



## DIRECTION ON INVESTMENT IN RESIDENTIAL MORTGAGE-BACKED SECURITIES 2015

I, JOSEPH BENEDICT HOCKEY, Treasurer of the Commonwealth of Australia, give this Direction under subsection 108(4) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

This Direction is to provide guidance to persons delegated powers to invest relevant money in any authorised investment under subsection 58(1) of the PGPA Act.

### Direction

I direct that:

1. The Australian Office of Financial Management (AOFM) divests the Government's Residential Mortgage-Backed Securities (RMBS) portfolio through a regular competitive process. The AOFM should apply its discretion on the timing and sale volume to minimise potential market disruptions, however, the sale volume must not exceed \$500 million a month.
2. The AOFM initially makes a public announcement of the Government's intention to divest the portfolio. Before each periodic sale, the AOFM must publish information on the sale, including the securities to be sold, the expected sale volume in aggregate and the date of the auction.
3. The AOFM is to design and implement auctions for the sale consistent with the highest standards of probity. Following completion of a sale, the AOFM must publish the outcome of the sale, including the price, volume of securities sold in terms of original and amortised face values, estimated weighted average lives in years, and estimated traded margins in basis points.
4. Where a sale of RMBS held by the AOFM cannot occur at a price the AOFM considers acceptable, the AOFM has discretion to not proceed with the sale. Should the AOFM suspend the sale and/or sell at volumes below \$300 million a month for three consecutive months, the AOFM must report back to me with an assessment of market conditions at the time.
5. The AOFM is to continue to hold RMBS in a portfolio separate to the AOFM's cash and long-term debt portfolios until sold. The performance of this portfolio is to continue to be evaluated separately.

Dated 5<sup>th</sup> this day of May 2015

  
JOSEPH BENEDICT HOCKEY  
Treasurer of the Commonwealth of Australia