meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

11 Article 4(3) of the Accounting Directive provides that 'The annual financial statements shall give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Where the application of this Directive would not be sufficient to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss, such additional information as is necessary to comply with that requirement shall be given in the notes to the financial statements.'

12 The IAS Regulation further clarifies that 'to adopt an international accounting standard for application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise – this principle being considered in the light of the said Council Directives without implying a strict conformity with each and every provision of this Directive' (Recital 9 of the IAS Regulation).

13 EFRAG's assessment as to whether the Amendments to IAS 21 would not be contrary to the true and fair view principle has been performed against the European legal background summarised above.

14 In its assessment, EFRAG has considered the Amendments to IAS 21 from the perspective of both usefulness for decision-making and assessing the stewardship of management. EFRAG has concluded that the information resulting from the application of the Amendments to IAS 21 is appropriate both for making decisions and assessing the stewardship of management.

15 EFRAG's assessment on whether the Amendments to IAS 21 are not contrary to the true and fair view principle set out in Article 4(3) of Council Directive 2013/34/EU is based on the assessment of whether it meets all other technical criteria and whether they lead to prudent accounting. EFRAG's assessment also includes determining whether the Amendments to IAS 21 do not interact negatively with other IFRS Accounting Standards and whether all necessary disclosures are required. Detailed assessments are included in this Appendix in the following paragraphs:

(a) relevance: paragraphs 17–22;

(b) reliability: paragraphs 23–28;

(c) comparability: paragraphs 29–33;

(d) understandability: paragraphs 34–38;

(e) whether they overall lead to prudent accounting: paragraphs 39–40;

(f) early application: paragraphs 41–42; and

(g) whether they would not be contrary to the true and fair view principle 43–46.

16 In providing its assessment on whether the Amendments to IAS 21 result in relevant, reliable, understandable and comparable information, EFRAG has considered all the requirements introduced.

Relevance

17 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations. Information is also relevant when it assists in evaluating the stewardship of management.

18 EFRAG considered whether the Amendments to IAS 21 would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether they would result in the omission of relevant information.

19 In a hyperinflationary environment, local currency loses value rapidly and the relevance of accounting figures reported in the currency of a hyperinflationary currency is reduced. Applying the existing requirements in IAS 21, an entity is required to translate assets and liabilities at the closing rate at the date of the statement of financial position, and income and expenses at the exchange rates at the dates of the transactions. Therefore, the existing requirements, when applied by affected entities, result in income and expenses not being expressed in terms of a measuring unit current at the end of the reporting period. The Amendments to IAS 21 introduce a translation method addressing this issue and thus EFRAG assesses they improve the relevance of reported information.

20 EFRAG also considers that the disclosure requirements introduced by the Amendments to IAS 21 will result in more relevant information being provided:

(a) the requirements to disclose either that the results and financial position have been translated at the closing rate of the more recent statement of financial position or that an entity's presentation currency has ceased to be the currency of a hyperinflationary economy contextualise the economic environment in which an entity operates; and

(b) the requirement to disclose summarised financial information of an entity's foreign operations indicates parts of the entity's operations not affected by hyperinflation.

21 In addition, EFRAG has not identified that the Amendments to IAS 21 result in the omission of relevant information.

22 EFRAG's overall assessment is that the Amendments to IAS 21 would result in the provision of more relevant information and therefore satisfy the relevance criterion.

Reliability

23 EFRAG also considered the reliability of the information that will be provided by applying the Amendments to IAS 21. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, as well as when it is complete within the bounds of materiality and cost.

24 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation and completeness.

25 Firstly, EFRAG assesses that the new principles are not overly complex to apply and consequently the Amendments are expected to be applied as envisaged.

26 EFRAG similarly assesses that compliance with the requirements included in the Amendments would not result in biased information.

27 EFRAG also assesses that the Amendments would result in a faithful representation and enhance the completeness of information.

28 Therefore, EFRAG's overall assessment is that the Amendments to IAS 21 result in reliable information.

Comparability

29 The notion of comparability requires that like items and events be accounted for in a consistent way through time and by different entities and that unlike items and events be accounted for differently.

30 EFRAG has considered whether the Amendments to IAS 21 result in transactions that are:

(a) economically similar but accounted for differently; or

(b) transactions that are economically different but accounted for as if they were similar.

31 EFRAG notes that the Amendments to IAS 21 address existing diversity in practice by introducing specific and consistent requirements regarding the translation to a hyperinflationary presentation currency. Consequently, they have the potential to increase comparability, by reducing diversity in practice.

32 Moreover, the Amendments to IAS 21 improve the comparability of financial statements presented in the currency of a hyperinflationary economy. Before the amendments, an entity whose functional currency was that of a hyperinflationary economy was required to restate its results and financial position in accordance with IAS 29. However, an entity whose functional currency was that of a non-hyperinflationary economy, but which presented its financial statements in the currency of a hyperinflationary economy, did not restate its results and financial position. The Amendments to IAS 21 also do not introduce any application options.

33 Overall, EFRAG's assessment is that the requirements in the Amendments to IAS 21 will result in comparable information.

Understandability

34 The notion of understandability requires that the financial information provided be readily understandable by users with reasonable knowledge of business and economic activity and accounting as well as the willingness to study the information with reasonable diligence.

35 Although there are a number of aspects related to the notion of 'understandability', EFRAG considers that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

36 As a result, EFRAG considers that the main additional issue it needs to consider in assessing whether the information resulting from the application of the Amendments to IAS 21 is understandable is whether that information will be unduly complex.

37 Financial reporting in a hyperinflationary regime presents inherent complexities that may limited the understandability of information in the financial statements. In this respect, EFRAG considers that the newly introduced translation method and the related disclosure requirements will increase understandability of reported information.

38 In EFRAG's view, the Amendments to IAS 21 do not introduce any new complexity that may impair understandability. of reported figures. Therefore, EFRAG's overall assessment is that the Amendments to IAS 21 satisfy the understandability criterion in all material respects.

Prudence

39 For the purposes of this endorsement advice, prudence is defined as caution in conditions of uncertainty. In some circumstances, prudence requires asymmetry in recognition such that assets or income are not overstated and liabilities or expenses are not understated.

40 EFRAG has not identified any particular impact on prudence. EFRAG has therefore concluded that the application of the Amendments to IAS 21 will lead to prudent accounting.

Early application of the Amendments to IAS 21

41 The Amendments to IAS 21 become effective on 1 January 2027, with earlier application permitted.

42 EFRAG considers that the provisions in the amendments including its interaction with the pre-existing paragraphs, are clear and expected to ensure the consistent application of the requirements.

True and Fair View Principle

43 A standard will not impede information from meeting the true and fair view principle when, on a stand-alone basis and in conjunction with other IFRS Accounting Standards, it:

(a) does not lead to unavoidable distortions or significant omissions in the representation of that entity's assets, liabilities, financial position and profit or loss; and

(b) includes all disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss.

44 EFRAG has assessed that the Amendments to IAS 21 do not create any negative interactions with other IFRS Accounting Standards. Accordingly, EFRAG has assessed that the Amendments to IAS 21 do not lead to unavoidable distortions or significant omissions and therefore do not impede financial statements from providing a true and fair view.

45 EFRAG has concluded that the appropriate disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss are required.

46 As a result, EFRAG concludes that the application of the Amendments to IAS 21 would not lead to information that would be contrary to the true and fair view principle.

Conclusion

47 Accordingly, for the reasons set out above, EFRAG's assessment is that Amendments to IAS 21 meet the technical requirements for EU endorsement as set out in the IAS Regulation.

Appendix 3: Assessing whether the Amendments to IAS 21 are conducive to the European public good

Introduction

48 EFRAG considered whether it would be conducive to the European public good to endorse the Amendments to IAS 21. In addition to its assessment included in Appendix 2, EFRAG has considered a number of issues in order to identify any potential negative effects for the European economy following the application of the Amendments to IAS 21. In doing this, EFRAG considered:

(a) whether the Amendments to IAS 21 improve financial reporting. This requires a comparison of the amendments with the existing requirements and how they fit into IFRS Accounting Standards as a whole;

(b) the costs and benefits associated with the Amendments to IAS 21; and

(c) whether the Amendments to IAS 21 could have any adverse effect on the European economy, including financial stability and economic growth.

49 These assessments allow EFRAG to draw a conclusion as to whether Amendments to IAS 21 are likely to be conducive to the European public good. If the assessment concludes that there is a net benefit, the Amendments to IAS 21 will be conducive to the objectives of the IAS Regulation.

EFRAG's evaluation of whether the Amendments to IAS 21 are likely to improve the quality of financial reporting

50 EFRAG notes that the Amendments to IAS 21 are designed to require entities to apply a consistent approach when translating amounts to a hyperinflationary presentation currency.

51 EFRAG has therefore concluded that the Amendments to IAS 21 are likely to improve the quality of financial reporting.

EFRAG's analysis of the costs and benefits of the Amendments to IAS 21

52 EFRAG first considered the extent of the work. For some Standards or Interpretations, it might be necessary to carry out some extensive work in order to understand fully the cost and benefit implications of the Standard or Interpretation being assessed. However, in the case of the Amendments to IAS 21, EFRAG's view is that the cost and benefit implications can be assessed by carrying out a more modest amount of work.

Cost for preparers

53 EFRAG has carried out an assessment of the cost implications for preparers resulting from the Amendments to IAS 21. EFRAG notes that in the current economic environment the Amendments are expected to be applicable to a limited number of European entities only.

54 EFRAG considers that the Amendments to IAS 21 are simple to apply. EFRAG notes that the translation method required by the amendments is already set out in paragraph 42 of IAS 21.

55 In addition, the exception to the translation method, under which an entity translates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index it applies to corresponding

figures for the previous reporting period in accordance with paragraph 34 of IAS 29, is also simple to apply, as an entity will not need to reperform consolidation (or other) procedures to prepare comparative information for its consolidated financial statements.

56 Overall, EFRAG's assessment is that the Amendments to IAS 21 will not result in increased costs for preparers related to the implementation and ongoing costs of complying with these requirements, i.e., they are likely to be cost saving or cost neutral.

Costs for users

57 EFRAG has carried out an assessment of the cost implications for users resulting from the Amendments to IAS 21.

58 EFRAG considers that the translation method required by the amendments allows users to translate with less effort amounts into the currency of a non-hyperinflationary economy.

59 Therefore, EFRAG's assessment is that the Amendments to IAS 21 are likely to result in cost savings for users that will outweigh any incremental costs incurred to incorporate the new requirements in their analysis.

Benefits for preparers and users

60 EFRAG has carried out an assessment of the benefits for preparers and users resulting from the Amendments to IAS 21.

61 EFRAG's assessment is that preparers are likely to benefit from the Amendments to IAS 21 due to the simplicity of applying the translation method, and the increased guidance regarding reporting when an entity's presentation currency is hyperinflationary.

62 Overall, EFRAG's assessment is that users are likely to benefit from the Amendments to IAS 21, as the information resulting from the amendments will be more relevant and potentially increase comparability, including by removing diversity in practice. This information will therefore enhance their analysis.

Conclusion on the costs and benefits of the Amendments to IAS 21

63 EFRAG's overall assessment is that the overall benefits for preparers and users are likely to outweigh the costs associated with the implementation of the Amendments to IAS 21.

Conclusion

64 EFRAG notes that the Amendments to IAS 21, although limited in scope, will generally bring improved financial reporting. As such, their endorsement is conducive to the European public good in that improved financial reporting improves transparency and assists in the assessment of management stewardship.

65 EFRAG has not identified any adverse effects that the Amendments to IAS 21 could have on the European economy, including financial stability and economic growth.

66 Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments to IAS 21, EFRAG assesses that endorsing them is conducive to the European public good.