



Fund Processing Standardisation

Tracking industry progress

Mid 2014 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 2014. 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 15.6 million incoming orders H1 2014
- In the first half of 2014, the **total volume of orders** increased by **2.5%** to **15.6 million orders** compared to the second half of 2013 with **15.2 million orders**.
 - Out of this, the volume of **automated processed orders** increased by **2.5%** to **12.2 million** (against 11.9 million in H2 2013).
 - In the first half of 2014, the adoption of **ISO messaging standards**⁴ increased by 4.7 percentage points to **50%** in Q2 2014 (against 45.3% in Q4 2013). In parallel, the use of **proprietary ftp** continued to **decrease** from 33.4% (Q4 2013) to **28.2%** (Q2 2014). The manual processing rate also increased, albeit less than a whole percentage point (from 21.3% in Q4 2013 to 21.8% in Q2 2014).

B. Cross-border fund processing standardisation in Luxembourg

- Comparing the first half of 2014 to the second half of 2013, **order volumes increased by 8%**. In total, **11 million orders** were processed by survey contributors during the first half of 2014.
- Among these orders, **8.3 million orders** were processed automatically, (representing an increase of 9% compared to the second half of 2013 (7.6 million orders)).
- The **total automation rate** of orders processed in Luxembourg increased by 0.8 percentage points to **76.1%** in Q2 2014 compared to Q4 2013 (where it stood at 75.3%).
- The percentage of automated orders based on the **ISO messaging standards** increased from 57.7% during Q4 2013 to **59.6%** in Q2 2014. While, the use of **proprietary ftp** decreased from 17.6% in Q4 2013 to **16.5%** in Q2 2014.

³ The number of survey participants of the Luxembourg funds processing centre and the number of Irish survey participants remained stable compared to the 2013 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. The share of orders remained the same compared to the second half of 2013.
- For orders incoming from the region **Americas**, the **total automation rate decreased** from 77% in Q4 2013 to **72.6%** in Q2 2014. This was due to the **decreasing ISO standardisation rate** which went down from 33.3% in Q4 2013 to **25.9%** in Q2 2014 and the **proprietary ftp rate** which increased from 43.7% in Q4 2013 to **46.7%** in Q2 2014.
- For orders sent by orders givers in the **EMEA and APAC regions**, the **total automation rate** - ISO and proprietary ftp combined - **increased** respectively to 81.9% and 53.2% in Q2 2014 (from 81.4% and 50.8% in Q4 2013). In **EMEA**, this trend was mainly driven by an **increase of the ISO standardisation** which went up by 2.7 percentage points to **69.4%** in Q2 2014. While the **proprietary ftp rate** fell from 14.7% in Q4 2013 to **12.4%** in Q2 2014. In the **APAC** region, the **ISO standardisation rate** went up by 2.5 percentage points to **22.1%** and the **proprietary ftp rate** remained stable compared to Q4 2013 at **31.1%** in Q2 2014.

C. Cross-border fund processing standardisation in Ireland

- In the first half of 2014, the **total volume of orders** was equal to **4.6 million**. As such, order volumes decreased by 8% compared to the second half of 2013⁶.
- The 11 Ireland-based TAs **manually processed 0.8 million orders** which remain stable compared to the second half of 2013.
- The **total automation rate** of orders processed by Irish transfer agents, decreased to **83.2%** in Q2 2014 (against 85.6% in Q4 2013).
- The percentage of automated orders based on the **ISO messaging standards** increased to **27.5%** in Q2 2014 (against 20.9% in Q4 2013,) while the **proprietary ftp rate fell to 55.7%** (against 64.7% in Q4 2013).
- The **ISO standardisation rate of APAC- and Americas**⁷,-originating orders decreased in Q2 2014 respectively to **16.6%** and **5.2%** (against 21.2% and 5.9% in Q4 2013).
- Whereas in EMEA, the ISO standardisation rate of incoming orders went up to **11.6%** in Q2 2014 (against 7.4% in Q4 2013).

⁵ Regional statistics are based on data provided by 15 (out of the participating 21) TAs in Luxembourg. This represents 62% of the Luxembourg survey volumes for H1 2014.

⁶ The decrease in volume of orders in Ireland in the first half of 2014 is not a general trend, but was driven by the evolution of orders received by one transfer agent.

⁷ Regional statistics are based on data provided by 6 TAs (out of the 11 Irish survey participants) in Ireland; representing 61% of the survey volumes of the Ireland funds processing centre for the first half of 2014.

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

A.1 Order volume evolution

Across Ireland and Luxembourg, 15.6 million orders were processed by the 32 survey participants by end of June 2014. With a monthly average of 2.6 million orders, order volumes increased by 2.5% compared to the second half of 2013.

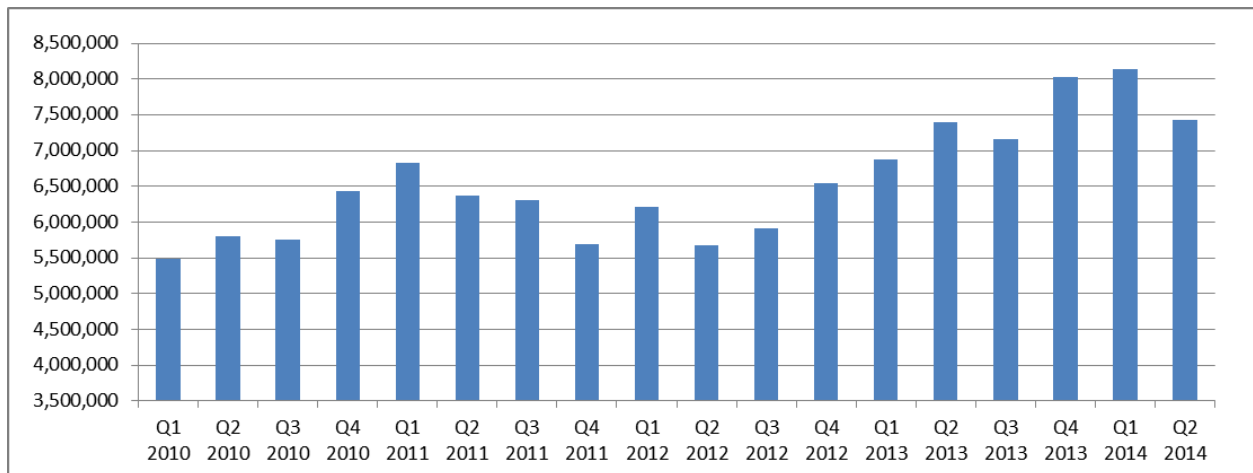


Figure 1 - Order volume evolution 2009 – 2014

A.2 Automation level

The total automation rate slightly decreased in the first half of 2014 compared to last year reaching 78.2% in Q2 2014, against 78.7% where it stood in Q4 2013.

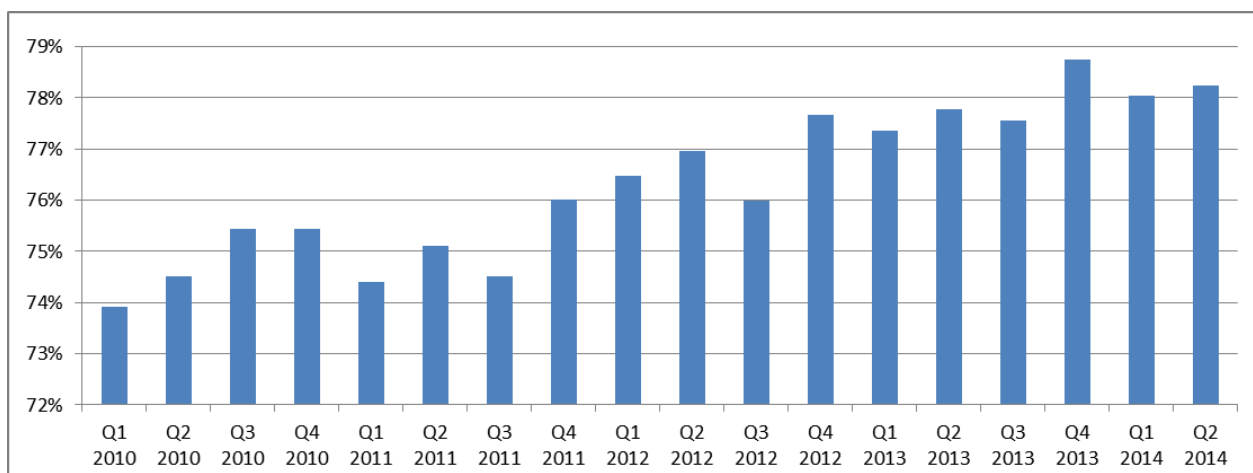


Figure 2 - Automation level evolution 2009 – 2014

A.3 Standardisation levels

In Q2 2014, the adoption of ISO increased by 4.7 percentage points to 50% (against 45.3% in Q4 2013). In addition, the adoption of proprietary formats fell to 28.2% in Q2 2014 (against 33.4% in Q4 2013) representing a decrease of 5.2 percentage points. The manual processing rate slightly increased to 21.8% in Q2 2014 (against 21.3% in Q2 2013).

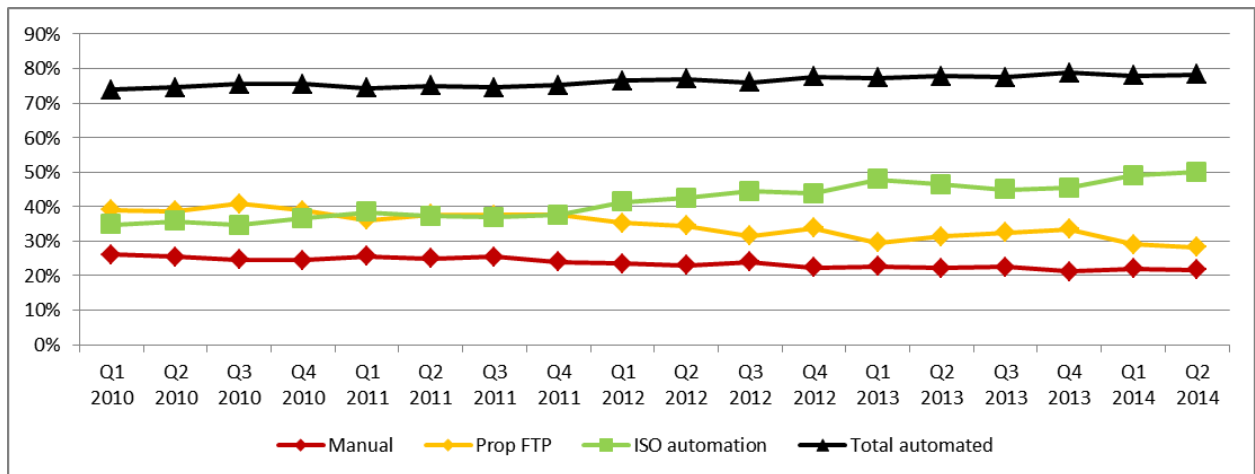


Figure 3 - Standardisation rate evolution 2009 – 2014

B. Focus on Luxembourg⁸

B.1 Order volume evolution

The 21 Luxembourg survey contributors processed 11 million orders during the first two quarters of 2014. Representing a monthly average of 1.8 million orders, volumes increased by 8% compared to the second half of 2013.

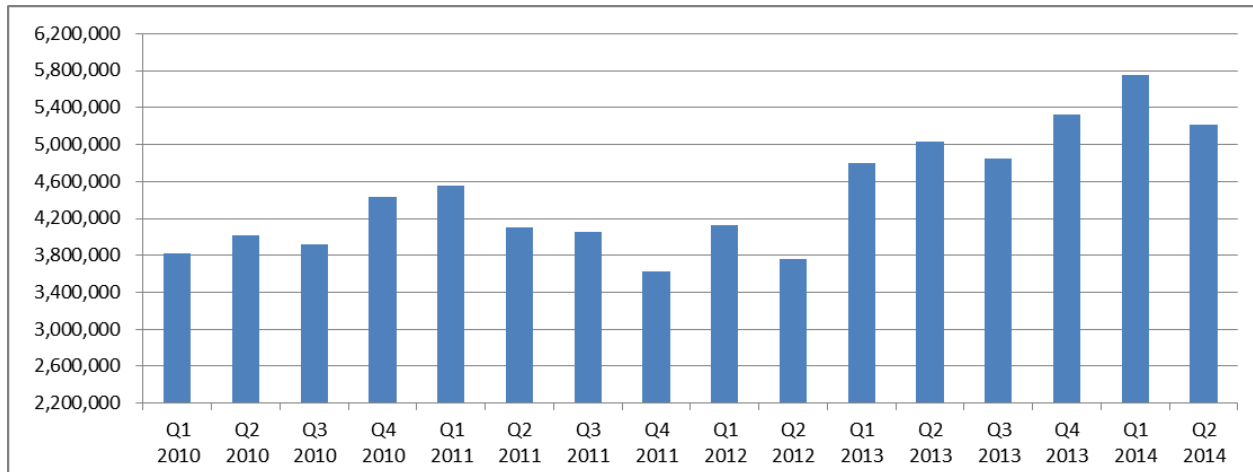


Figure 4 - Order volume evolution 2009 - 2014

B.2 Automation level

In Q1 and Q2 2014, the total automation rate improved and reached 76.1% in Q2 2014 compared to 75.3% in Q4 2013.

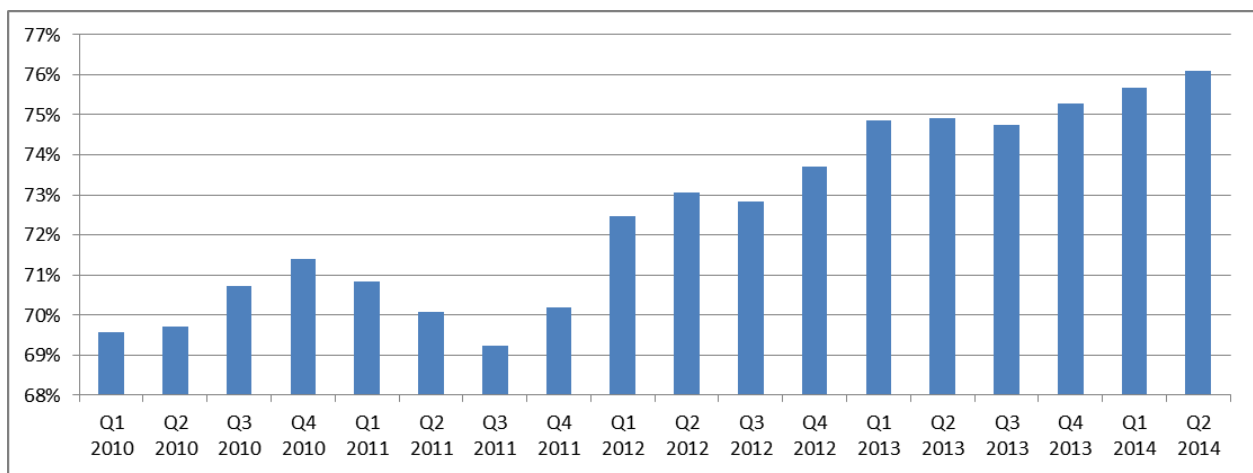


Figure 5 - Automation level evolution 2009 - 2014

⁸ The data used for one transfer agent are estimates.

B.3 Standardisation levels

With a difference of 1.9% percentage points, ISO adoption increased to 59.6% during Q2 2014 (against 57.7% in Q4 2013). The proprietary formats automation rate decreased by 1.1 percentage points to 16.5% in Q2 2014 (against 17.6% in Q4 2013). The share of manually processed orders went down from 24.7% in Q4 2013 to 23.9% in Q2 2014.

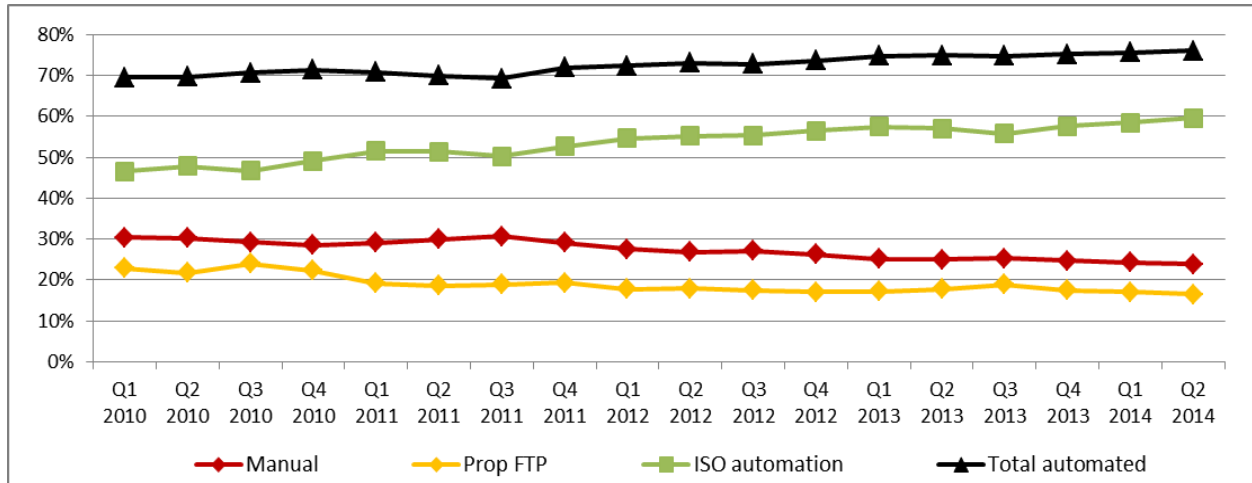


Figure 6 - Standardisation rate 2009 - 2014

B.4 Regional data⁹

B.4.1 Split of volumes by region

The proportion of orders incoming from the different regions remained stable in H1 2014 compared to H2 2013. EMEA region represented 65% of incoming order volumes in Luxembourg in the first half of 2014, while APAC generated 31% of incoming order volumes and Americas 4%.

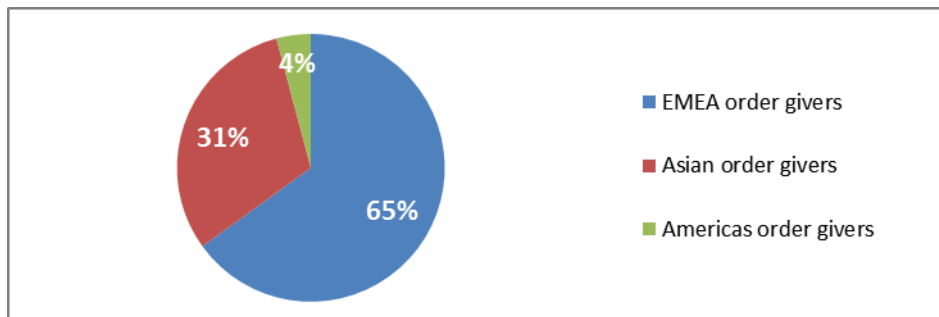


Figure 7 - Order volumes per region – First half of 2014

⁹ Please note that the regional data is based on contributions of 15 out of the 21 transfer agents, representing about 62% of the survey volumes for H1 2014. 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 incoming from the Americas region decreased from 77% in Q4 2013 to 72.6% in Q2 2014. This was driven by the decreasing ISO standardisation rate which fell by 7.4 percentage points to 25.9% while the proprietary ftp rate increased by 3 percentage points to 46.7% in Q2 2014.

Comparing Q2 2014 with Q4 2013, the evolution of total automation increased for orders sent by order givers located in EMEA and APAC. In the EMEA region, this was due to the increase of the ISO standardisation from 66.7% in Q4 2013 to 69.4% in Q2 2014. While the proprietary ftp rate decreased by 2.3 percentage points to 12.4% in Q2 2014. In APAC, the ISO standardisation rate increased by 2.5 percentage points to 22.1% in Q2 2014. And the proprietary ftp rate remained stable at 31.1% in Q2 2014.

	Manual			Proprietary			ISO automation			Total automated		
	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth
EMEA	18.1%	18.6%	-0.5%	12.4%	14.7%	-2.2%	69.4%	66.7%	2.7%	81.9%	81.4%	0.5%
APAC	46.8%	49.2%	-2.4%	31.1%	31.1%	0.0%	22.1%	19.6%	2.5%	53.2%	50.8%	2.4%
Americas	27.4%	23.0%	4.3%	46.7%	43.7%	3.1%	25.9%	33.3%	-7.4%	72.6%	77.0%	-4.3%

Figure 8 – Luxembourg standardisation rates per region

C. Focus on Ireland

C.1 Order volume evolution

By end of June 2014, the 11 Irish survey participants processed 4.6 million orders. This equals a monthly average of 0.77 million orders. As such, the volume of orders decreased by 8% compared to the second half of 2013.

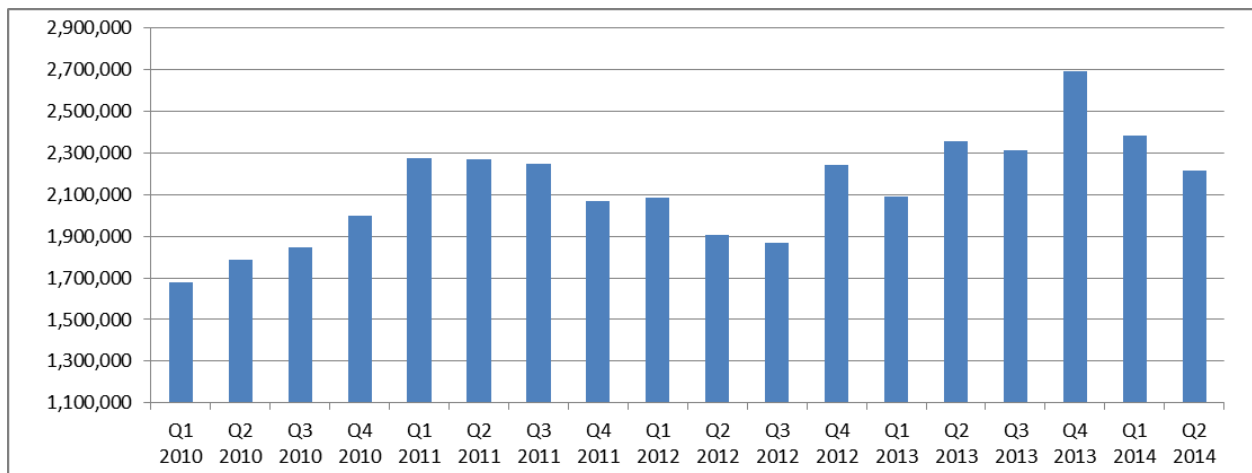


Figure 9 - Order volume evolution 2009 – 2014

C.2 Automation level

In Ireland, the total automation rate reached 83.2% during Q2 2014 (against 85.6% in Q4 2013).

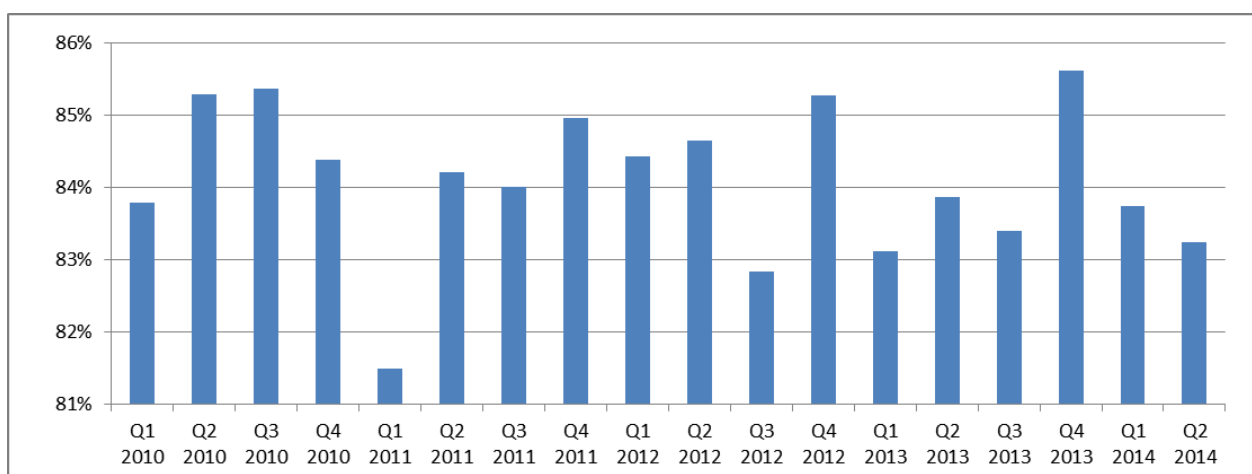


Figure 10 - Automation level evolution – 2009 - 2014

C.3 Standardisation levels

In the second quarter of 2014, the ISO adoption rate moved up to 27.5% (against 20.9% in Q4 2013), whereas the adoption of proprietary formats decreased to 55.7% during the same period (against 64.7% in Q4 2013). The share of manually processed orders went up from 14.4% in Q4 2013 to 16.8% in Q2 2014.

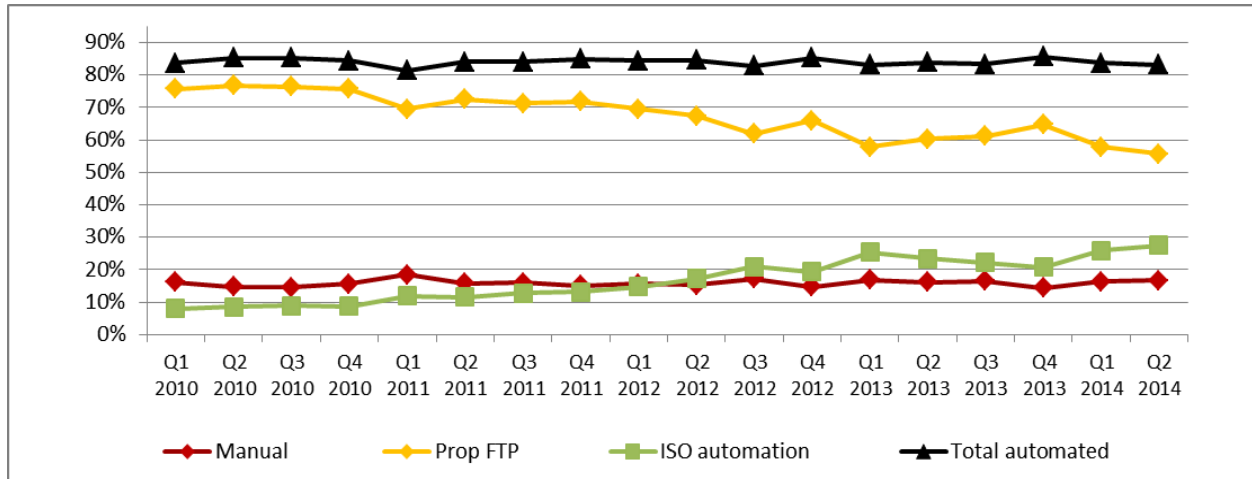


Figure 11 - Standardisation rate evolution 2009 – 2014

C.4. Regional data¹⁰

The ISO standardisation rate in EMEA grew by 4.2 percentage points to 11.6% in Q2 2014 (against 7.4% in Q4 2013) while the proprietary files rate decreased to 82.7% (against 88.9% in Q4 2013).

For APAC, the ISO standardisation rate decreased to 16.6% in Q2 2014 (against 21.2% in Q4 2013) and the automation rate of proprietary files decreased to 47.7% in Q2 2014 (against 50.3% in Q4 2013).

The ISO standardisation rate in the Americas region decreased from 5.9% in Q4 2013 to 5.2% in Q2 2014. Proprietary files were subject to a decrease with a rate moving from 74.4% in Q4 2013 to 69% in Q2 2014.

	Manual			Proprietary			ISO automation			Total automated		
	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth	Q2 2014	Q4 2013	Growth
EMEA	5.8%	3.7%	2.1%	82.7%	88.9%	-6.3%	11.6%	7.4%	4.2%	94.2%	96.3%	-2.1%
APAC	35.7%	28.5%	7.2%	47.7%	50.3%	-2.6%	16.6%	21.2%	-4.6%	64.3%	71.5%	-7.2%
Americas	25.8%	19.7%	6.1%	69.0%	74.4%	-5.4%	5.2%	5.9%	-0.7%	74.2%	80.3%	-6.1%

Figure 12 – Ireland standardisation rates per region

¹⁰ Regional breakdown information is available from a subset of the Irish survey contributors (6 out of 11) representing 61% 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 2015 and will cover the January 2009 – December 2014 progress in standardisation rates across the two main cross-border investment fund centres, Luxembourg and Ireland.