

# **Fund Processing Standardisation**

Tracking industry progress

*2020 Mid-Year Data Report*

## Background

EFAMA and SWIFT publish on a bi-yearly<sup>1</sup> 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 websites<sup>2</sup> dating back to May 2009.

This Mid-year report gives an update about the evolution during the first half of 2020. The report combines the Luxembourg and Ireland data into one single cross-border fund processing report providing an aggregated view of both fund processing centres and a detailed overview per fund processing centre.

The goal of this initiative is to inform all institutions involved in fund processing, as well as the European authorities and 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 .....	3
A. Cross-border fund processing standardisation in Luxembourg and Ireland.....	3
B. Cross-border fund processing standardisation in Luxembourg.....	3
C. Cross-border fund processing standardisation in Ireland .....	4
A. Cross-border fund processing standardisation in Luxembourg and Ireland .....	5
A.1 Order volume evolution.....	5
A.2 Automation level.....	5
A.3 Standardisation levels .....	6
B. Focus on Luxembourg.....	7
B.1 Order volume evolution.....	7
B.2 Automation level.....	7
B.3 Standardisation levels.....	8
B.4 Regional data.....	8
C. Focus on Ireland.....	10
C.1 Order volume evolution.....	10
C.2 Automation level.....	10
C.3 Standardisation levels.....	11
C.4. Regional data.....	11
D. Next report.....	13

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

<sup>2</sup> <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 and 9 in Ireland
  - With an estimated market coverage of 80% of the cross-border market volumes in Ireland and 75% in Luxembourg.
  - Standardisation data collected on 23 million incoming orders in H1 2020
- In the first half of 2020, the **total volume of orders** increased by **2.9%** to **23 million orders**, compared to **22.4 million orders** in the second half of 2019.
  - The volume of **automated processed orders** increased by **3.3%** to **21.1 million** in H1 2020 (against 20.5 million in H2 2019).
  - In the first half of 2020, the adoption of **ISO messaging standards (composed of ISO 15022 and 20022 messages)** decreased by 5.3 percentage points to **57%**. In parallel, the use of **proprietary ftp** increased by 5.4 p.p. to **34.9%** and the manual processing rate remains stable at 8.1%.

### *B. Cross-border fund processing standardisation in Luxembourg*

- In the first half of 2020, the total volume of orders decreased to **13.5 million**, from 14.6 million in the second half of 2019.
- Among these orders, **12.1 million orders** were processed automatically in the first half of 2020, and 1.4 million orders were processed manually.
- The **total automation rate** of orders decreased to 89.4% in Q2 2020, from 90.2% in Q4 2019.
- The percentage of automated orders based on the **ISO messaging standards** decreased to 75.2% during H1 2020 (compared to 76.6% in Q4 2019), whereas the use of **proprietary ftp** increased from 13.6% in Q4 2019 to 14.2% in Q2 2020.
- **Orders incoming from EMEA** represented **72% in H1 2020**, whereas the share of orders from APAC and America regions reached **24%** and **4%, respectively**<sup>3</sup>.
- In **EMEA region**, the **total automation** decreased to 88.6% in Q2 2020 **from 89%** in Q4 2019. This reflected a **decrease in the ISO standardisation rate** from 69.9% in Q4 2019 to 69.1% in Q2 2020 and an **increase in the proprietary ftp rate** from 19.1% in Q4 2019 to 19.5% in Q2 2020.

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<sup>3</sup> Regional statistics are based on data provided by 13 (out of the participating 19) TAs in Luxembourg. This represented 50.4% of the Luxembourg survey volumes for H1 2020.

- For orders incoming from the **APAC and Americas regions**, the **total automation rate increased** in H1 2020 to 87.5% and 84.2%, respectively, (from 86.2% and 80.3% in Q4 2019).
- In the **APAC region**, this trend was mainly driven by an **increase in the ISO standardisation** (from 55.4% in Q4 2019 to 57.5% in Q2 2020), against the backdrop of **a decrease in the proprietary ftp rate**, which went down by 0.8 p.p. to **30%** in Q2 2020.
- In the **Americas region**, the increase in the automation rate reflected an increase in the **ISO standardisation rate** (from 43.3% in Q4 2019 to 53.6% in Q2 2020), which was stronger than the decrease in the **proprietary ftp rate** (from 37% in Q4 2019 to 30.6% in Q2 2020).

### ***C. Cross-border fund processing standardisation in Ireland***

- In the first half of 2020, the **total volume of orders** increased to **9.5 million orders**, from **7.8 million orders** in the second half of 2019.
- The 9 Ireland-based TAs **manually processed 0.5 million orders** in the first half of 2020.
- The **total automation rate** of orders processed by Irish TAs increased to 95.3% in H1 2020, from 94.6% in Q4 2019.
- The **proprietary ftp rate** increased to **62.3%** in H1 2020 from 58% in Q4 2019, and the **ISO standardisation rate decreased to 33%** from 36.6% in Q4 2019.
- In EMEA and APAC regions<sup>4</sup>, the **total automation rate increased** respectively to **98.9%** and **85.3%** in H1 2020 (against 98.2% and 82.5% in Q4 2019).
- In the **EMEA region**, this trend was mainly driven by an **increase in the proprietary ftp rate** (from 84.6% in Q4 2019 to 88% in Q2 2020), and a **decrease in the ISO standardisation rate** (from 13.6% in Q4 2019 to 10.9% in Q2 2020).
- In the **APAC region**, the increase in the automation rate reflected an increase in the **proprietary ftp rate** (from 56.2% in Q4 2019 to 60.1% in Q2 2020), and a decrease in the **ISO standardisation rate** (from 26.3% in Q4 2019 to 25.2% in Q2 2020).
- In Americas region, the total automation rate decreased to 86.3% in Q2 2020, from 87.3% in Q4 2019.

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<sup>4</sup> Regional statistics are based on data provided by 5 TAs (out of the 9 Irish survey participants) in Ireland; representing 64% of the survey volumes of the Ireland funds processing centre for the first half of 2020.

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

### A.1 Order volume evolution

Across Ireland and Luxembourg, 23 million orders were processed by the 28 survey participants by end of June 2020. With a monthly average of 3.8 million orders, order volumes increased by 2.9% compared to the second half of 2019.

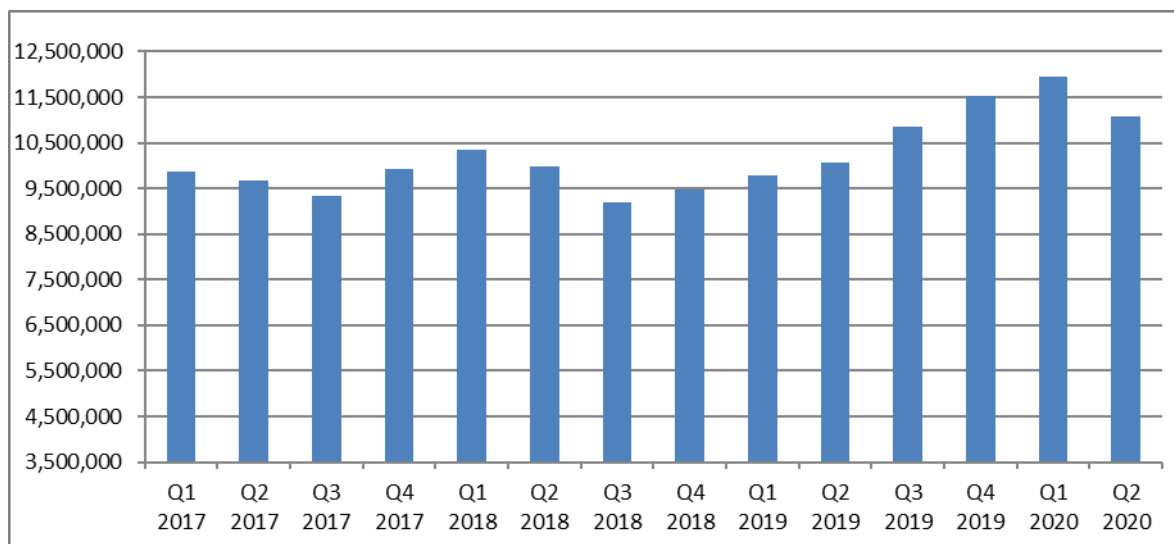


Figure 1 - Order volume evolution 2017 – 2020

### A.2 Automation level

The total automation rate remains quite stable at 91.9% in Q2 2020.

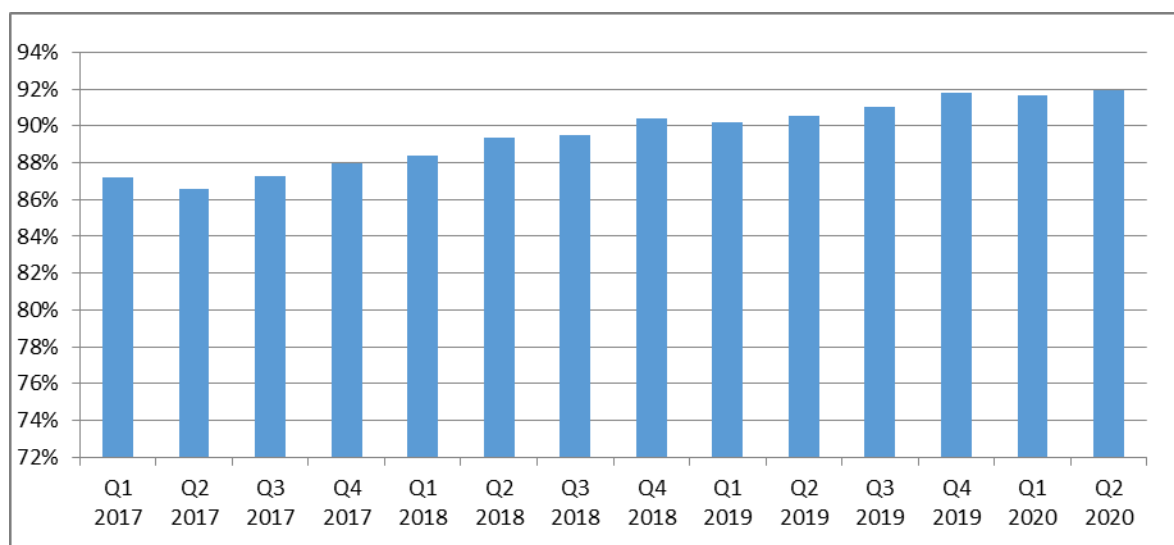
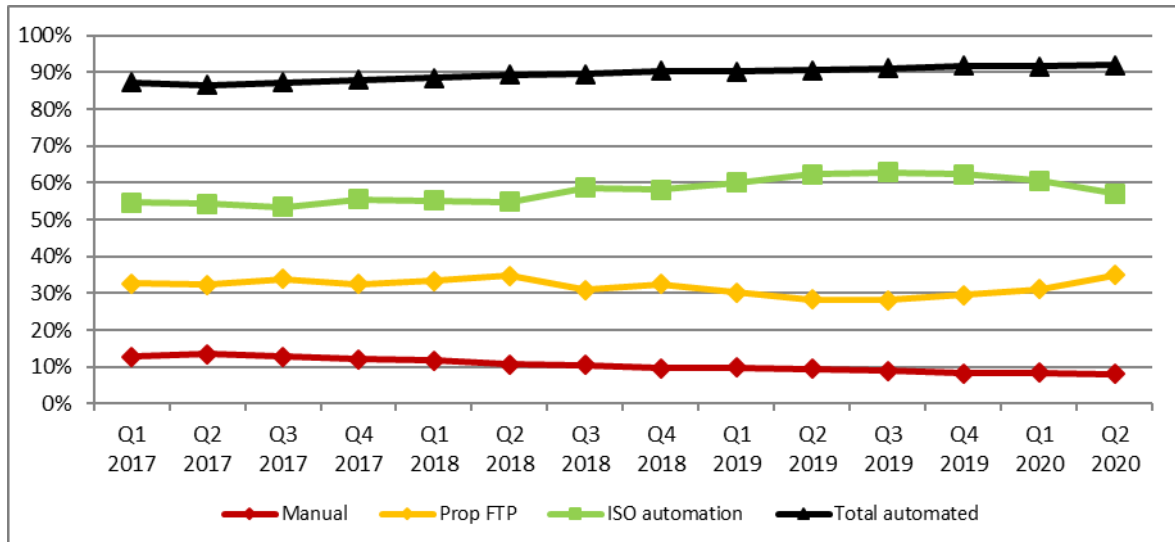


Figure 2 - Automation level evolution 2017 – 2020

### A.3 Standardisation levels

In H1 2020, the adoption of ISO decreased by 5.3 percentage points to 57% (against 62.3% in Q4 2019). While the adoption of proprietary formats increased to 34.9% in H1 2020 (against 29.5% in Q4 2019), the manual processing rate remains quite stable at 8.1%.



**Figure 3 - Standardisation rate evolution 2017 – 2020**

## B. Focus on Luxembourg

### B.1 Order volume evolution

The 19 Luxembourg survey contributors processed 13.5 million orders during the first two quarters of 2020. Representing a monthly average of 2.2 million orders.

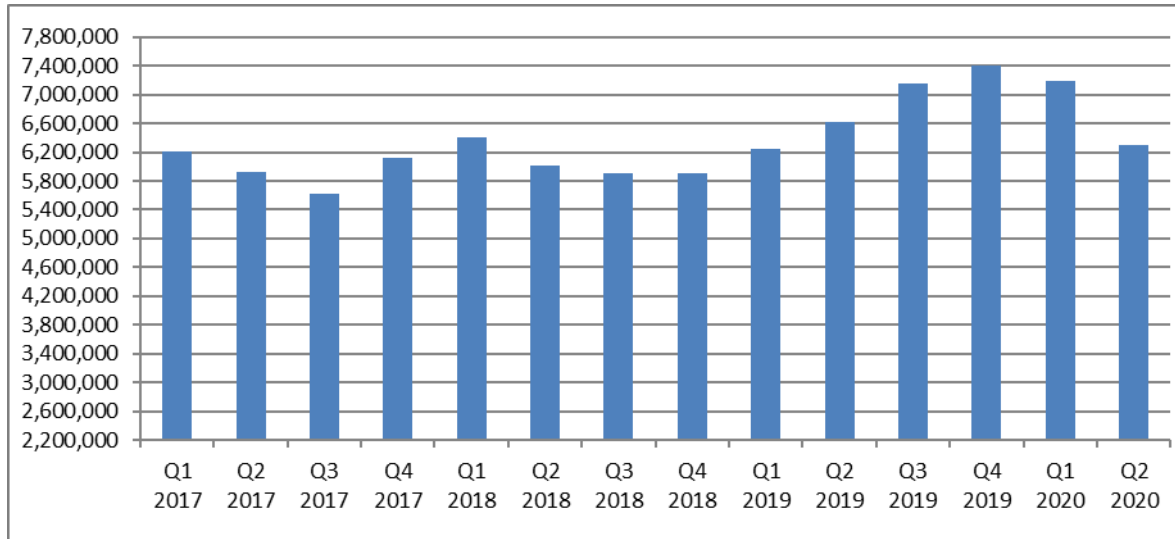


Figure 4 - Order volume evolution 2017 - 2020

### B.2 Automation level

In Q2 2020, the total automation rate slightly decreased to 89.4%.

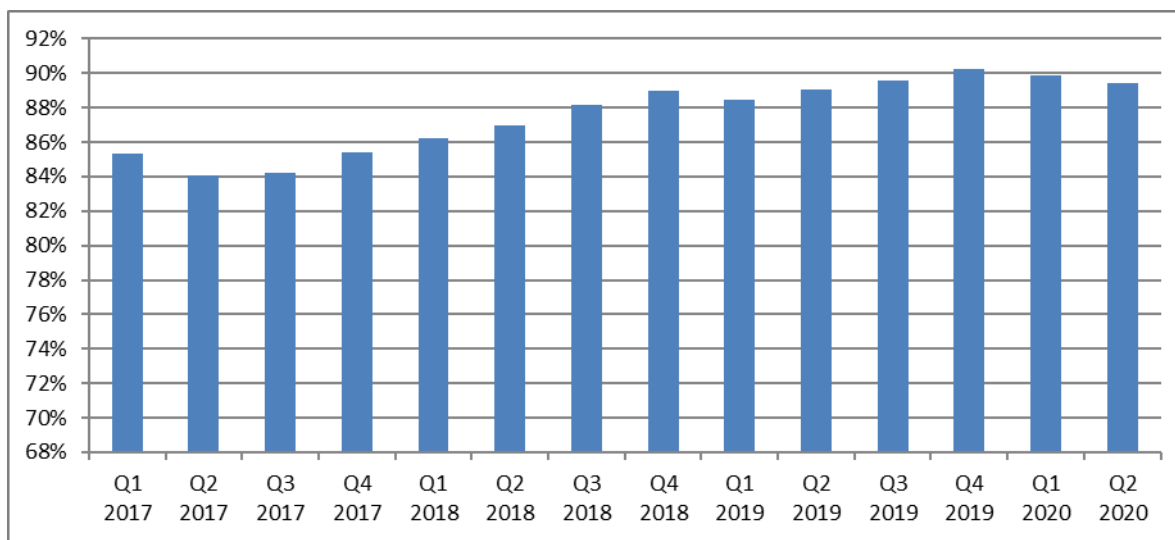


Figure 5 - Automation level evolution 2017 - 2020

### B.3 Standardisation levels

The ISO messaging standard decreased to 75.2% during H1 2020 (against 76.6% in Q4 2019). The proprietary formats automation rate increased to 14.2% in H1 2020 (from 13.6% in Q4 2019). The share of manually processed orders increased to 10.6% in H1 2020 (against 9.8% in Q4 2019).

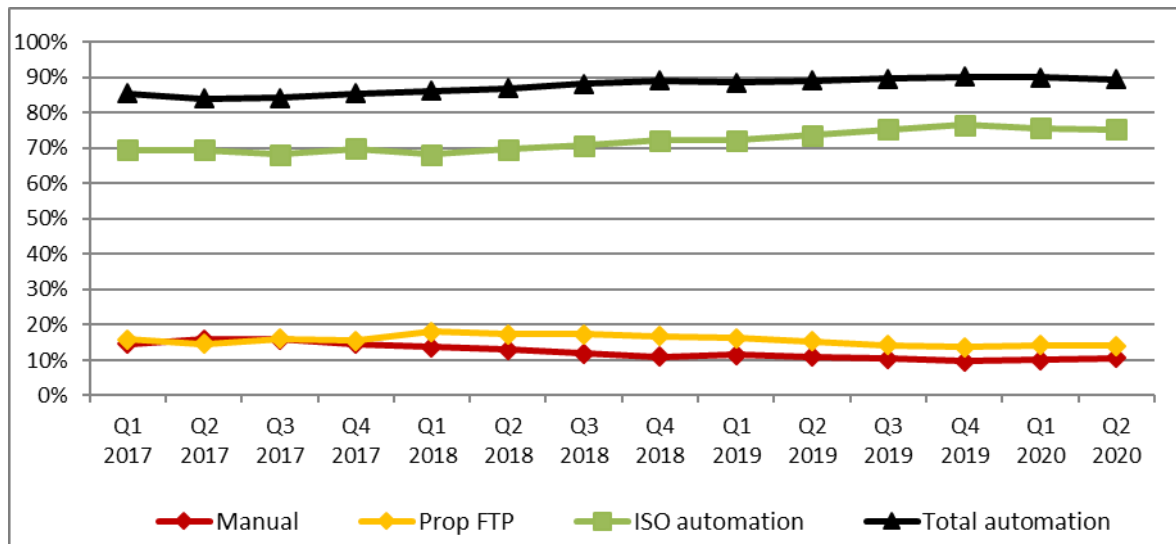


Figure 6 - Standardisation rate 2017 - 2020

### B.4 Regional data<sup>5</sup>

#### B.4.1 Split of volumes by region

The proportion of orders incoming from the three regions remains the same. EMEA region represented 72% of incoming order volumes in Luxembourg in the first half of 2020, while APAC generated 24% of incoming order volumes and Americas 4%.

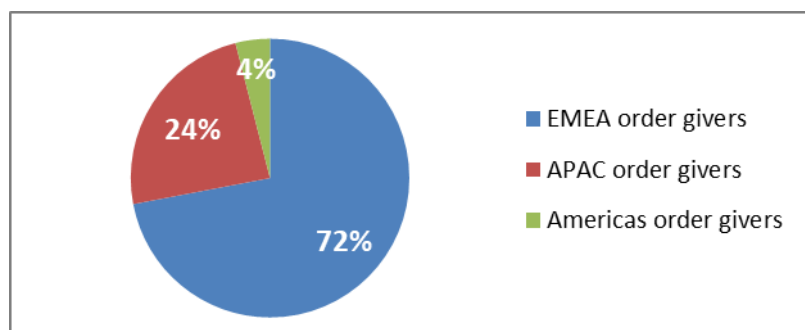


Figure 7 - Order volumes per region – First half of 2020

<sup>5</sup> Please note that the regional data is based on contributions of 13 out of the 19 transfer agents, representing about 50.4% of the survey volumes for H1 2020. 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 and Americas regions increased in H1 2020.

The total automation rate of orders incoming from APAC increased to 87.5% in H1 2020 compared to 86.2% in Q4 2019. This was driven by the increase in the ISO standardisation rate to 57.5% in H1 2020 from 55.4% in Q4 2019. In parallel, the proprietary ftp rate fell by 0.8 p.p. to 30% in Q2 2020.

In the Americas region, the increase in the automation rate reflected an increase in the ISO standardisation rate (from 43.3% in Q4 2019 to 53.6% in Q2 2020), with a decrease in the proprietary ftp rate (from 37% in Q4 2019 to 30.6% in Q2 2020).

In the EMEA region, the total automation rate decreased to 88.6% in H1 2020, compared to 89% in Q4 2019. This was due to a decreasing use of the ISO standardisation rate from 69.9% in Q4 2019 to 69.1% in Q2 2020 and an increase in the proprietary ftp rate from 19.1% in Q4 2019 to 19.5% in Q2 2020.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth
<b>EMEA</b>	11.4%	11.0%	0.4%	19.5%	19.1%	0.4%	69.1%	69.9%	-0.8%	88.6%	89.0%	-0.4%
<b>APAC</b>	12.5%	13.8%	-1.3%	30.0%	30.8%	-0.8%	57.5%	55.4%	2.1%	87.5%	86.2%	1.3%
<b>Americas</b>	15.8%	19.7%	-3.9%	30.6%	37.0%	-6.4%	53.6%	43.3%	10.3%	84.2%	80.3%	3.9%

**Figure 8 – Luxembourg standardisation rates per region**

## C. Focus on Ireland

### C.1 Order volume evolution

By end of June 2020, the 9 Irish survey participants processed 9.5 million orders. This equals a monthly average of 1.6 million orders. As such, the volume of orders increased by 22% compared to the second half of 2019.

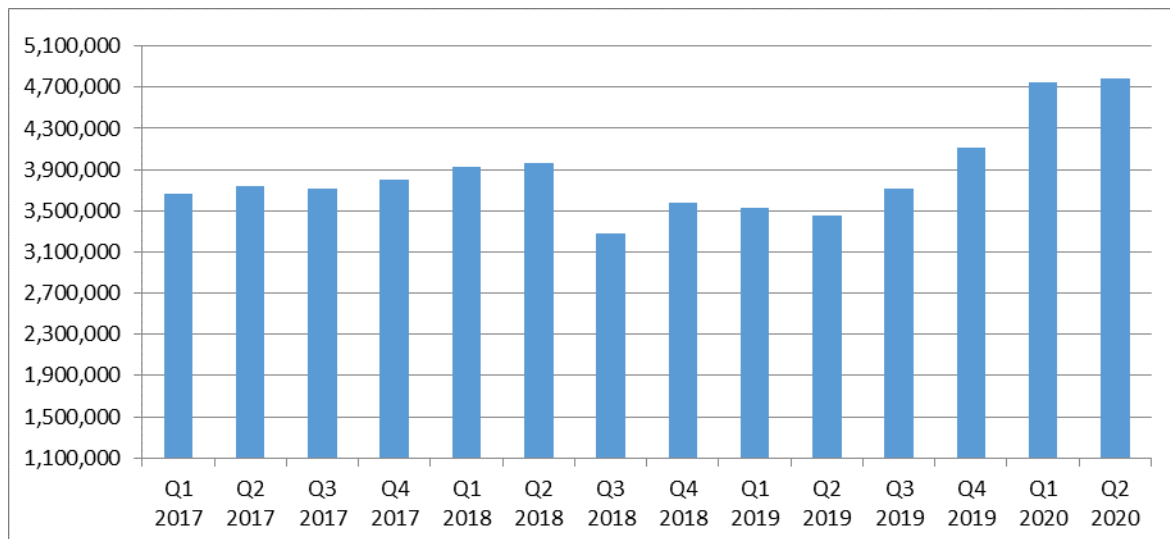


Figure 9 - Order volume evolution 2017 – 2020

### C.2 Automation level

In Ireland, the total automation rate increased to 95.3% in H1 2020 (against 94.6% in Q4 2019).

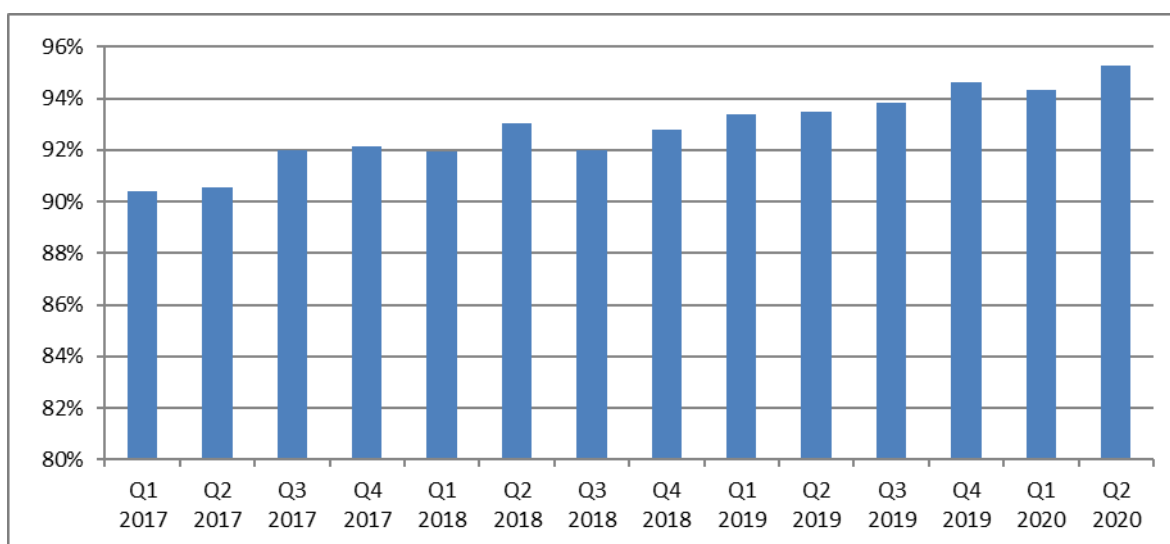


Figure 10 - Automation level evolution – 2017 - 2020

### C.3 Standardisation levels

In the second quarter of 2020, the ISO adoption rate decreased to 33% (against 36.6% in Q4 2019), and the adoption of proprietary formats went up to 62.3% in H1 2020 (against 58% in Q4 2019). The share of manually processed orders decreased to 4.7% in H1 2020 against 5.4% in Q4 2019.

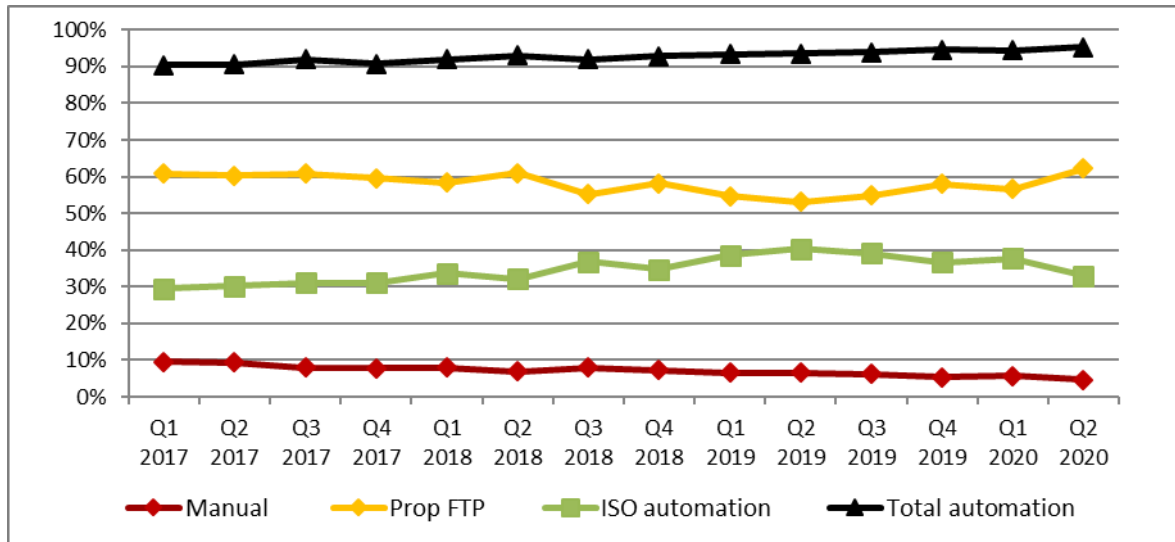


Figure 11 - Standardisation rate evolution 2017 – 2020

### C.4. Regional data<sup>6</sup>

#### C.4.1 Split of volumes by region

EMEA region represented 95% of incoming order volumes in Ireland in the first half of 2020, while APAC generated 3% of incoming order volumes and Americas 2%.

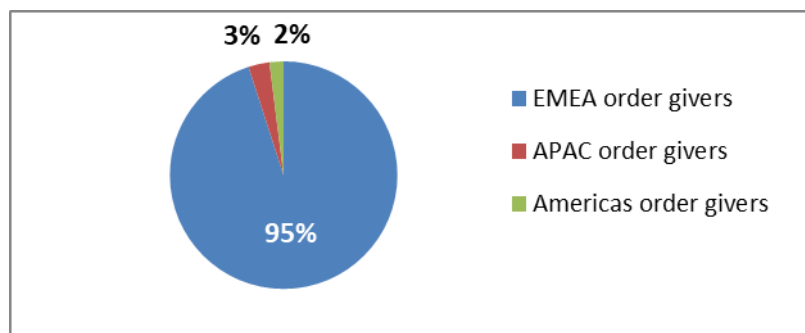


Figure 12 – Order volumes per region – First half of 2020

<sup>6</sup> Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 9) representing 64% of the volumes in H1 2020. 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 H1 2020 in EMEA and APAC regions.

For EMEA, the total automation rate increased to 98.9% in H1 2020 (against 98.2% in Q4 2019). This trend was mainly driven by an increase in the proprietary ftp rate (from 84.6% in Q4 2019 to 88% in Q2 2020), with a decrease in the ISO standardisation rate (from 13.6% in Q4 2019 to 10.9% in Q2 2020).

In APAC region, the total automation rate increased from 82.5% in Q4 2019 to 85.3% in Q2 2020. The proprietary ftp rate increased to 60.1% in Q2 2020 from 56.2% in Q4 2019, while the rate of ISO standardisation decreased to 25.2% in H1 2020 from 26.3% in Q4 2019.

The total automation rate of orders in the Americas region decreased to 86.3% in H1 2020. This was due to a decrease in the proprietary ftp rate from 71.1% in Q4 2019 to 52.4% in Q2 2020, whereas the rate of ISO standardisation moved from 16.2% in Q4 2019 to 33.9% in Q2 2020.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth	Q2 2020	Q4 2019	Growth
<b>EMEA</b>	1.1%	1.8%	-0.7%	88.0%	84.6%	3.4%	10.9%	13.6%	-2.7%	98.9%	98.2%	0.7%
<b>APAC</b>	14.7%	17.5%	-2.8%	60.1%	56.2%	3.9%	25.2%	26.3%	-1.1%	85.3%	82.5%	2.8%
<b>Americas</b>	13.7%	12.7%	1.0%	52.4%	71.1%	-18.7%	33.9%	16.2%	17.7%	86.3%	87.3%	-1.0%

**Figure 13 – Ireland standardisation rates per region**

## **D. Next report**

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in Q2 2021. This report will cover progress in standardisation rates in Luxembourg and Ireland in 2017-2020.