Australian
Finance
Industry
Association

13 March 2026

Dr Guy Debelle
Chair
Review of the Australian Office of Financial Management
Treasury
Langton Crescent
PARKES ACT 2600

Dear Dr Debelle

INDEPENDENT REVIEW OF THE AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

I am writing to contribute to the Independent Review of the Australian Office of Financial Management (AOFM), on behalf of the Australian Finance Industry Association (AFIA).[1]

As the peak body representing more than 150 lenders across Australia's diverse finance industry—including banks, non-bank lenders (NBLs) specialist credit providers, and fintechs—AFIA strongly supports a modern, resilient and competitive financial system that enables innovation, efficient capital mobilisation and better outcomes for consumers, businesses and the broader economy.[2]

The AOFM's core business is government debt management, however, it plays several important roles in Australia's capital markets—government debt management and financial stability. Therefore, we believe it is critical as part of this review of the AOFM's operations, capability and organisational effectiveness, to specifically consider its role and mandate as Australia's sovereign debt manager, but also its role in the securitisation market and financial stability in Australia's capital markets, more broadly. We also believe its role in supporting and deepening capital markets should also be considered.

Firstly, the AOFM is responsible for issuing Australian Government Bonds (AGBs) and other government securities, which finances the Government's spending, provides a risk-free benchmark interest rate for the entire Australian financial system, and supports price discovery through its tenders and buybacks, keeping the market active and liquid.

Secondly, the AOFM during times of stressed markets, can step in to support funding markets, for example, programs during the global financial crisis (GFC) and COVID-19 global pandemic. The Structured

[1] Treasury, *Review of the Australian Office of Financial Management*, 10 February 2026.
[2] Australian Finance Industry Association (afia.asn.au).

Finance Support Fund (SFSF) and Forbearance SPV, which supported securitisation markets, was an important market and financial stability measure during the COVID-19 global pandemic, complementing the RBA's term funding facility (TFF) and thus, minimising or to some extent offsetting, adverse impacts of this intervention in credit markets, and also providing liquidity and confidence to the securitisation market, such as preventing markets from freezing as well as keeping credit flowing to households and businesses.

Specifically, as the AOFM outlined, these actions during periods of economic disruption and market stress were essential to maintaining market confidence, ensuring continued credit availability, and preserving the functioning of securitisation markets.[3] These interventions demonstrated that timely, well-calibrated support for funding markets can prevent severe contraction in credit supply, particularly for households and small businesses who rely on non-bank and specialist lenders. Similarly, the AOFM's stewardship of the Australian Business Securitisation Fund (ABSF) highlights the importance of targeted market-building support that crowds in private capital and strengthens competition.[4]

However, the AOFM's current agenda or priorities does not seem to have a long-term view about securitisation and the Government's funding has not supported this capability. Furthermore, the AOFM has no standing mandate to maintain a capability to intervene in structured finance. Without this capability in future crises, access to finance by 'mums and dads' that use smaller lenders; banks, non-bank and specialist lenders; might be impeded, impacting access to finance, competition and the reputation of Australia's financial and capital markets.

Australia's reputation and economic success were enhanced by the GFC and COVID-19 global pandemic interventions—without this capability, the Government will have fewer tools in the toolkit, particularly as global markets create the conditions for "unconventional monetary policy" (as referred to by the Reserve Bank). Importantly, the AOFM's programs by charging a market-like rate, not subsidising it, can be used, or used to supplement, as another form of monetary policy in increasingly complex financial and capital markets, and an increasingly complex global world.

AFIA believes this review presents a pivotal opportunity to modernise, institutionalise and enhance the AOFM's mandate in line with the evolution of Australia's economy and funding landscape, particularly at a time where escalating conflict is highlighting both the strength of Australia's financial system, but also its interconnectedness to geopolitics and geoeconomics as well as threats in global markets.

The success of the AOFM's programs in the securitisation markets, particularly during crises, is demonstrated by the strength of its markets acumen and the return on investment achieved for the Government. It is also notable that the initial allocation of $15 billion to the SFSF was not required, simply because the AOFM's market signals achieved equally as its actual investments. These actions were

[3] AOFM, *SFSF communications*, 31 January 2025.
[4] AOFM, *ABSF communications*, 29 January 2026.

critical during the GFC and the COVID-19 global pandemic and an essential ingredient in Australia's overall economic position and financial stability through these crises.

Importantly, the fact the AOFM's securitisation program was still operational at the beginning of the COVID-19 global pandemic was a determining factor in the ability for the Government to take swift action, which differed to the GFC, where market dysfunction and financial instability risked broader contagion across Australia's economy.

While the SFSF and Forbearance SPV supported the securitisation market so smaller lenders could keep funding mortgages and business loans, the program ensured liquidity in the market, but also importantly, ensured investor confidence was regained, and quickly. Furthermore, the actions by the AOFM to swiftly adjust to emerging market constraints as the crisis evolved in the early stages is an example of the AOFM's capabilities to support securitisation and capital markets.

Additionally, by working with the finance industry, particularly non-bank lenders and specialist credit providers, to overcome investment restrictions in warehouse funding, which prohibited extended payment moratoriums for customers by these lenders, and thus limited their ability to support the Government's call for extended customer support, particularly through lockdown periods, the AOFM was able to support proper market functioning, help smaller lenders deliver the Government's policy intent, and ensure households and businesses got the special support when they needed it most and through the crisis.

The deepening role of securitisation markets for banks as well as non-bank and specialist lenders, the importance of securitisation markets in housing and SME finance, and the need for significant investment to policy priorities to underpin our modern economy, productivity, growth and wellbeing, including support for our net-zero transition, initiatives to address housing affordability, and investments into our technology resilience, including cybersecurity and AI deployment all point to the value of a stronger and more contemporary AOFM.[5]

Informed by engagement with our members across the lending ecosystem, AFIA recommends that the review consider:

- Establishing a clearer legislative and institutional foundation for the AOFM, reflecting its critical role in government debt management and its unique position in capital and securitisation markets.
- Providing the AOFM with an explicit, ongoing mandate to support the development of Australia's debt capital markets, including securitisation, SME finance, housing finance and the corporate bond market, including coordination with other agencies on specific policies and programs, such as the Clean Energy Finance Corporation (CEFC).
- Ensuring the AOFM retains a standing capability to deploy emergency and counter-cyclical interventions, such as a SFSF-like mechanism, enabling rapid and well-targeted responses in

[5] AFIA, *CFR Small and Medium-sized Banks Review*, 14 February 2025.

future crises and to prevent a credit crunch in Australia's economy and to maintain the reputation of Australia's financial and capital markets.

- Enhancing the ABSF framework by simplifying participation requirements, expanding lender eligibility, improving data transparency, and ensuring appropriate resourcing to support market development.
- Strengthening alignment between the AOFM's activities and whole-of-government economic priorities, including housing affordability, SME productivity, sustainability and the net-zero transition, and technology resilience and advancement, including cybersecurity and AI deployment.
- Promoting standardisation and efficiency in securitisation and warehouse arrangements, including through AOFM-led best-practice models that could reduce frictions, improve transparency and encourage institutional investment.

AFIA strongly believes that a more empowered, appropriately resourced and future-focused AOFM will enhance Australia's financial resilience, broaden access to competitive and innovative credit, and support long-term economic growth. The AOFM's capabilities should continue to evolve in parallel with Australia's financial system—particularly as technology, market structure and funding models continue to change.

We would welcome the opportunity to discuss our recommendations in more detail. Please contact me at diane.tate@afia.asn.au or 0421 441 777, or David Delprat, Senior Policy Advisor, at david.delprat@afia.asn.au.

Yours sincerely

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