



DIRECTION ON INVESTMENT IN RESIDENTIAL MORTGAGE-BACKED SECURITIES 2013

I, WAYNE MAXWELL SWAN, Deputy Prime Minister and Treasurer of the Commonwealth, give this Direction under section 62A of the *Financial Management and Accountability Act 1997*. This Direction is to provide guidance to persons to whom I have delegated powers to invest under subsection 39(2) of the Act and replaces previous directions of 3 October 2008, 16 October 2008, 30 November 2009 and 5 April 2011 regarding investments in residential mortgage backed securities by the Australian Office of Financial Management (AOFM).

Delegates are required to comply with this Direction, which is to be read in conjunction with my Direction of 3 February 2009, tabled in Parliament on 11 March 2009.

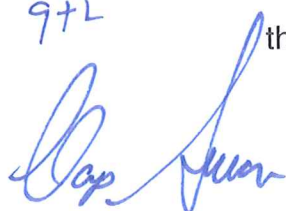
Direction

I direct that:

1. Delegates cease new investment in Australian residential mortgage-backed securities.
2. Residential mortgage-backed securities previously purchased by the AOFM are to be held in a portfolio separate to the AOFM's cash and long-term debt portfolios. The performance of this portfolio will be evaluated separately.
3. The AOFM may continue to hold previously purchased residential mortgage-backed securities until their maturity. However, where a sale of residential mortgage-backed securities held by the AOFM can occur at a price the AOFM considers acceptable and continues to support market recovery, the AOFM is empowered to undertake such a sale. Note this direction does not limit direction 4.
4. Residential mortgage-backed securities previously purchased by the AOFM will continue to be managed as part of its total investment portfolio, and the AOFM may sell individual residential mortgage-backed securities to take account of changes in their characteristics and credit quality or to provide better balance in its holdings of these securities.
5. The AOFM may enter into repurchase arrangements using residential mortgage backed securities previously purchased, or other securities purchased under my Direction of 3 February 2009, for short term financing in its management of Official Public Account balances.

Pursuant to paragraph 62A(5)(b) of the Act, I direct that delegates must comply with any instructions relating to administrative arrangements, procedures, limits, controls or other matters of detail relating to investment within the framework established by my Direction of 3 February 2009, where those instructions are given in writing by the Secretary to the Treasury or by the Chief Executive Officer of the AOFM.

Dated 9+L this day of April 2013



WAYNE MAXWELL SWAN
Treasurer of the Commonwealth of Australia