



Fund Processing Standardisation

Tracking industry progress

Mid 2013 Update

Background

EFAMA and SWIFT publish on a bi-yearly¹ basis trends in standardisation and automation rates of fund orders received by transfer agents (TAs) in Luxembourg and Ireland. These reports showing the evolution of standardisation and automation rates of funds orders are available on both EFAMA and SWIFT websites² dating back to May 2009.

This Mid-year report gives an update about the evolution during the first half of 2013. The EFAMA Fund Processing Standardisation report combines the Luxembourg and Ireland data into one single cross-border fund processing report providing

- a. An aggregated view of both fund processing centres ; and
- b. A detailed overview, including the regional split, per fund processing centre.

The goal of this initiative is to inform all institutions involved in fund processing, as well as the European Commission, the European Parliament and other interested stakeholders, about the industry’s progress towards greater automation of fund orders and use of the ISO messaging standards recommended by EFAMA.

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¹ EFAMA and SWIFT publish two fund processing standardisation reports per year: a full year detailed report and a mid-year update report.

² <http://www.swift.com/funds>
http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=88&Itemid=99

Report Highlights

A. Cross-border fund processing standardisation in Luxembourg and Ireland

Key insights of the combined surveys coverage:

- 32 transfers agents (TAs) surveyed: 21 in Luxembourg & 11 in Ireland³
 - >80% market coverage (on incoming 3rd-party investment funds order volumes)
 - Standardisation data collected on 14.3 million incoming orders H1 2013
- In the first half of 2013, the **total volume of orders** increased by **15%** to **14.3 million orders** compared to the second half of 2012 with **12.5 million orders**.
 - Out of this, the volume of **manually processed orders** increased by 11% to **3.2 million** (against 2.9 million in H2 2012).
 - In Q2 2013, the **total automation rate** (ISO and proprietary files) of processed orders remained **stable** with **77.8%** (against 77.7% in Q4 2012). This was driven by the **ISO messaging standards⁴ increase** of 2.6 percentage points to **46.4%** in Q2 2013. The use of **proprietary ftp** continued to **decrease** from 33.9% (Q4 2012) to **31.4%** (Q2 2013).

B. Cross-border fund processing standardisation in Luxembourg

- Comparing the first half of 2013 to the second half of 2012, **order volumes increased by 18%**. In total, **9.8 million orders** were processed by survey contributors during the first half of 2013.
- Among these orders, **2.5 million orders** were processed **manually**, (representing an increase of 11% compared to the second half of 2012 (2.2 million orders)).
- The **total automation rate** of orders processed in Luxembourg increased by 1.2 percentage points to **74.9%** in Q2 2013 compared to Q4 2012 (where it stood at 73.7%).
- The percentage of automated orders based on the **ISO messaging standards** increased from 56.5% during Q4 2012 to **57.1%** in Q2 2013. Additionally, the use of **proprietary ftp** increased from 17.2% in Q4 2012 to **17.8%** in Q2 2013.

³ The number of survey participants of the Luxembourg funds processing centre and the number of Irish survey participants remained stable compared to the 2012 survey.

⁴ The ISO messaging standards currently used for fund order processing are a combination of ISO 15022 and ISO 20022 messages. SWIFT is leading a migration programme from ISO 15022 fund messages into ISO 20022 fund messages with end date November 2015. EFAMA recommends ISO 20022 as single standard for fund processing.

- Out of the total order volumes⁵, **orders incoming from EMEA** represented **65%** against **31%** sent by **APAC-** and **4% sent by Americas-**based order givers. As such, the share of orders sent by order givers located in EMEA and APAC changed compared to the second half of 2012 where it stood at 64% in EMEA and 32% in APAC.
- For orders incoming from the region **EMEA**, the **total automation rate increased** from 80.9% in Q4 2012 to **81.5%** in Q2 2013. This was due to the **increasing ISO standardisation rate** which went up from 66.4% in Q4 2012 to **66.5%** in Q2 2013 and the **proprietary ftp rate** which rose from 14.5% in Q4 2012 to **15%** in Q2 2013.
- For orders sent by orders givers in the **APAC and Americas regions**, the **total automation rate** - ISO and proprietary ftp combined - **increased** respectively to 51.5% and 79.6% in Q2 2013 (from 43.4% and 74% in Q4 2012). In **APAC**, this trend was mainly driven by an **increase of the proprietary ftp rate and the ISO standardisation** which went up by respectively 6.5 and 1.5 percentage points to **36% and 15.5%** in Q2 2013. In the **Americas** region, the **proprietary ftp and the ISO standardisation rate** went up by respectively 3.9 and 1.7 percentage points to **47.3%** and **32.3%** in Q2 2013.

C. Cross-border fund processing standardisation in Ireland

- In the first half of 2013, **the total volume of orders** was equal to **4.5 million**. As such, order volumes increased by 8% compared to the second half of 2012.
- The 11 Ireland-based TAs **manually processed 0.73 million orders** compared to 0.65 million in the second half of 2012.
- The **total automation rate** of orders processed by Irish transfer agents, decreased to **83.9%** in Q2 2013 (against 85.3% in Q4 2012).
- The percentage of automated orders based on the **ISO messaging standards** increased to **23.5%** in Q2 2013 (against 19.3% in Q4 2012,) while the **proprietary ftp rate fell to 60.4%** (against 66% in Q4 2012).
- The **ISO standardisation rate of EMEA- and Americas⁶**, -originating orders decreased in Q2 2013 respectively to **8.4%** and **5.6%** (against 10.6% and 7.8% in Q4 2012).
- Whereas in APAC, the ISO standardisation rate of incoming orders went up to **12.8%** in Q2 2013 (against 9.7% in Q4 2012).

⁵ Regional statistics are based on data provided by 14 (out of the participating 21) TAs in Luxembourg. This represents 63% of the Luxembourg survey volumes for H1 2013.

⁶ Regional statistics are based on data provided by 5 TAs (out of the 11 Irish survey participants) in Ireland; representing 67% of the survey volumes of the Ireland funds processing centre for the first half of 2013.

A. Cross-border fund processing standardisation Ireland and Luxembourg.

A.1 Order volume evolution

Across Ireland and Luxembourg, 14.3 million orders were processed by the 32 survey participants by end of June 2013. With a monthly average of 2.4 million orders, order volumes increased by 15% compared to the second half of 2012.

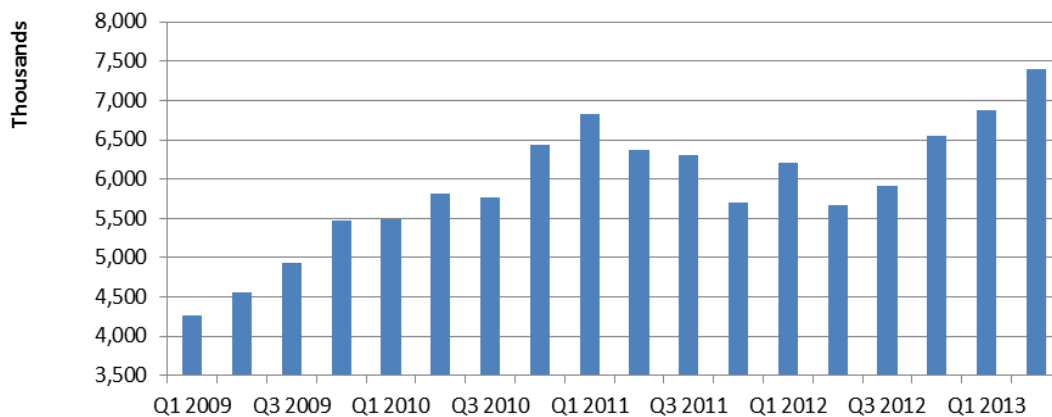


Figure 1 - Order volume evolution 2009 – 2013

The rebound in order volumes which began in third quarter of 2012 following the European Central Bank’s announcement of the Outright Monetary Transactions (OMT) programme, continued during the first half of 2013, as improving economic outlook boosted investor confidence in financial markets and net sales of UCITS.

A.2 Automation level

The total automation rate remained stable in the first half of 2013 compared to last year reaching 77.8% in Q2 2013, against 77.7% where it stood in Q4 2012.

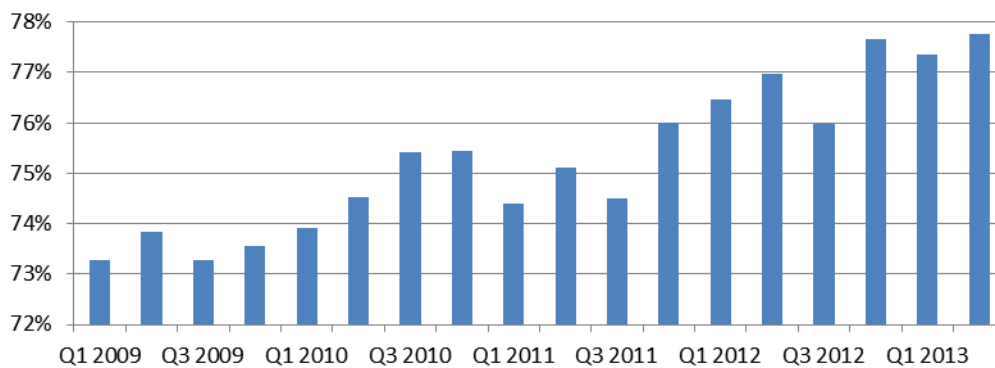


Figure 2 - Automation level evolution 2009 – 2013

A.3 Standardisation levels

In Q2 2013, the adoption of ISO increased by 2.6 percentage points to 46.4% (against 43.8% in Q4 2012). In addition, the adoption of proprietary formats fell to 31.4% in Q2 2013 (against 33.9% in Q4 2012) representing a decrease of 2.5 percentage points. The manual processing rate remained stable around 22.2% in Q2 2013 (against 22.3% in Q2 2012).

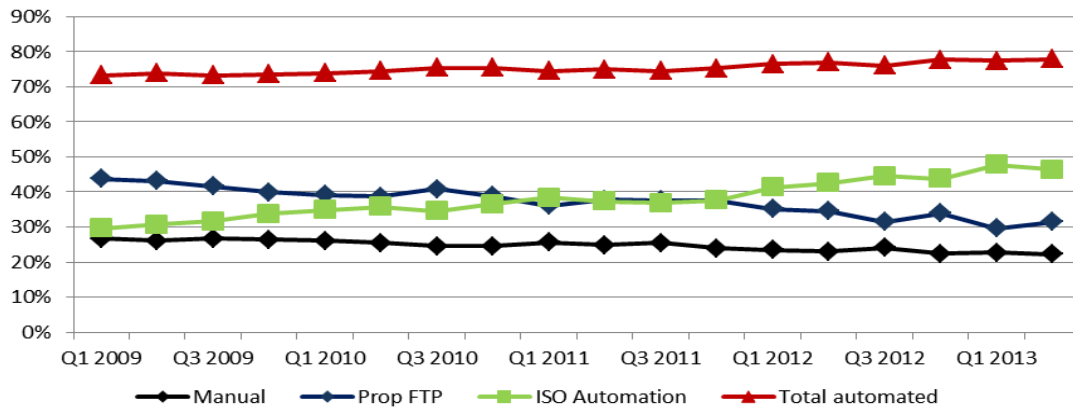


Figure 3 - Standardisation rate evolution 2009 – 2013

B. Focus on Luxembourg⁷

B.1 Order volume evolution

The 21 Luxembourg survey contributors processed 9.8 million orders during the first two quarters of 2013. Representing a monthly average of 1.6 million orders, volumes increased by 18% compared to the second half of 2012.

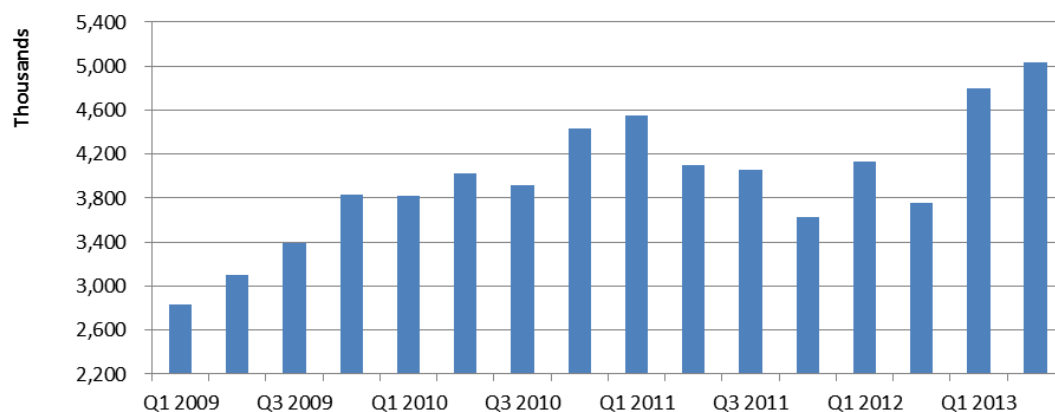


Figure 4 - Order volume evolution 2009 - 2013

⁷ The data used for one transfer agent are estimates.

B.2 Automation level

In Q1 and Q2 2013, the total automation rate improved to 74.9% in Q2 2013 compared to 73.7% in Q4 2012.

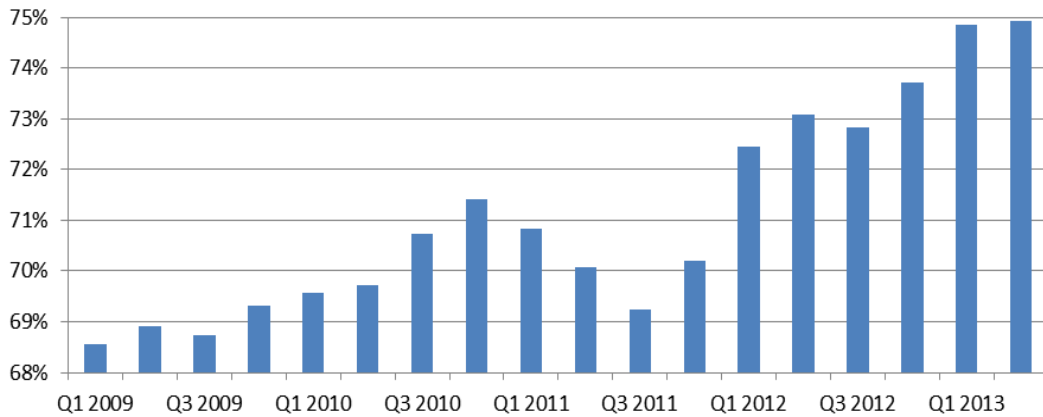


Figure 5 - Automation level evolution 2009 - 2013

B.3 Standardisation levels

With a difference of 0.6% percentage points, ISO adoption increased to 57.1% during Q2 2013 (against 56.5% in Q4 2012). The proprietary formats automation rate increased by 0.6 percentage points to 17.8% (against 17.2% in Q4 2012). The share of manually processed orders went down from 26.3% in Q4 2012 to 25.1% in Q2 2013.

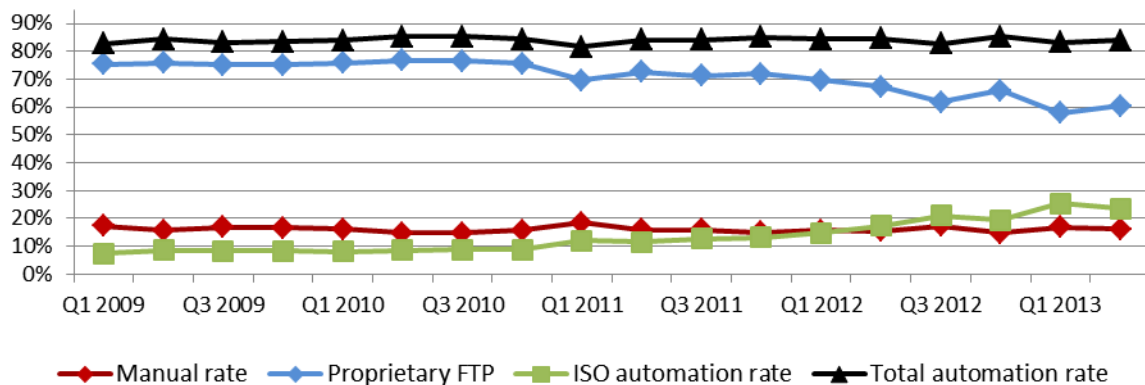


Figure 6 - Standardisation rate 2009 - 2013

B.4 Regional data⁸

B.4.1 Split of volumes by region

The proportion of orders incoming from the EMEA region represented 65% in the first half of 2013; which represents an increase of 1 percentage points compared to H2 2012. APAC-based order givers generated 31% of incoming order volumes in Luxembourg during H1 2013; this represents a decrease of 1 percentage points compared to H2 2012. The Americas share remained stable around 4%.

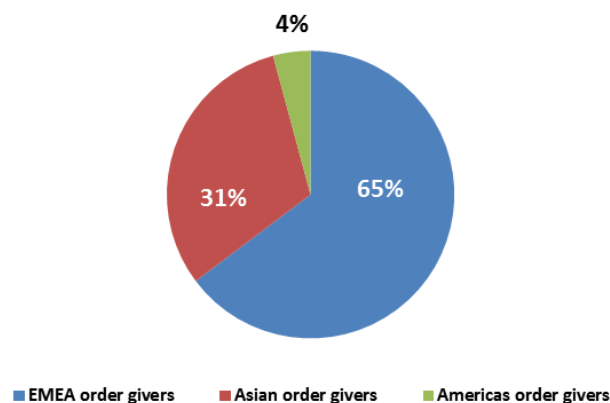


Figure 7 - Order volumes per region – First half of 2013

B.4.2 Split of automation and standardisation rates by region

The total automation rate of orders incoming from the EMEA region increased slightly from 80.9% in Q4 2012 to 81.5% in Q2 2013. This was driven by the increasing ISO standardisation rate which rose by 0.1 percentage points to 66.5% and the proprietary ftp rate which increased by 0.5 percentage points to 15% in Q2 2013.

Comparing Q2 2013 with Q4 2012, the evolution of total automation increased for orders sent by order givers located in APAC and Americas. In the Americas region, this was due to the increase of the proprietary ftp rate which increased by 3.9 percentage points to 47.3% in Q2 2013. The ISO standardisation reached 32.3% in Q2 2013 (against 30.6% in Q4 2012). In APAC, the proprietary ftp rate and ISO standardisation rate increased by 6.5 and 1.5 percentage points respectively to 36% and 15.5% in Q2 2013.

	Manual			Proprietary			ISO automation		
	Q2 2013	Q4 2012	Growth	Q2 2013	Q4 2012	Growth	Q2 2013	Q4 2012	Growth
EMEA	18.5%	19.1%	-0.7%	15.0%	14.5%	0.5%	66.5%	66.4%	0.2%
APAC	48.5%	56.6%	-8.1%	36.0%	29.5%	6.6%	15.5%	14.0%	1.5%
Americas	20.4%	26.0%	-5.6%	47.3%	43.4%	3.9%	32.3%	30.6%	1.7%

Figure 8 – Luxembourg standardisation rates per region

⁸ Please note that the regional data is based on contributions of 14 out of the 21 transfer agents, representing about 63% of the survey volumes for H1 2013. This explains data variations compared to the full survey sample statistics.

C. Focus on Ireland

C.1 Order volume evolution

By end of June 2013, the 11 Irish survey participants processed 4.5 million orders. This equals a monthly average of 0.73 million orders. As such, the volume of orders increased by 8% compared to the second half of 2012.

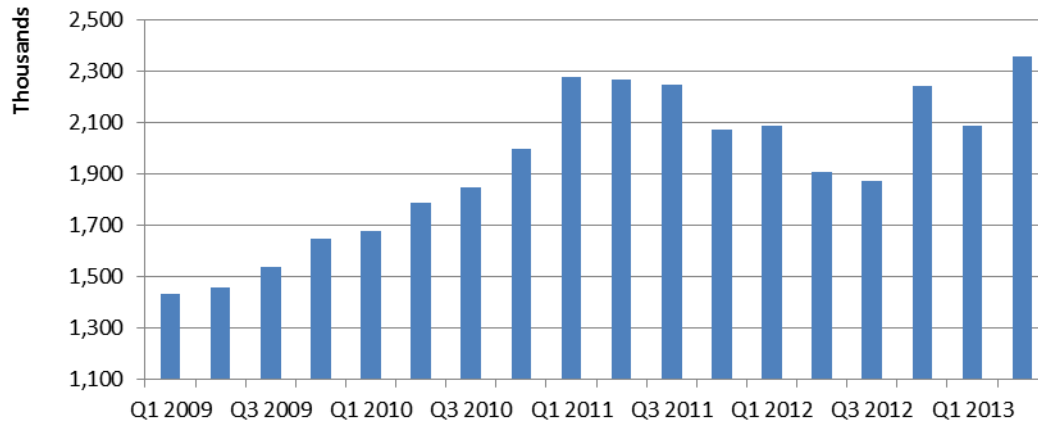


Figure 9 - Order volume evolution 2009 – 2013

C.2 Automation level

In Ireland, the total automation rate reached 83.9% during Q2 2013 (against 85.3% in Q4 2013).

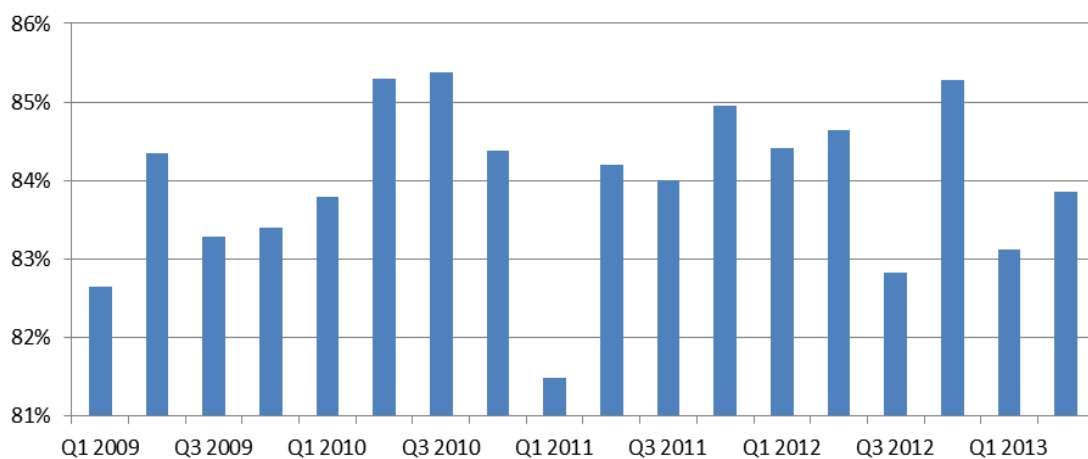


Figure 10 - Automation level evolution – 2009 - 2013

C.3 Standardisation levels

In the second quarter of 2013, the ISO adoption rate moved up to 23.5% (against 19.3% in Q4 2012), whereas the adoption of proprietary formats decreased to 60.4% during the same period (against 66% in Q4 2012). The share of manually processed orders went up from 14.7% in Q4 2012 to 16.1% in Q2 2013.

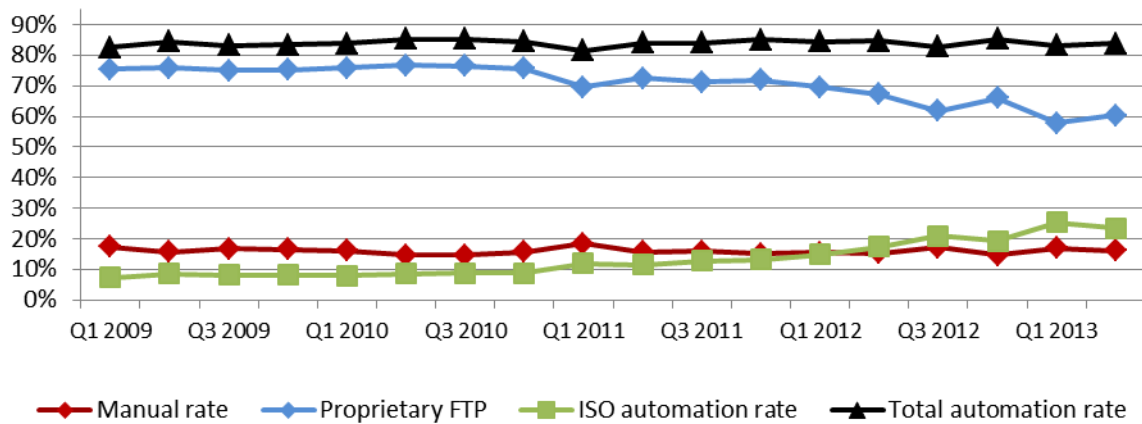


Figure 11 - Standardisation rate evolution 2009 – 2013

C.4. Regional data⁹

Among the regions, the ISO adoption of orders originating from Asia Pacific was the most important. The ISO standardisation rate grew by 3.1 percentage points to 12.8% in Q2 2013 (against 9.7% in Q4 2012) while the proprietary files rate increased even more to 74.5% (against 25.6% in Q4 2012).

For EMEA, the ISO standardisation rate decreased to 8.4% in Q2 2013 (against 10.6% in Q4 2012) and the automation rate of proprietary files increased to 86.1% in Q2 2013 (against 85.5% in Q4 2012).

The ISO standardisation rate in the Americas region decreased from 7.8% in Q4 2012 to 5.6% in Q2 2013. Proprietary files were subject to a decrease with a rate moving from 75.5% in Q4 2012 to 73.4% in Q2 2013.

	Manual			Proprietary			ISO automation		
	Q2 2013	Q4 2012	Growth	Q2 2013	Q4 2012	Growth	Q2 2013	Q4 2012	Growth
EMEA	5.4%	3.9%	1.6%	86.1%	85.5%	0.6%	8.4%	10.6%	-2.2%
APAC	12.7%	64.7%	-52.0%	74.5%	25.6%	49.0%	12.8%	9.7%	3.0%
Americas	21.0%	16.7%	4.3%	73.4%	75.5%	-2.1%	5.6%	7.8%	-2.2%

Figure 12 – Ireland standardisation rates per region

⁹ Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 11) representing 67% of the volumes. The regional percentages are calculated on this subset.

D. Next report

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in April 2014 and will cover the January 2009 – December 2013 progress in standardisation rates across the two main cross-border investment fund centres, Luxembourg and Ireland.