



Treasury Response to the Review of the Australian Office of Financial Management

Recommendation	Treasury Response
<p>The AOFM should increase its organisational capacity to ensure appropriate challenge to the debt strategy as well as bolster capability in times of heightened financial stress. The Review suggests this could be done through establishing a separate strategy research function led by an externally sourced senior official.</p>	<p>Agree</p> <p>The AOFM will use its upcoming Strategic Workforce Plan to support internal contestability and bolster AOFM’s capability and capacity in times of high financial stress.</p>
<p>The Advisory Board’s remit should be expanded to advise on all aspects of the AOFM’s operations that bear on the debt program, including the Financial Risk Management Policy. The Advisory Board should participate in the formulation of the Debt Management Strategy much earlier in the process to help shape it, noting that the Treasury Secretary would continue to provide final approval of the Strategy.</p>	<p>Agree</p> <p>Treasury has expanded the remit of the AOFM Advisory Board, to improve its effectiveness in advising on the AOFM’s debt program.</p>
<p>The AOFM should amend its Financial Risk Management Policy (FRMP) to include a requirement that departures from the agreed Weighted Average Maturity target be explained and justified to the Advisory Board, and in particular be approved by the Treasury Secretary.</p>	<p>Agree</p> <p>The FRMP will be amended to require Treasury Secretary approval for any departure from the agreed Weighted Average Maturity target for the year. Such departures may also be referred to the Advisory Board for consideration, where appropriate.</p>

<p>The AOFM should reinstate the formal quarterly Portfolio Strategy meetings at the earliest possible opportunity.</p>	<p>Agree</p> <p>AOFM have recommenced the Portfolio Strategy meetings.</p>
<p>The AOFM should consider having a lower liquidity buffer.</p>	<p>Agree</p> <p>The liquidity buffer is a key component of the AOFM's annual Liquidity Management Strategy (LMS). The appropriate level of the buffer is regularly considered by the AOFM Advisory Board and approved by the Treasury Secretary as part of the LMS. The liquidity buffer was considered while formulating the 2026-27 LMS. Material changes to the issuance program from revisions to the LMS will be clearly communicated to the market.</p>
<p>The AOFM should continue its indexed bond program.</p>	<p>Agree</p> <p>There continues to be an established market for Treasury Indexed Bonds.</p>

The AOFM will also work with Treasury to consider, and where appropriate address, the improvement opportunities identified in the Review.