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#15 - KPMG

March 13, 2026

By email: <mailto:mda@fasab.gov>

Ms. Monica Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Washington, DC 20548

RE: Exposure Draft of Proposed Staff Implementation Guidance, *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis*

Dear Ms. Valentine:

We appreciate the opportunity to respond to the proposed Staff Implementation Guidance, *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis* (the exposure draft, or ED). We commend the Board's initiative to provide implementation guidance for SFFAS 64, *Management's Discussion and Analysis* (SFFAS 64), which is effective for this fiscal year's reporting period. While a helpful starting point, we believe the guidance in the ED would be more impactful without the reiteration of the principles already present in SFFAS 64. Also, including more robust and comprehensive illustrative examples to showcase what good looks like would provide the practical application that users seek. In addition, we are concerned that the guidance on using hyperlinks within MD&A may have an unintended consequence. Preparers might interpret this as an opportunity to link to information externally, in lieu of including all information required by SFFAS 64 directly within the body of the report.

We provide the following comments and recommendations for the Board's consideration.

1. Structural nature of the Q&A Guidance

The questions within the ED are phrased to solicit a directive response (e.g., "How do..."), while the answers provide illustrative examples or flexible considerations (e.g., "An entity may..."). We recommend rephrasing the questions to better signal that the response will be a consideration or an example, rather than a directive.

Also, many answers begin by repeating the content in SFFAS 64. We believe the ED provides the most value when it offers supplemental, illustrative examples of practical application. We recommend removing references to SFFAS 64 from the answers in the ED to make the guidance more direct and avoid redundancy.

Furthermore, many of the answers cite excerpts from both the authoritative Standard and the non-authoritative "Basis for Conclusions". While the "Basis for Conclusions" provides useful context, if the

Board believes references to SFFAS 64 are necessary, we recommend that the implementation guidance only reference the authoritative Standard.

2. Use of hyperlinks

While we acknowledge the utility of hyperlinks for providing readers with access to supplemental data, we are concerned that the potential exists for preparers to use hyperlinks to fulfill MD&A requirements, which then undermines the integrity and completeness of the annual report (e.g., the Agency Financial Report).

An annual report must be a self-contained document. Reliance on hyperlinks to external materials introduces significant risks, including risks of broken links, altered content, and no guarantee of future accessibility. Such issues could render a previously compliant report incomplete or non-compliant after its issuance.

Therefore, we strongly recommend that the Board revise the Q&A to clarify that all information required by SFFAS 64 must be included within the boundaries of the annual report itself. The guidance should explicitly state that while a reference to a website may be included for ancillary information, the Required Supplementary Information (RSI) must be complete and compliant on its own, without any reliance on or consideration of information located on a referenced website.

3. Other matters

Meaning of 'significant'

Paragraph 5 of the ED provides illustrative examples of how management may include a discussion of events and opportunities or risks that led, or could lead, to a significant effect on the reporting entity's financial position or ability to achieve its key performance results in MD&A. However, these examples do not explain why the information in the examples is considered significant. We suggest the Board expand the examples to address this point.

Balanced MD&A

Paragraph 11 of the ED provides examples in response to the question in paragraph 9, "How do reporting entities achieve a balanced MD&A?". We are concerned that presenting a solely negative example (item a) and a solely positive one (item b) could be misinterpreted. To better illustrate the principle of balance, we recommend that Board revise these items so that each example contains a discussion of both positive and negative effects on the entity's financial position and/or condition. Otherwise, we suggest clarifying paragraph 11 to state that the inclusion of *both* of the examples in item a and b may be necessary for management to achieve a balanced MD&A.

Integrated M&DA

Paragraph 20 states that preparers may integrate all of the information required by paragraph 12 of SFFAS 64 to be discussed and analyzed in MD&A. We believe this discussion in paragraph 20 is circular and does not provide actionable guidance in response to the question in paragraph 17, "How do reporting entities achieve an integrated MD&A?".

Understandable MD&A

We believe the question and answers in paragraphs 23 through 27 of the ED are duplicative of paragraph 11 of SFFAS 64, which users would have already read. We recommend deleting such paragraphs of the ED.

Financial position and financial condition

We recommend revising the guidance in paragraph 35 of the ED concerning the analysis of significant changes and trends. The current text of the ED instructs preparers to compare current year beginning balances with current year ending balances. This method is not appropriate for the analysis of "activity" accounts, such as revenues and expenses. By their nature, these accounts are closed to net position at year-end and thus have a \$0 beginning balance in the subsequent period. To ensure the guidance results in a more useful analysis, we recommend paragraph 35 be revised to direct preparers to analyze the changes or trends in ending balances on a year-over-year basis (i.e., comparing the current period's ending balance to the prior period's ending balance).

We recommend similarly revising paragraph 45.

Significant opportunities and risks

We agree with the intent of paragraphs 57 and 60 to provide examples of how entities might discuss significant opportunities and risks. However, we found that the effectiveness of these examples is diminished because they largely restate the requirements from paragraphs 12(e) and 12(f) of SFFAS 64, rather than providing a practical illustration of their application. Providing examples consistent with the approach taken for other sections within the ED would promote more uniform application.

If you have any questions or need additional information about our comments, please contact Kerrey Olden at kolden@kpmg.com.

Sincerely,

KPMG LLP

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