



Fund Processing Standardisation

Tracking industry progress

2019 Mid-Year Data Report

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 2019. 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 <https://www.swift.com/funds>
<https://www.efama.org/Lists/Topics/form/DispItem.aspx?ID=16>

Report Highlights

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

Key insights of the combined surveys coverage:

- 28 transfers agents (TAs) surveyed: 19 in Luxembourg & 9 in Ireland
 - With an estimated market coverage of 80% of the cross-border market volumes in Ireland and an estimated market coverage of 75% in Luxembourg.
 - Standardisation data collected on 19.9 million incoming orders in H1 2019
- In the first half of 2019, the **total volume of orders** increased by **6.3%** to **19.9 million orders**, compared to **18.7 million orders** in the second half of 2018.
 - The volume of **automated processed orders** increased by **6.8%** to **18 million** in H1 2019 (against 16.8 million in H2 2018).
 - In the first half of 2019, the adoption of **ISO messaging standards (composed of ISO 15022 and 20022 messages)** increased by 4.3 percentage points to **62.3%**. In parallel, the use of **proprietary ftp** decreased by 4.1 p.p. to **28.3%** and the manual processing rate decreased by 0.2 p.p. to 9.4%.

B. Cross-border fund processing standardisation in Luxembourg

- Comparing the first half of 2019 to the second half of 2018, **order volumes increased by 8.9%**. In total, **12.9 million orders** were processed by survey contributors during the first half of 2019.
- Among these orders, **11.4 million orders** were processed automatically in the first half of 2019, compared to 10.5 million orders in H2 2018.
- The 19 Luxembourg-based TAs manually processed 1.4 million orders during the first half of 2019.
- The **total automation rate** of orders processed in Luxembourg remains stable at 89.1% in Q2 2019.
- The percentage of automated orders based on the **ISO messaging standards** increased to 73.7% during H1 2019 (compared to 72.2% in Q4 2018), whereas the use of **proprietary ftp** decreased from 16.8% in Q4 2018 to 15.4% in Q2 2019.
- **Orders incoming from EMEA** represented **71% in H1 2019**, against **26%** sent by **APAC-based order givers**, and **3% sent by Americas**-based order givers³.

³ Regional statistics are based on data provided by 13 (out of the participating 19) TAs in Luxembourg. This represents 51.5% of the Luxembourg survey volumes for H1 2019.

- In **APAC region**, the **total automation** reached **86.4%** in Q2 2019 compared to **81%** in Q4 2018. This reflected a **decreasing use of proprietary ftp rate** (from 29.8% in Q4 2018 to 23.7% in Q2 2019) and an **increasing use of the ISO standardisation rate** (from 51.2% in Q4 2018 to 62.7% in Q2 2019).
- For orders incoming from the **EMEA and Americas regions**, the **total automation rate decreased** respectively to 87% and 85.2% in H1 2019 (from 88.8% and 85.7% in Q4 2018).
 In the **EMEA region**, this trend was mainly driven by a **decreasing use of proprietary ftp rate** (from 23% in Q4 2018 to 19.8% in Q2 2019), which was stronger than the **increase of the ISO standardisation**, which went up by 1.4 p.p. to **67.2%** in Q2 2019.
 In the **Americas region**, the increase in the automation rate reflected an increase in the **ISO standardisation rate** (from 49.6% in Q4 2018 to 58.3% in Q2 2019), with a decrease in the **proprietary ftp rate** (from 36.1% in Q4 2018 to 26.9% in Q2 2019).

C. Cross-border fund processing standardisation in Ireland

- In the first half of 2019, the **total volume of orders** was equal to **7 million**.
- The 9 Ireland-based TAs **manually processed 0.46 million orders** in the first half of 2019.
- The **total automation rate** of orders processed by Irish transfer agents increased to 93.5% in H1 2019 (against 92.8% in Q4 2018).
- The percentage of automated orders based on the **ISO messaging standards** increased to **40.4%** in H1 2019 (against 34.7% in Q4 2018,) and the **proprietary ftp rate decreased to 53.1%** in H1 2019 (against 58.1% in Q4 2018).
- In APAC and Americas regions⁴, the **total automation rate increased** respectively to 84.1% and 89.8% in H1 2019 (against 76.2% and 52.2% in Q4 2018). In EMEA region, the total automation rate remains quite stable at 97.6% in H1 2019.

⁴ Regional statistics are based on data provided by 5 TAs (out of the 9 Irish survey participants) in Ireland; representing 61% of the survey volumes of the Ireland funds processing centre for the first half of 2019.

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

A.1 Order volume evolution

Across Ireland and Luxembourg, 19.9 million orders were processed by the 28 survey participants by end of June 2019. With a monthly average of 3.3 million orders, order volumes increased by 6.3% compared to the second half of 2018.

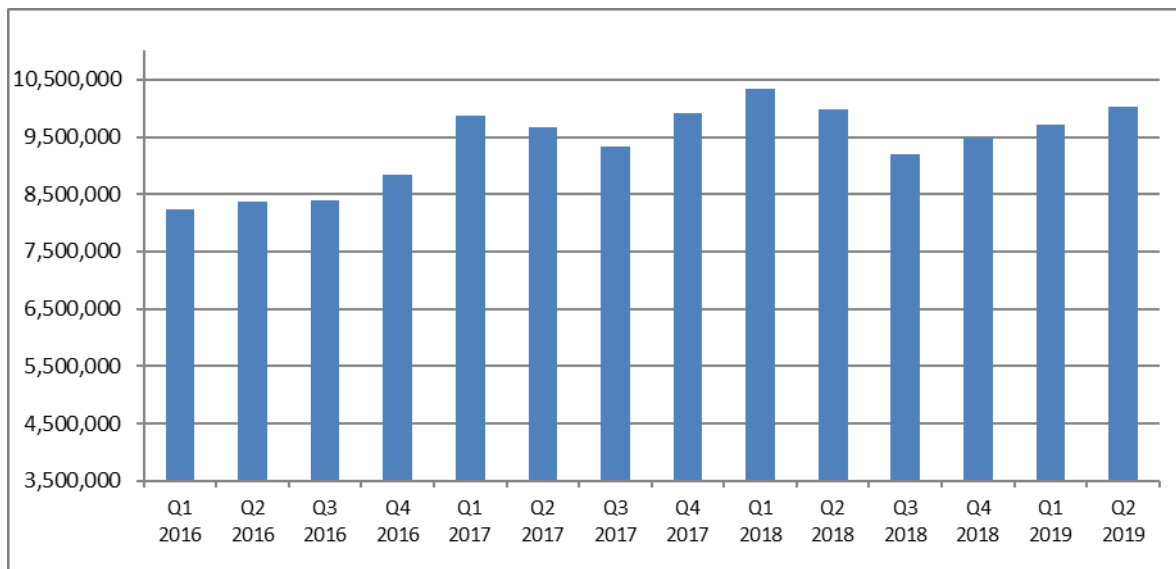


Figure 1 - Order volume evolution 2016 – 2019

A.2 Automation level

The total automation rate remains quite stable at 90.6% in Q2 2019.

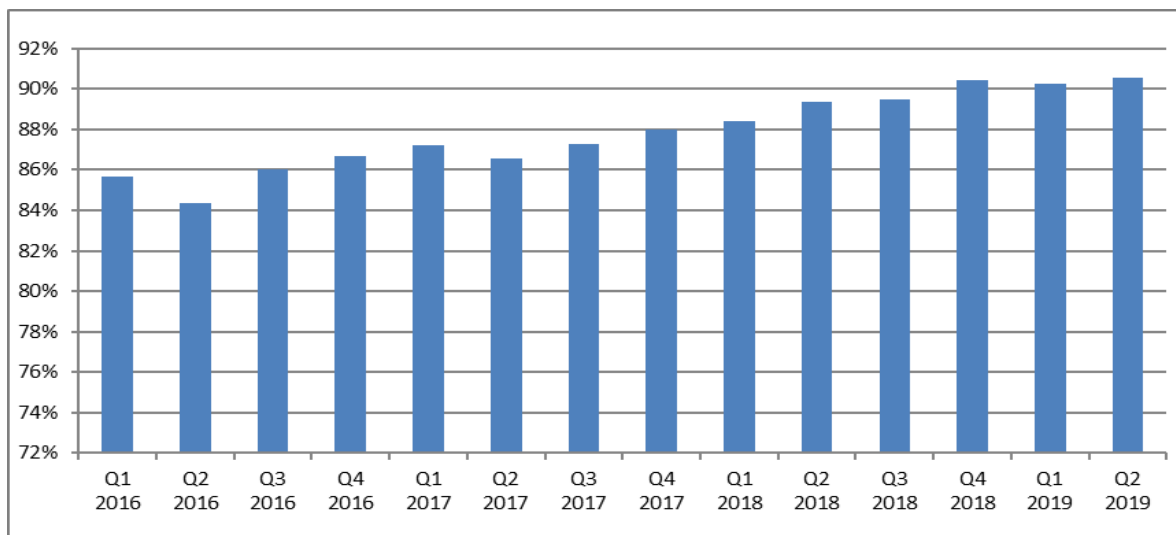


Figure 2 - Automation level evolution 2016 – 2019

A.3 Standardisation levels

In H1 2019, the adoption of ISO increased by 4.3 percentage points to 62.3% (against 58% in Q4 2018). While the adoption of proprietary formats decreased to 28.3% in H1 2019 (against 32.4% in Q4 2018), the manual processing rate decreased to 9.4% in H1 2019 (against 9.6% in Q4 2018).

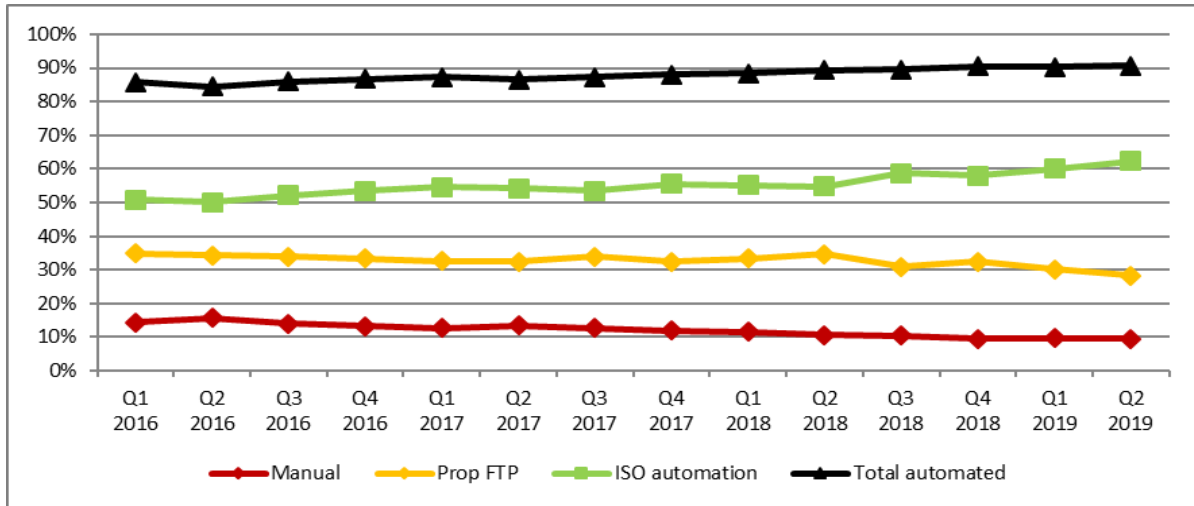


Figure 3 - Standardisation rate evolution 2016 – 2019

B. Focus on Luxembourg

B.1 Order volume evolution

The 19 Luxembourg survey contributors processed 12.9 million orders during the first two quarters of 2019. Representing a monthly average of 2.1 million orders, volumes increased by 8.9% compared to the second half of 2018.

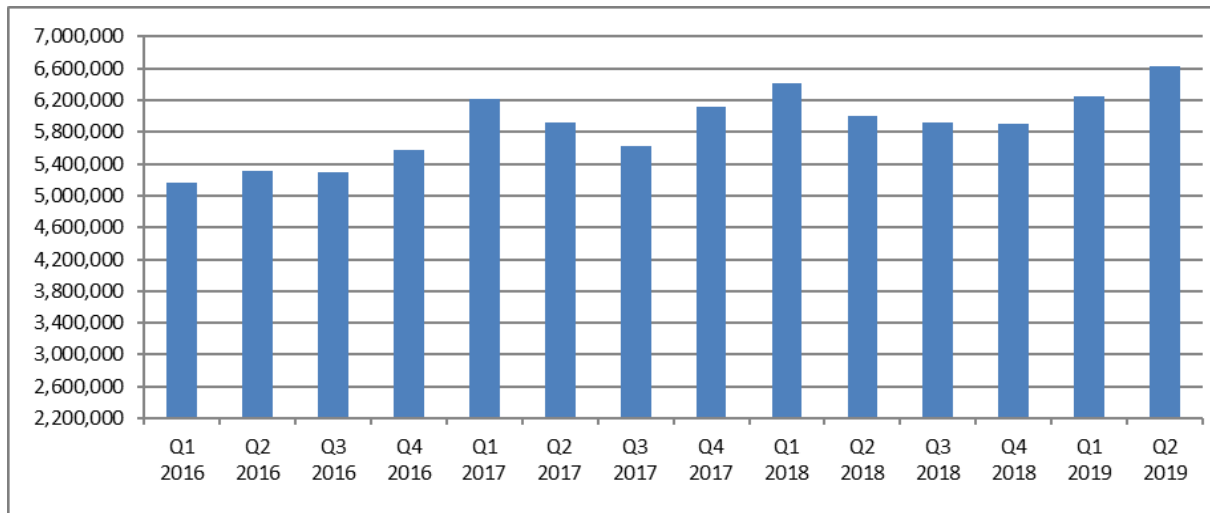


Figure 4 - Order volume evolution 2016 - 2019

B.2 Automation level

In Q2 2019, the total automation rate remains quite stable at 89.1%.

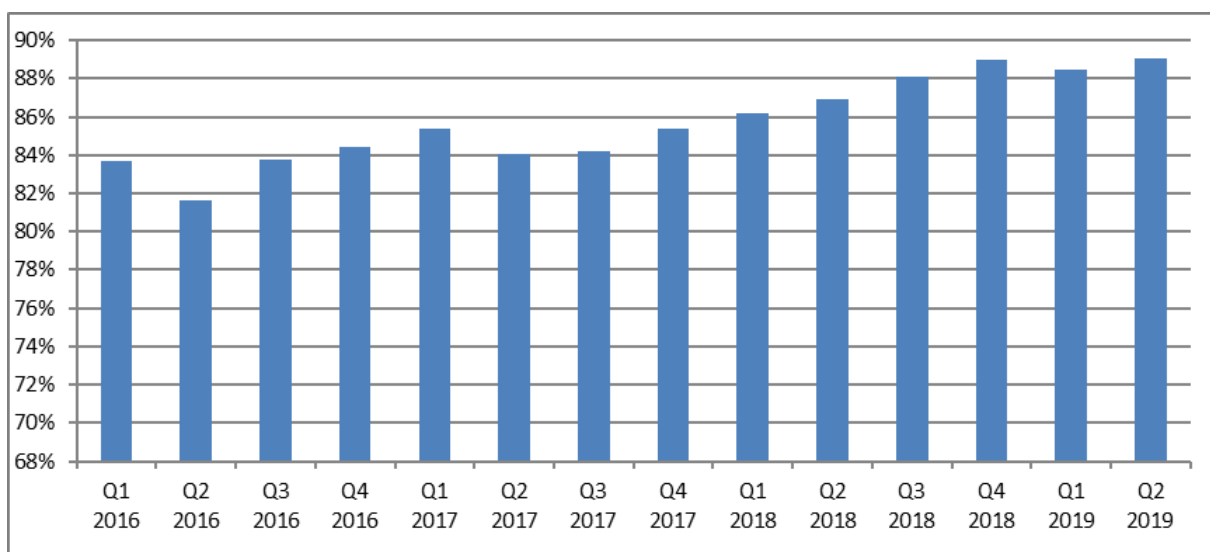


Figure 5 - Automation level evolution 2016 - 2019

B.3 Standardisation levels

The ISO messaging standard increased to 73.7% during H1 2019 (against 72.2% in Q4 2018). The proprietary formats automation rate decreased to 15.4% in H1 2019 (from 16.8% in Q4 2018). The share of manually processed orders slightly decreased to 10.9% in H1 2019 (against 11% in Q4 2018).

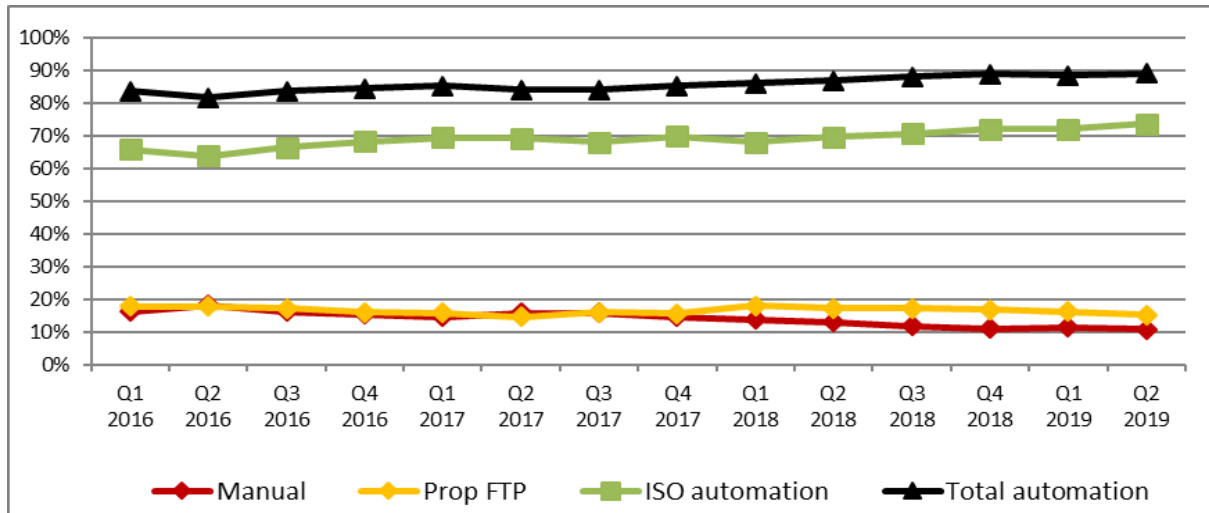


Figure 6 - Standardisation rate 2016 - 2019

B.4 Regional data⁵

B.4.1 Split of volumes by region

The proportion of orders incoming from the three regions remains the same. EMEA region represented 71% of incoming order volumes in Luxembourg in the first half of 2019, while APAC generated 26% of incoming order volumes and Americas 3%.

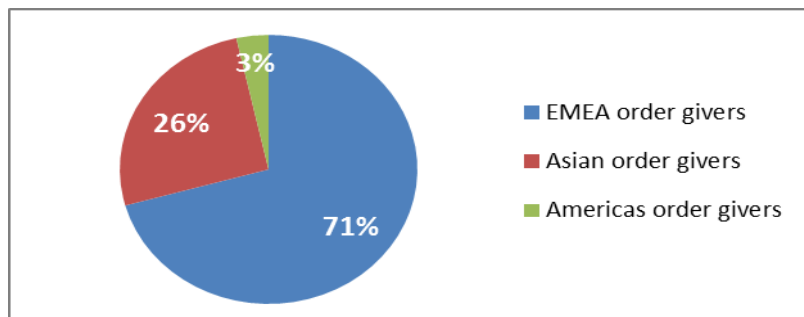


Figure 7 - Order volumes per region – First half of 2019

⁵ Please note that the regional data is based on contributions of 13 out of the 19 transfer agents, representing about 51.5% of the survey volumes for H1 2019. This explains data variations compared to the full survey sample statistics.

B.4.2 Split of automation and standardisation rates by region

The total automation rate of orders sent by order givers located in the APAC region increased in H1 2019.

The total automation rate of orders incoming from APAC increased to 86.4% in H1 2019 compared to 81% in Q4 2018. This was driven by the increasing ISO standardisation rate to 62.7% in H1 2019 from 51.2% in Q4 2018. In parallel, the proprietary ftp rate fell by 6.1 p.p. to 23.7% in Q2 2019.

In the EMEA and Americas regions, the total automation rate decreased respectively to 87% and 85.2% in H1 2019, compared to 88.8% and 85.7% in Q4 2018.

In EMEA, this was due to an increase of the ISO standardisation to 67.2% in H1 2019 against 65.8% in Q4 2018 and a decrease of the proprietary ftp rate from 23% in Q4 2018 to 19.8% in Q2 2019.

In Americas region, this was due to an increase of the ISO standardisation to 58.3% in H1 2019 against 49.6% in Q4 2018 and a decrease of the proprietary ftp rate from 36.1% in Q4 2018 to 26.9% in Q2 2019.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth
EMEA	13.0%	11.2%	1.8%	19.8%	23.0%	-3.2%	67.2%	65.8%	1.4%	87.0%	88.8%	-1.8%
APAC	13.6%	19.0%	-5.4%	23.7%	29.8%	-6.1%	62.7%	51.2%	11.5%	86.4%	81.0%	5.4%
Americas	14.8%	14.3%	0.5%	26.9%	36.1%	-9.2%	58.3%	49.6%	8.7%	85.2%	85.7%	-0.5%

Figure 8 – Luxembourg standardisation rates per region

C. Focus on Ireland

C.1 Order volume evolution

By end of June 2019, the 9 Irish survey participants processed 7 million orders. This equals a monthly average of 1.2 million orders. As such, the volume of orders increased by 1.7% compared to the second half of 2018.

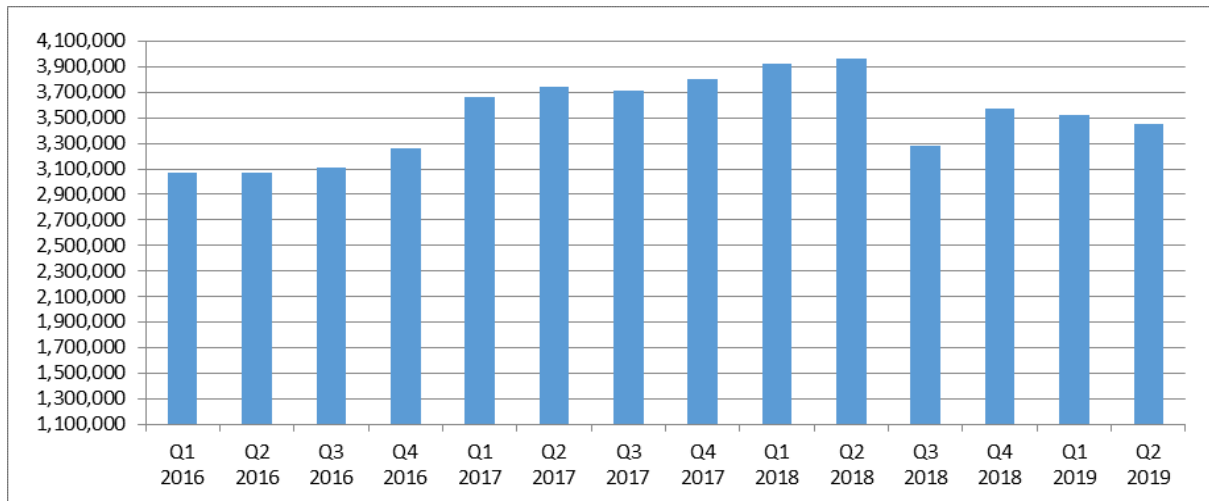


Figure 9 - Order volume evolution 2016 – 2019

C.2 Automation level

In Ireland, the total automation rate increased to 93.5% in H1 2019 (against 92.8% in Q4 2018).

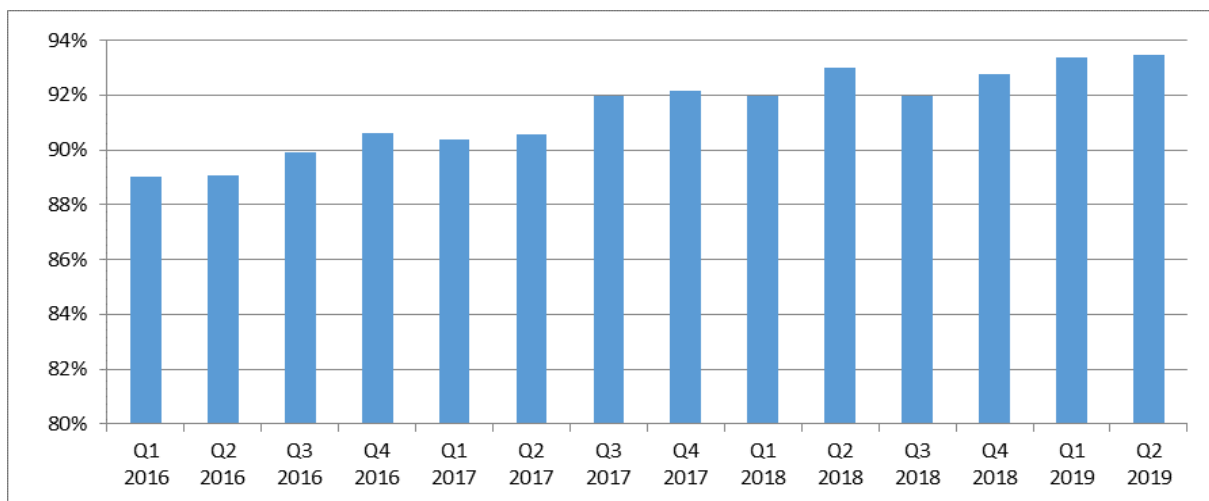


Figure 10 - Automation level evolution – 2016 - 2019

C.3 Standardisation levels

In the second quarter of 2019, the ISO adoption rate increased to 40.4% (against 34.7% in Q4 2018), and the adoption of proprietary formats went down to 53.1% in H1 2019 (against 58.1% in Q4 2018). The share of manually processed orders decreased to 6.5% in H1 2019 against 7.2% in Q4 2018.

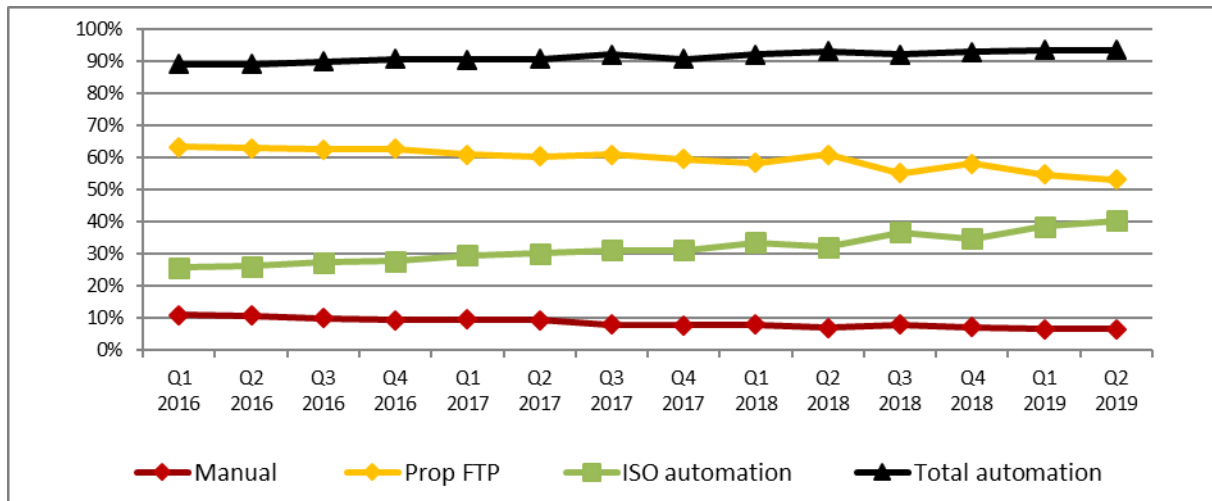


Figure 11 - Standardisation rate evolution 2016 – 2019

C.4. Regional data⁶

C.4.1 Split of volumes by region

EMEA region represented 95% of incoming order volumes in Ireland in the first half of 2019, while APAC generated 3% of incoming order volumes and Americas 2%.

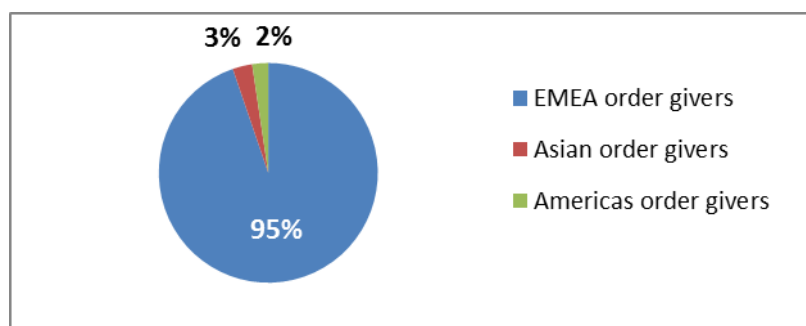


Figure 12 – Order volumes per region – First half of 2019

⁶ Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 9) representing 61% of the volumes in H1 2019. The regional percentages are calculated on this subset.

C.4.2 Split of automation and standardisation rates by region

For EMEA, the ISO standardisation rate increased to 16.4% in H1 2019 (against 14.9% in Q4 2018) and the rate of proprietary files decreased to 81.2% in H1 2019 (against 82.9% in Q4 2018).

The total automation rate of orders increased in H1 2019 in APAC and Americas regions.

In APAC region, the total automation rate increased from 76.2% in Q4 2018 to 84.1% in Q2 2019 while the rate of proprietary files decreased to 56.7% in H1 2019 (against 71.6% in Q4 2018).

The total automation rate of orders in the Americas region increased to 89.8% in H1 2019. This was due to an increase of the ISO standardisation rate from 14% in Q4 2018 to 19.1% in Q2 2019 and proprietary files were subject to an increase with a rate moving from 38.2% in Q4 2018 to 70.7% in Q2 2019.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth	Q2 2019	Q4 2018	Growth
EMEA	2.4%	2.2%	0.2%	81.2%	82.9%	-1.7%	16.4%	14.9%	1.5%	97.6%	97.8%	-0.2%
APAC	15.9%	23.8%	-7.9%	56.7%	71.6%	-14.9%	27.4%	4.6%	22.8%	84.1%	76.2%	7.9%
Americas	10.2%	47.8%	-37.6%	70.7%	38.2%	32.5%	19.1%	14.0%	5.1%	89.8%	52.2%	37.6%

Figure 13 – Ireland standardisation rates per region

D. Standardisation of fund processing in Italy

The Italian market is progressing well in its transition towards ISO20022 communication standards between asset managers, intermediaries, local TAs and custodian banks.

Thanks to some key financial institutions joining the Guidelines for standardization, an estimated monthly average of 5 million of ISO20022 transactions (orders & accounts) is received by asset manager/local paying agents. This figure represents about 70% of the domestic financial market volume.

The Guidelines for the process standardization and the industry community that has been developing them, are setting the pace and establishing the standards in Italy; over the last 8 months, local market participants worked together to address one of the most critical operation processes of the local fund industry, which is the so-called “transfer of shares”, i.e. the transfer of fund holdings of a client from one distributor (bank) to another. The efficiency and timeliness of this category of operations is crucial for the end retail client and was included in the initial scope of the standardization process; it has however proven to be difficult to address and has required fine tuning of the operational process, the messaging layer and the development of an ad hoc hub to exchange information among intermediaries. For this purpose, ABI Lab (the technical support outfit coordinating the industry effort) and Local Transfer agents (LTA) have developed a “service” to exchange technical info (e.g. BIC) for the LTAs involved in the chain. This “service” provided by ABI Lab will be available by end of 2019 and it is expected to speed-up and optimize the transfer process of foreign funds.

As for the other specific areas on which the industry is currently focusing, the most relevant are the following:

- The completion of the impact analysis of AML money laundering directive - (IV-V DIRECTIVE).
- The impact analysis of ELTIF products (European Long-Term Investment)

Assogestioni – the Italian asset management association - and ABI – the Italian banking association - continue working with regulators to support further adoption of ISO 20022 across the fund industry and make the transition progress efficient and smooth.

E. Next report

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in Q2 2020. This report will cover progress in standardisation rates in Luxembourg and Ireland in 2016-2019.