



Fund Processing Standardisation

Tracking industry progress

2018 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 2018. 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.

Contents

Report Highlights.....	4
A. Cross-border fund processing standardisation in Luxembourg and Ireland.....	4
B. Cross-border fund processing standardisation in Luxembourg	4
C. Cross-border fund processing standardisation in Ireland	5
A. Cross-border fund processing standardisation Ireland and Luxembourg.....	6
A.1 Order volume evolution	6
A.2 Automation level.....	6
A.3 Standardisation levels.....	7
B. Focus on Luxembourg.....	8
B.1 Order volume evolution.....	8
B.2 Automation level	8
B.3 Standardisation levels.....	9
B.4 Regional data.....	9
C. Focus on Ireland.....	11
C.1 Order volume evolution.....	11
C.2 Automation level	11
C.3 Standardisation levels.....	12
C.4. Regional data.....	12
D. Standardisation of fund processing in Italy.....	14
E. Next report.....	16

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:

- 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 20.3 million incoming orders H1 2018
- In the first half of 2018, the **total volume of orders** increased by **5.4%** to **20.3 million orders**, compared to **19.3 million orders** in the second half of 2017.
 - The volume of **automated processed orders** increased by **6.9%** to **18 million** in H1 2018 (against 16.9 million in H2 2017).
 - In the first half of 2018, the adoption of **ISO messaging standards (composed of ISO 15022 and 20022 messages)** decreased by 0.8 percentage points to **54.7%** in Q2 2018. In parallel, the use of **proprietary ftp** increased by 2.2 p.p. to **34.7%** in Q2 2018 and the manual processing rate decreased to by 1.4 p.p. to 10.6% in Q2 2018.

B. Cross-border fund processing standardisation in Luxembourg

- Comparing the first half of 2018 to the second half of 2017, **order volumes increased by 5.7%**. In total, **12.4 million orders** were processed by survey contributors during the first half of 2018.
- Among these orders, **10.8 million orders** were processed automatically in the first half of 2018, compared to 10 million orders in H2 2017.
- The 19 Luxembourg-based TAs manually processed 1.7 million orders during the first half of 2018.
- The **total automation rate** of orders processed in Luxembourg increased from 85.4% in Q4 2017 to **87%** in Q2 2018.
- The percentage of automated orders based on the **ISO messaging standards** remains quite stable at 69.6% during Q2 2018 (compared to 69.8% in Q4 2017), whereas the use of **proprietary ftp** increased from 15.6% in Q4 2017 to 17.4% in Q2 2018.
- **Orders incoming from EMEA** represented **71%** against **26%** sent by **APAC**, and **3%** sent by **Americas**-based order givers³ in H1 2018.
- The **total automation rate** of orders increased in all 3 regions.

³ Regional statistics are based on data provided by 13 (out of the participating 19) TAs in Luxembourg. This represents 55% of the Luxembourg survey volumes for H1 2018.

In **EMEA region**, the **total automation** reached **87.4%** in Q2 2018 compared to **84.4%** in Q4 2017. This reflected an **increasing use of proprietary ftp rate** (from 17.4% in Q4 2017 to 22.1% in Q2 2018) and a **decreasing use of the ISO standardisation rate** (from 67% in Q4 2017 to 65.3% in Q2 2018).

- For orders incoming from the **APAC and Americas regions**, the **total automation rate increased** respectively to 77.8% and 84.7% in Q2 2018 (from 76.9% and 82.4% in Q4 2017). In the **APAC region**, this trend was mainly driven by an **increase of the ISO standardisation** which went up by 1 p.p. to **46.6%** in Q2 2018, while the proprietary ftp rate remains stable at 31.2% in Q2 2018 (compared to 31.3% in Q4 2017). In Americas region, the increase in the automation rate reflected an increase in the **ISO standardisation rate** (from 46.6% in Q4 2017 to 48.4% in Q2 2018), with an increase in the **proprietary ftp rate** (from 35.8% in Q4 2017 to 36.3% in Q2 2018).

C. Cross-border fund processing standardisation in Ireland

- In the first half of 2018, the **total volume of orders** was equal to **7.9 million**. As such, order volumes increased by 4.9% compared to the second half of 2017.
- The 9 Ireland-based TAs **manually processed 0.6 million orders** in the first half of 2018.
- The **total automation rate** of orders processed by Irish transfer agents increased to 93% in Q2 2018 (against 92.1% in Q4 2017).
- The percentage of automated orders based on the **ISO messaging standards** slightly decreased to **32.1%** in Q2 2018 (against 32.5% in Q4 2017,) and the **proprietary ftp rate increased to 60.9%** in Q2 2018 (against 59.6% in Q4 2017).
- The **ISO standardisation rate of EMEA-originating orders**⁴ increased in Q2 2018 to **12.8%** (against 12.4% in Q4 2017). In Americas and APAC regions, the ISO standardisation rate of incoming orders went down to **15.8%** and **26.1%**, respectively, in Q2 2018 (against 18.2% and 26.6% in Q4 2017). In APAC the proprietary FTP orders reached 54.8% in Q2 2018 (against 54% in Q4 2017).

⁴ Regional statistics are based on data provided by 5 TAs (out of the 9 Irish survey participants) in Ireland; representing 63% of the survey volumes of the Ireland funds processing centre for the first half of 2018.

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

A.1 Order volume evolution

Across Ireland and Luxembourg, 20.3 million orders were processed by the 28 survey participants by end of June 2018. With a monthly average of 3.4 million orders, order volumes increased by 5.4% compared to the second half of 2017.

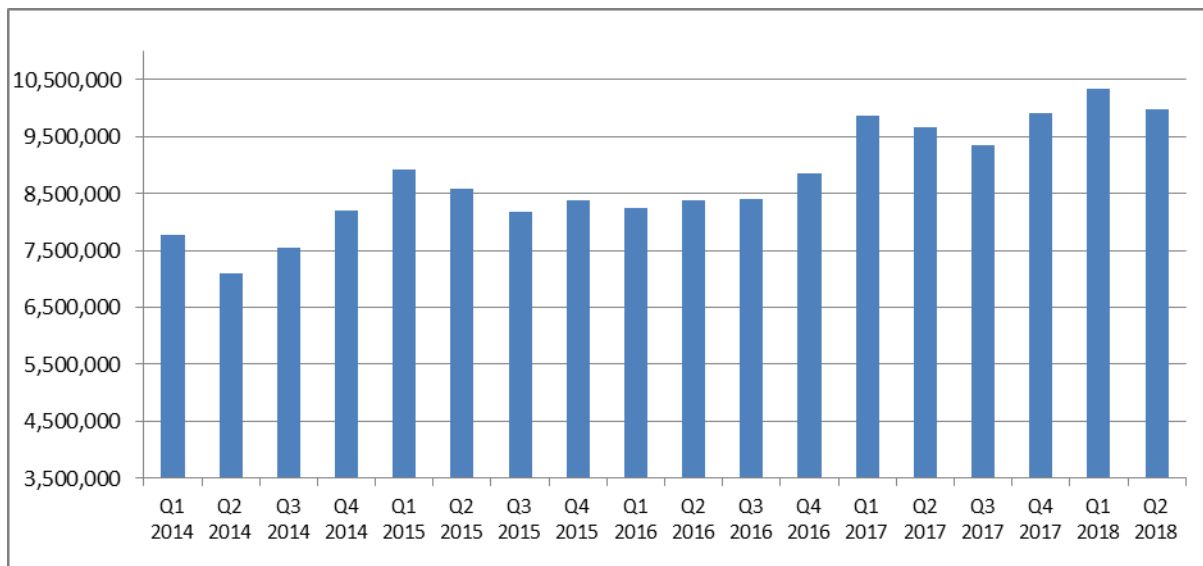


Figure 1 - Order volume evolution 2014 – 2018

A.2 Automation level

The total automation rate increased to 89.4% in Q2 2018 compared to 88% in Q4 2017.

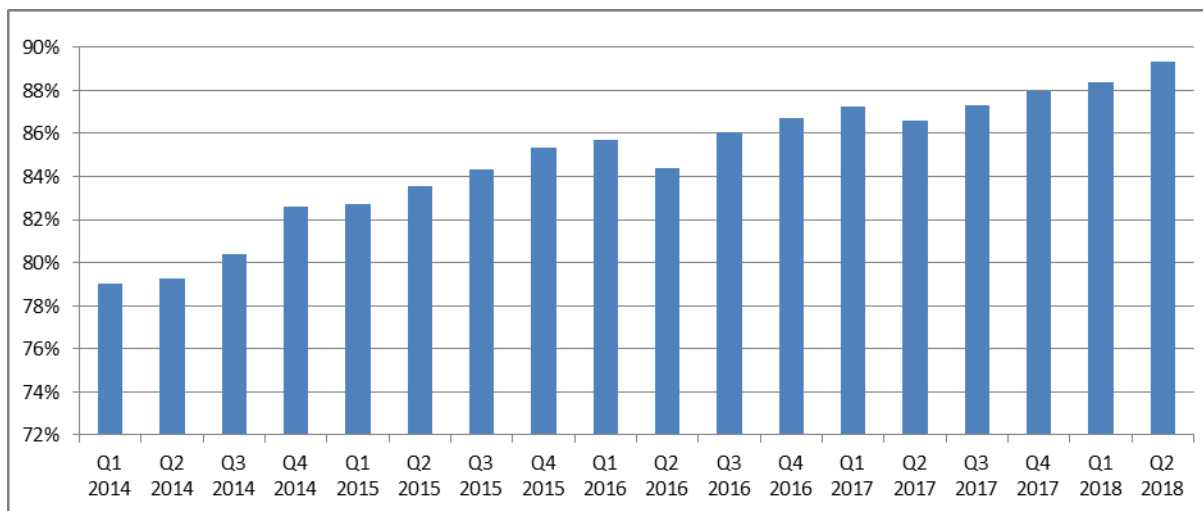


Figure 2 - Automation level evolution 2014 – 2018

A.3 Standardisation levels

In Q2 2018, the adoption of ISO decreased by 0.8 percentage points to 54.7% (against 55.5% in Q4 2017). While the adoption of proprietary formats increased to 34.7% in Q2 2018 (against 32.5% in Q4 2017), the manual processing rate decreased to 10.6% in Q2 2018 (against 12% in Q4 2017).

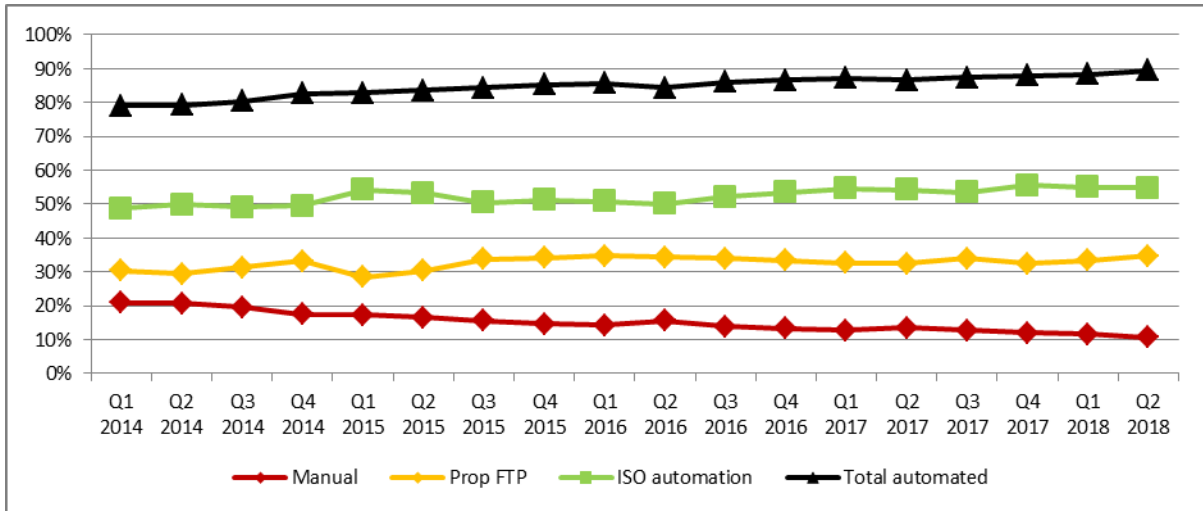


Figure 3 - Standardisation rate evolution 2014 – 2018

B. Focus on Luxembourg

B.1 Order volume evolution

The 19 Luxembourg survey contributors processed 12.4 million orders during the first two quarters of 2018. Representing a monthly average of 2.1 million orders, volumes increased by 5.7% compared to the second half of 2017.

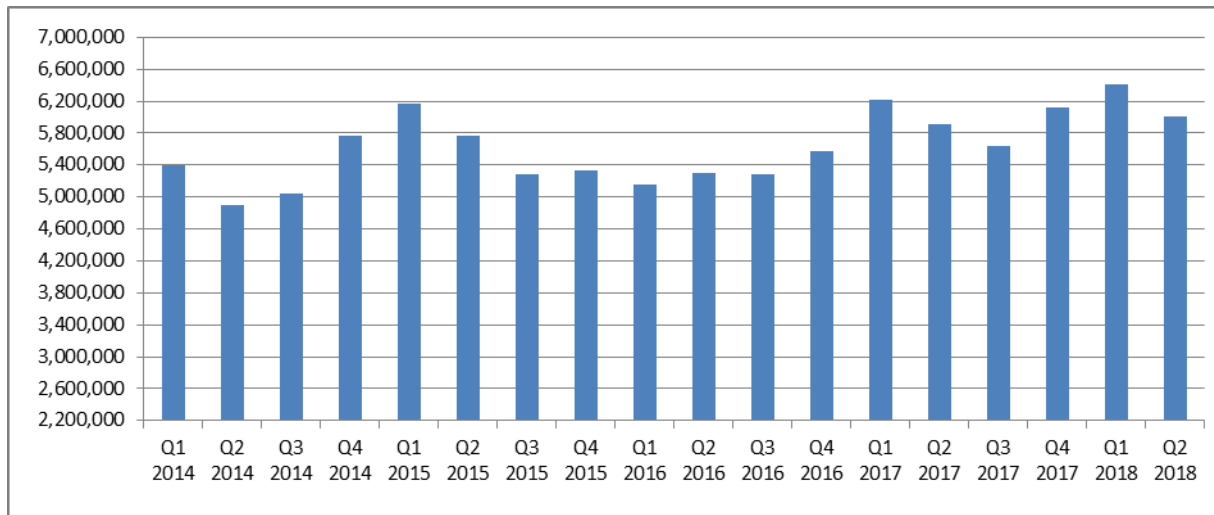


Figure 4 - Order volume evolution 2014 - 2018

B.2 Automation level

In Q2 2018, the total automation rate increased to 87% compared to Q4 2017 (where it stood at 85.4%).

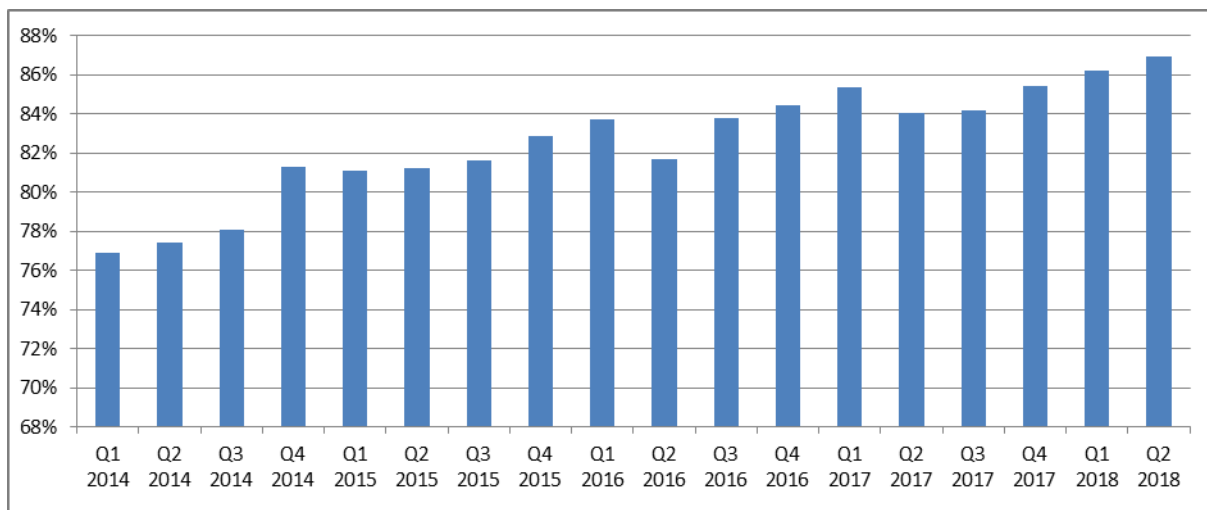


Figure 5 - Automation level evolution 2014 - 2018

B.3 Standardisation levels

The ISO messaging standard remains quite stable at 69.6% during Q2 2018 (against 69.8% in Q4 2017). The proprietary formats automation rate increased to 17.4% in Q2 2018 (from 15.6% in Q4 2017). The share of manually processed orders went down from 14.6% in Q4 2017 to 13% in Q2 2018.

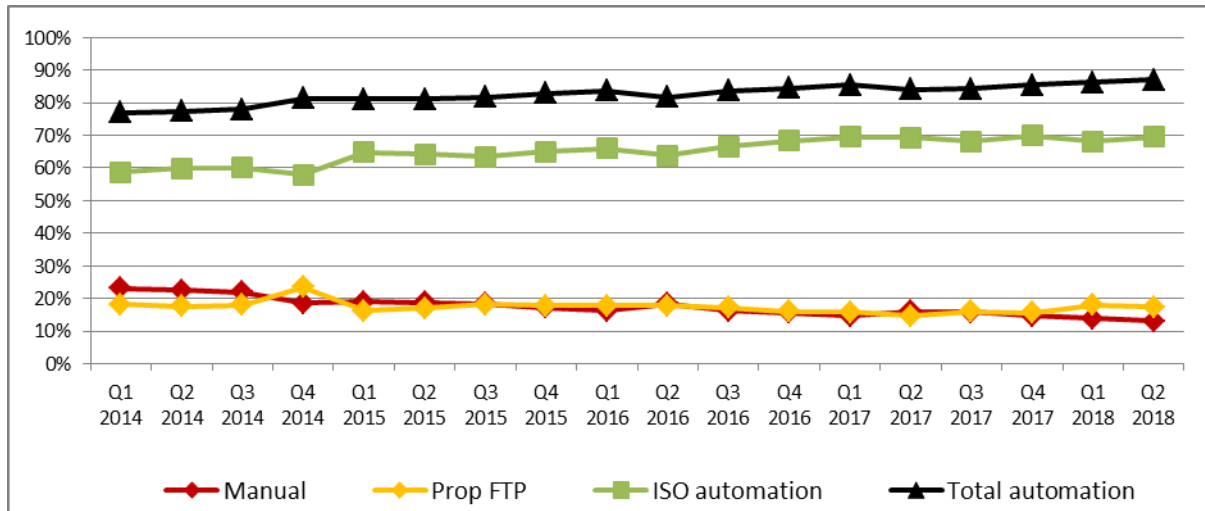


Figure 6 - Standardisation rate 2014 - 2018

B.4 Regional data⁵

B.4.1 Split of volumes by region

The proportion of orders incoming from EMEA and APAC region changed in H1 2018 compared to H2 2017. EMEA region represented 71% of incoming order volumes in Luxembourg in the first half of 2018 compared to 68% in H2 2017, while APAC generated 26% of incoming order volumes against 28% in H2 2017 and Americas 3% in H1 2018 compared to 4% in H2 2017.

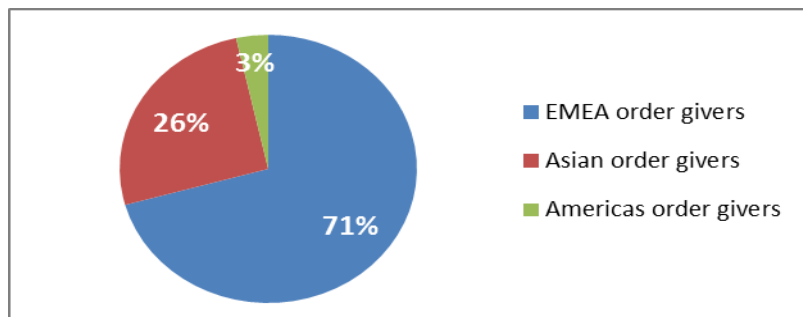


Figure 7 - Order volumes per region – First half of 2018

⁵ Please note that the regional data is based on contributions of 13 out of the 19 transfer agents, representing about 55% of the survey volumes for H1 2018. 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 3 regions increased between Q4 2017 and Q2 2018.

The total automation rate of orders incoming from the EMEA region increased to 87.4% in Q2 2018 compared to 84.4% in Q4 2017. This was driven by the increasing proprietary ftp rate to 22.1% in Q2 2018 from 17.4% in Q4 2017. In parallel, the ISO standardisation rate fell by 1.7 p.p. to 65.3% in Q2 2018.

In the APAC region, the total automation rate increased from 76.9% to 77.8%. This was due to an increase of the ISO standardisation rate from 45.6% to 46.6% in Q2 2018, while the proprietary FTP rate remained quite stable at 31.2% in Q2 2018.

In Americas region, the automation rate increased by 2.3 p.p. to 84.7% in Q2 2018, with an increase in the ISO standardisation rate to 48.4% and an increase in the proprietary ftp rate to 36.3% and a fall in manual orders to 15.3% in Q2 2018 (against 17.6% in Q4 2017).

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth
EMEA	12.6%	15.6%	-3.0%	22.1%	17.4%	4.7%	65.3%	67.0%	-1.7%	87.4%	84.4%	3.0%
APAC	22.2%	23.1%	-0.9%	31.2%	31.3%	-0.1%	46.6%	45.6%	1.0%	77.8%	76.9%	0.9%
Americas	15.3%	17.6%	-2.3%	36.3%	35.8%	0.5%	48.4%	46.6%	1.8%	84.7%	82.4%	2.3%

Figure 8 – Luxembourg standardisation rates per region

C. Focus on Ireland

C.1 Order volume evolution

By end of June 2018, the 9 Irish survey participants processed 7.9 million orders. This equals a monthly average of 1.3 million orders. As such, the volume of orders increased by 4.9% compared to the second half of 2017.

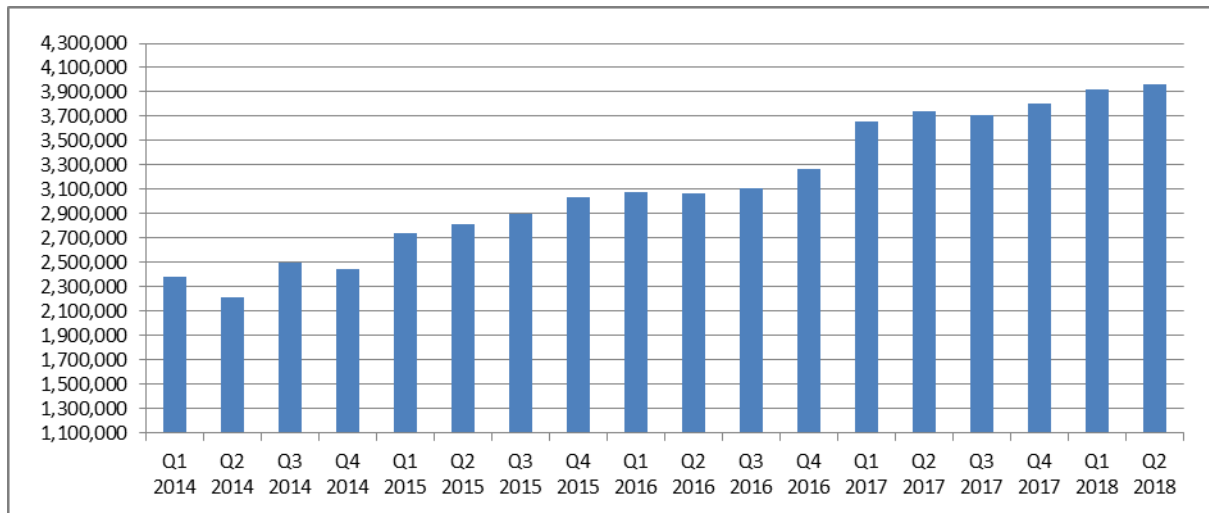


Figure 9 - Order volume evolution 2014 – 2018

C.2 Automation level

In Ireland, the total automation rate increased to 93% in Q2 2018 (against 92.1% in Q4 2017).

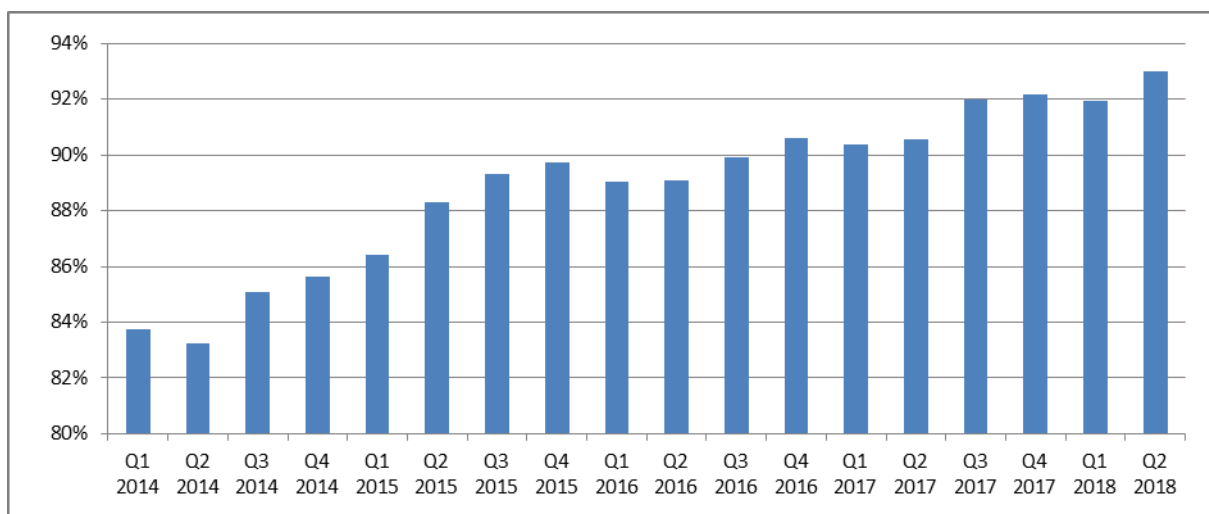


Figure 10 - Automation level evolution – 2014 - 2018

C.3 Standardisation levels

In the second quarter of 2017, the ISO adoption rate slightly decreased to 32.1% (against 32.5% in Q4 2017), and the adoption of proprietary formats went up to 60.9% in Q2 2018 (against 59.6% in Q4 2017). The share of manually processed orders decreased to 7% in Q2 2018 against 7.9% in Q4 2017.

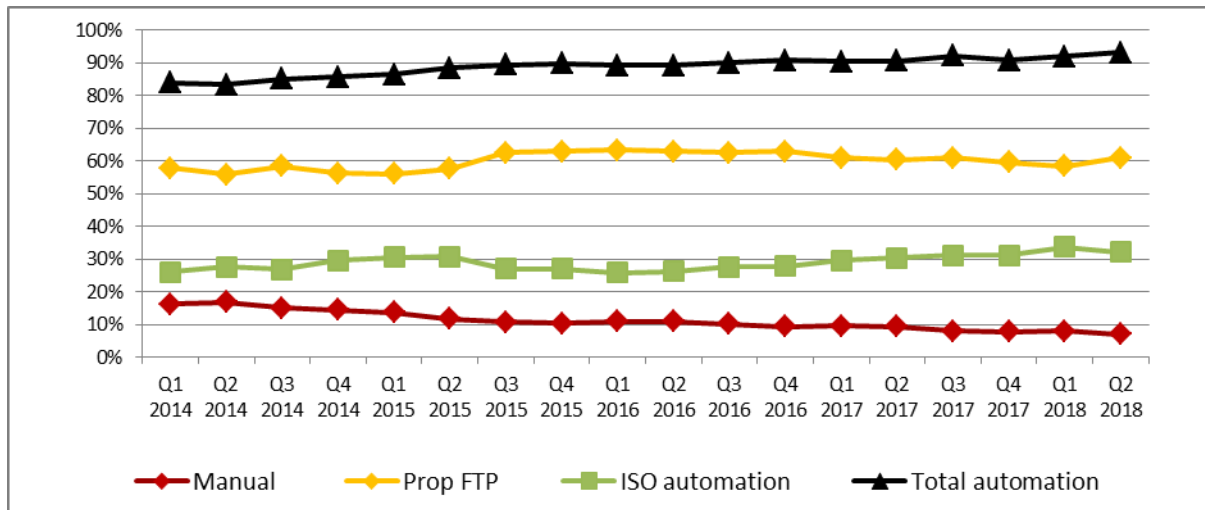


Figure 11 - Standardisation rate evolution 2014 – 2018

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 2018, while APAC generated 3% of incoming order volumes and Americas 2% in H1 2018.

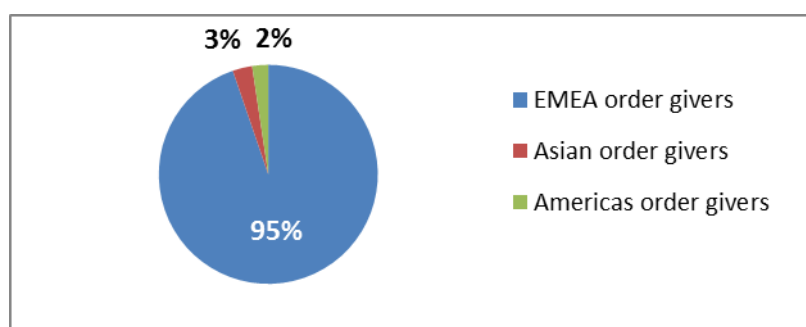


Figure 12 – Order volumes per region – First half of 2018

⁶ Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 9) representing 63% of the volumes. The regional percentages are calculated on this subset.

C.4.2 Split of automation and standardisation rates by region

The total automation rate of orders increased in Q2 2018 in the EMEA and APAC region.

For EMEA, the ISO standardisation rate increased to 12.8% in Q2 2018 (against 12.4% in Q4 2017) and the rate of proprietary files increased to 85.2% in Q2 2018 (against 85% in Q4 2017).

In APAC region, the ISO standardisation rate decreased from 26.6% in Q4 2017 to 26.1% in Q2 2018 while the automation rate of proprietary files increased to 54.8% in Q2 2018 (against 54% in Q4 2017).

The total automation rate of orders in the Americas region decreased in Q2 2018. This was due to a decrease of the ISO standardisation rate from 18.2% in Q4 2017 to 15.8% in Q2 2018 and proprietary files were subject to a decrease with a rate moving from 53.9% in Q4 2017 to 50.8% in Q2 2018.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth	Q2 2018	Q4 2017	Growth
EMEA	2.0%	2.6%	-0.6%	85.2%	85.0%	0.2%	12.8%	12.4%	0.4%	98.0%	97.4%	0.6%
APAC	19.1%	19.4%	-0.3%	54.8%	54.0%	0.8%	26.1%	26.6%	-0.5%	80.9%	80.6%	0.3%
Americas	33.4%	27.9%	5.5%	50.8%	53.9%	-3.1%	15.8%	18.2%	-2.4%	66.6%	72.1%	-5.5%

Figure 13 – Ireland standardisation rates per region

D. Standardisation of fund processing in Italy

The Italian market is progressing steadily in its transition towards ISO 20022 communication standards between **asset managers, intermediaries, local TAs** and **custodian banks**.

The Guidelines for the standardization of the asset management industry are at the basis of the standardization process in Italy. They have been developed by the industry and are kept up to date by a technical assistance unit, the Abilab standardization group, funded by industry players representative of the market and coordinated by the industry trade bodies. The Guidelines comprise the messaging standard ISO 20022 together with best practice recommendations regarding processes.

The Abilab Standardization Group carries out regular surveys and has developed 4 Key Process Indicators (KPI) to monitor the process of adoption.

The most recent survey, launched in 2018 and focusing on the industry members who are part of the Abilab standardization group – comprising 88% of the industry - shows a steady pace in adoption, particularly amongst asset managers.

As of 2018, 11 asset managers, 16 distributors and 7 local paying agents declare to be committed to the adoption of the standards developed by the industry and 94% of them are already ISO 20022 compliant.

The results of the recent survey show the following results:

KPI 0 - Participation - Number of participating counterparties (asset managers and distributors) who are ISO compliant

The indicator measures the counterparties which are potentially able to process using the standard. The share went from 85% in 2015 to 94% in 2018.

KPI 1 - Volume - Monthly average of “standard” transactions received by asset manager/local paying agents

The recent survey showed a strong increase in the number of transactions (including account openings, orders), reaching 48mn on an annual basis and representing over half of the total (52%, with +65% on previous survey).

KPI 2 - Reach (% of distributors who are actually using the standard)

This indicator measures how extensive is the actual adoption of the standard in exchanging messages. It stands at 25%. This percentage is relatively low compared to figures reported for KP0 and KP1. While the adoption by large players positively affects the overall number of transactions, the KP2 reflects the fact that a number of smaller counterparties has not adopted the standard yet.

KPI 3 Depth

This indicator shows the “depth” of the standard adoption – meaning the number of operational processes that have been standardized across the value chain. The result is that there is a good level of adoption across most processes (especially account opening/managing and orders, datasets). The future challenge will be to complete the adoption of the standard for transfers.

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

- Increasing the level of automation for Transfer process at local and cross-border level
- Defining an ISO 20022 message for MIFDII data based on EWG template
- Optimizing ISO 20022 messaging for individual saving account (PIR)
- Completing the impact analysis of Anti-Money Laundering IV Directive

Although the standardization has made substantial progress and has gained a strong foothold in the Italian market, its full benefit will become apparent once the use of the standard and ISO messaging will further extend among small and medium size counterparties. Associations (ABI, Assogestioni) continue working with Regulators (Banca d'Italia, Consob) to support further adoption of ISO 20022 across the fund industry.

E. Next report

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in Q2 2019. This report will cover progress in standardisation rates in Luxembourg and Ireland in 2014-2018.