



# Fund Processing Standardisation

Tracking industry progress

*Mid 2012 Update*



## Background

EFAMA publishes 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 as of May 2009 are available on both EFAMA and SWIFT websites<sup>2</sup>.

This Mid-year report gives an update on the evolution in the first half of 2012. The EFAMA Fund Processing Standardization report combines the Luxembourg and Ireland data into one single cross-border fund processing report providing

- a. an aggregated view on both fund processing centres together;
- 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.....	6
B. Focus on Luxembourg.....	7
B.1 Order volume evolution.....	7
B.2 Automation level.....	8
B.3 Standardisation levels.....	8
B.4 Regional data .....	9
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 .....	12

<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> <http://www.swift.com/funds>

[http://www.efama.org/index.php?option=com\\_docman&task=cat\\_view&gid=88&Itemid=-99](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 insight on the combined surveys coverage:*

- 32 transfers agents (TAs) surveyed: 21 in Luxembourg & 11 in Ireland<sup>3</sup>
  - >80% market coverage (on incoming 3rd-party investment funds order volumes)
  - Standardisation data collected on 11.9 million incoming orders H1 2012
- In the first half of 2012, the **total volume of orders** remained the same as in the second half of 2011 with **11.9 million orders**.
  - Out of this, the volume of **manually processed orders** decreased by 7% to **2.8 million** (against 3 million in H2 2011).
  - In Q2 2012, the **total automation rate** (ISO and proprietary files) of processed orders **increased** by 1.4% percentage points reaching **77%** (against 75.6% in Q4 2011). This was driven by the **ISO messaging standards<sup>4</sup> increase** of 4.4 percentage points to **42.4%** in Q2 2012. The use of **proprietary ftp** continued to **decrease** from 37.6% (Q4 2011) to **34.5%** (Q2 2012).

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

- Comparing the first half of 2012 to the second half of 2011, **order volumes increased by 4%**. In total, **7.9 million orders** were processed by survey contributors during the first half of 2012.
- Among these orders, **2.1 million orders** were processed **manually**, representing a decrease of 6% compared to the second half of 2011 (2.3 million orders).
- The **total automation rate** of orders processed in Luxembourg increased by 2.9 percentage points to **73.1%** in Q2 2012 compared to Q4 2011 (where it stood at 70.2%).
- The percentage of automated orders based on the **ISO messaging standards** increased from 52.7% during Q4 2011 to **55.2%** in Q2 2012. Besides, the use of **proprietary ftp** increased marginally from 17.5% in Q4 2011 to **17.9%** in Q2 2012.

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<sup>3</sup> The number of survey participants of the Luxembourg funds processing centre has increased by one. The number of Irish survey participants remained stable compared to the 2011 survey.

<sup>4</sup> 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 volumes<sup>5</sup>, **orders incoming from EMEA** represented **66%** against **30%** 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 2011 where it stood at 62% in EMEA and 33% in APAC.
- For orders incoming from the region **EMEA**, the **total automation rate increased** from 76.6% in Q4 2011 to **79.7%** in Q2 2012. This was due to the **increasing ISO standardization rate** which went up from 61.7% in Q4 2011 to **63.8%** in Q2 2012 and the **growing proprietary ftp rate** which rose from 14.9% in Q4 2011 to **15.8%** in Q2 2012.
- For orders sent by order givers in the **APAC and Americas regions**, the **total automation rate** (ISO and proprietary ftp) **decreased** respectively to 41.9% and 71.9% in Q2 2012 compared to Q4 2011 (42.9% and 86.5%). In **APAC**, this trend was mainly driven by a **decrease of the proprietary ftp rate and the ISO standardisation** which went down by respectively 0.5 and 0.4 percentage points to **29.1% and 12.8%** in Q2 2012. Whereas in the **Americas** region, the **proprietary ftp rate** fell by 15.4 percentage points to **38.9%** in Q2 2012.

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

- In the first half of 2012, **the total volume of orders** was equal **to 4 million**. As such, order volumes decreased by 7% compared to the second half of 2011.
- The 11 Ireland-based TAs **manually processed 0.6 million orders** compared to 0.7 million in the second half of 2011.
- The **total automation rate** of orders processed by Irish transfer agents, decreased slightly to **84.6%** in Q2 2012 (against 85% in Q4 2011).
- The percentage of automated orders based on the **ISO messaging standards** increased to **17.3%** in Q2 2012 (against 13.1% in Q4 2011,) while the **proprietary ftp rate fell to 67.3%** (against 71.9% in Q4 2011).
- For all three regions<sup>6</sup>, the ISO standardisation rate of incoming orders rose. The increase was the most important for the orders sent by **Asia Pacific**-based order givers reaching **18%** in Q2 2012 (against 12.9% in Q4 2011).
- The **ISO standardization rate of EMEA- and Americas-**originating orders increased in Q2 2012 respectively to **8.2%** and **13.3%** (against 6.4% and 11.9% in Q4 2011).

<sup>5</sup> 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 2012.

<sup>6</sup> Regional statistics are based on data provided by 5 TAs (out of the 11 Irish survey participants) in Ireland; representing 74% of the survey volumes of the Ireland funds processing centre for the first half of 2012.

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

### A.1 Order volume evolution

Across Ireland and Luxembourg, 11.9 million orders were processed by the 32 survey participants by end of June 2012. With a monthly average of 2 million orders, order volumes did not change compared to the second half of 2011.

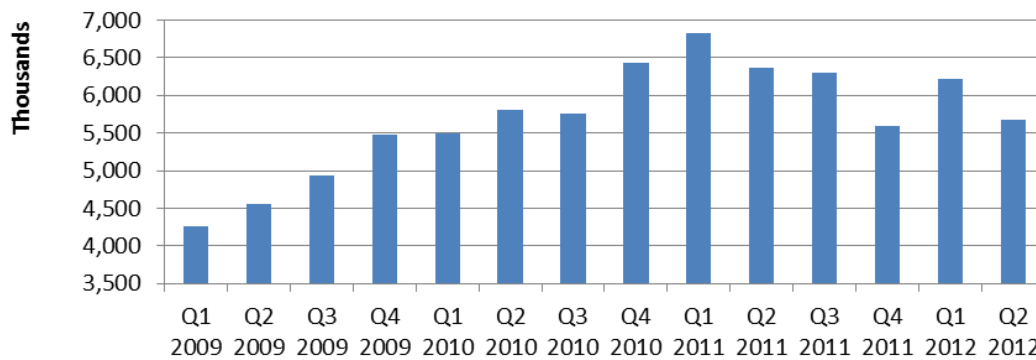


Figure 1 - Order volume evolution 2009 – 2012

The rebound in order volumes in the first quarter of 2012 came on the back of increased investor confidence after the launch of the ECB’s longer-term liquidity operations, which helped alleviate tensions on financial markets. However, uncertainty regarding a clear solution to the euro area sovereign debt crisis increased investor caution during the second quarter.

### A.2 Automation level

The total automation rate grew steadily in the first half of 2012 compared to last year and reached 77% in Q2 2012, against 75.6% where it stood in Q4 2011.

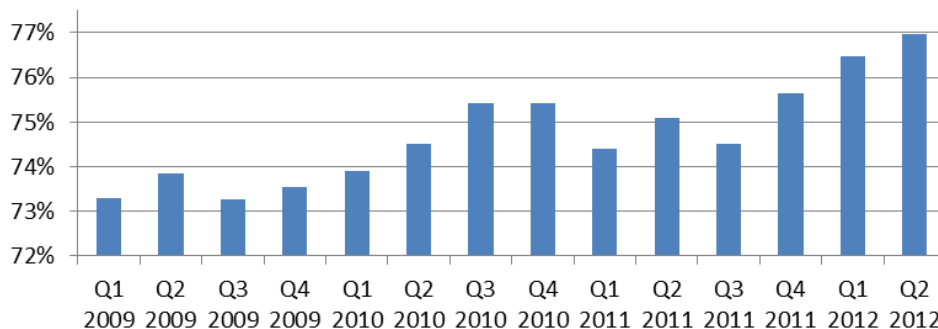


Figure 2 - Automation level evolution 2009 – 2012

### A.3 Standardisation levels

In Q2 2012, the adoption of ISO increased by 4.4 percentage points to 42.4% (against 38% in Q4 2011). Besides, the adoption of proprietary formats fell to 34.5% in Q2 2012 (against 37.6% in Q4 2011) representing a decrease of 3.1 percentage points. The manual processing rate went down from 24.4% in Q4 2011 to 23% in Q2 2012.

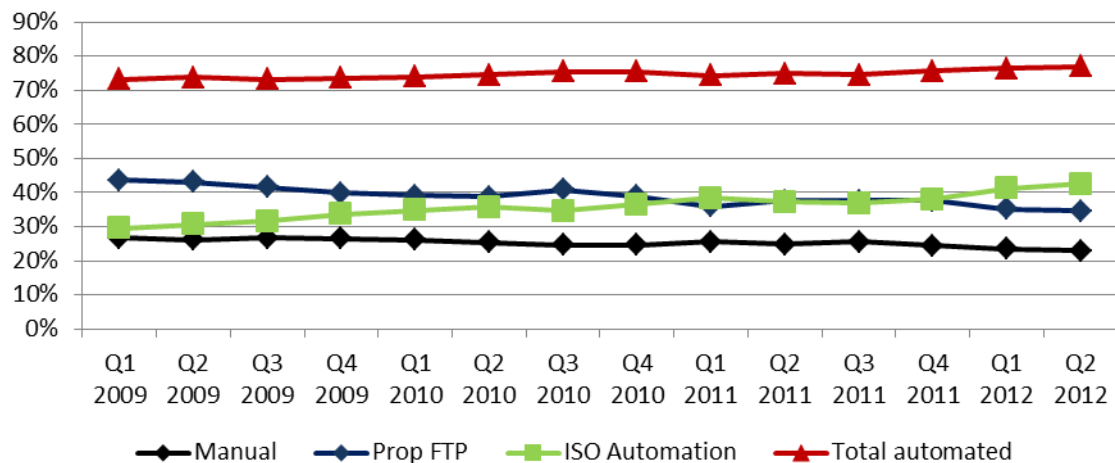


Figure 3 - Standardisation rate evolution 2009 – 2012

## B. Focus on Luxembourg

### B.1 Order volume evolution

The 21 Luxembourg survey contributors processed 7.9 million orders during the first two quarters of 2012. Representing a monthly average of 1.3 million orders, volumes increased by 4% compared to the second half of 2011.

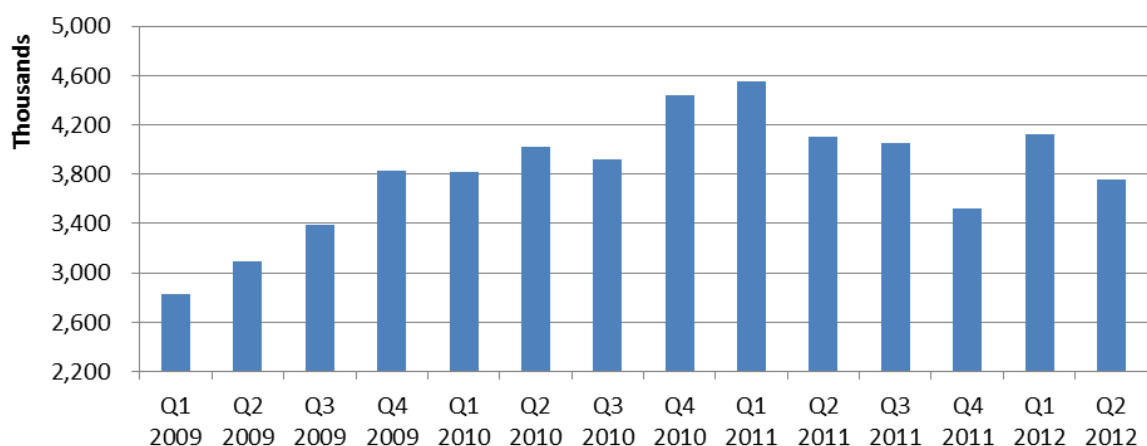


Figure 4 - Order volume evolution 2009 - 2012

### B.2 Automation level

In Q1 and Q2 2012, the total automation rate improved significantly and reached 73.1% in Q2 2012 compared to 70.2% in Q4 2011.

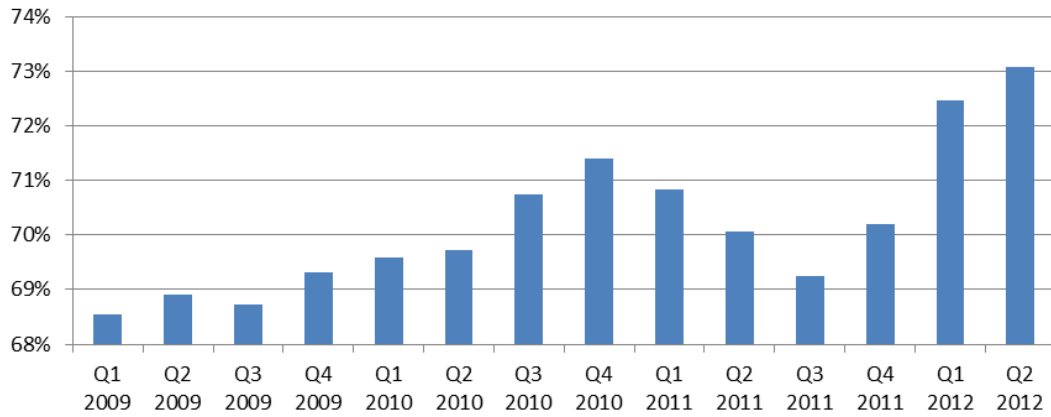


Figure 5 - Automation level evolution 2009 - 2012

### B.3 Standardisation levels

With a difference of 2.5% percentage points, the ISO adoption increased to 55.2% during Q2 2012 (against 52.7% in Q4 2011). The proprietary formats automation rate increased slightly by 0.4 percentage points to 17.9% (against 17.5% in Q4 2011). The share of manually processed orders went down from 29.8% in Q4 2011 to 26.9% in Q2 2012.

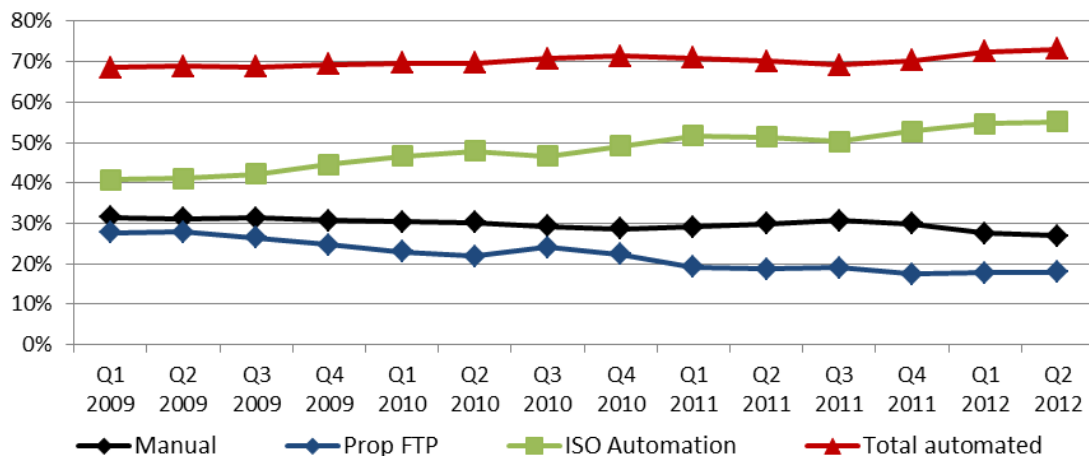


Figure 6 - Standardisation rate 2009 - 2012



## B.4 Regional data<sup>7</sup>

### B.4.1 Split of volumes by region

The EMEA-share increased to 66% (against 62% in H2 2011). APAC-based order givers generated 30% of incoming order volumes in Luxembourg during H1 2012; this represents decrease of 3 percentage points compared to H2 2011. The proportion of orders incoming from the Americas region remained stable around 4% in the first half of 2012.

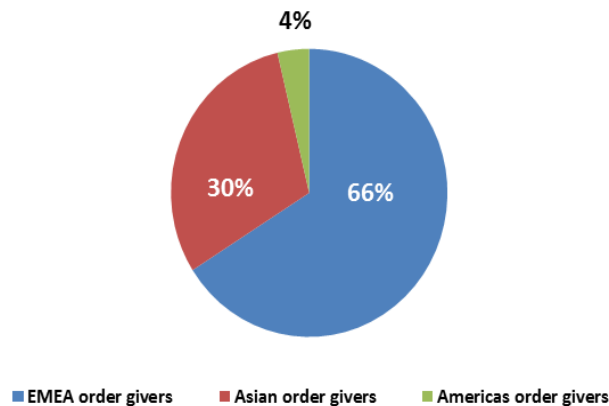


Figure 7 - Order volumes per region – First half of 2012

### B.4.2 Split of automation and standardisation rates by region<sup>8</sup>

The total automation rate of orders incoming from the EMEA region increased from 76.6% in Q4 2011 to 79.7% in Q2 2012. This was driven by the increasing ISO standardization rate which rose by 2.1 percentage points to 63.8% and the growing proprietary ftp rate which increased by 0.9 percentage points to 15.8% in Q2 2012.

Comparing Q2 2012 with Q4 2011, the evolution of total automation was decreasing for orders sent by order givers located in APAC and Americas. In the Americas region, this was due to the decrease of the proprietary ftp rate which decreased by 15.4 percentage points to 38.9% in Q2 2012. In APAC, the proprietary ftp rate and ISO standardisation rate decreased by respectively 0.5 and 0.4 percentage points to 29.1% and 12.8% in Q2 2012.

	Manual			Proprietary			ISO automation		
	Q2 2012	Q4 2011	Growth	Q2 2012	Q4 2011	Growth	Q2 2012	Q4 2011	Growth
<b>EMEA</b>	20.3%	23.4%	-3.0%	15.8%	14.9%	0.9%	63.8%	61.7%	2.1%
<b>APAC</b>	58.1%	57.1%	0.9%	29.1%	29.6%	-0.5%	12.8%	13.3%	-0.4%
<b>Americas</b>	28.9%	29.5%	-0.6%	38.9%	54.3%	-15.4%	32.2%	32.2%	0.0%

Figure 8 – Luxembourg standardisation rates per region

<sup>7</sup> 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 2012. This explains data variations compared to the full survey sample statistics.

<sup>8</sup> Please note that the APAC and Americas rates for Q4 2011 have been subject to revision post-publication of the 2011 year-end report.

## C. Focus on Ireland

### C.1 Order volume evolution

By end of June 2012, the 11 Irish survey participants processed 4 million orders. This equals a monthly average of 0.67 million orders. As such, the volume of orders dropped by 7% compared to the second half of 2011.

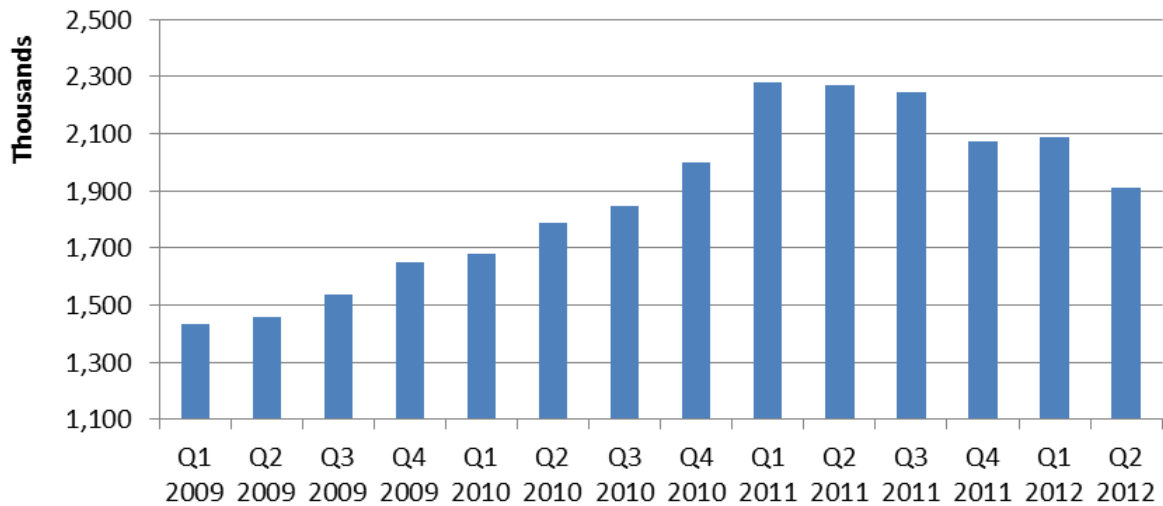


Figure 9 - Order volume evolution 2009 – 2012

### C.2 Automation level

In Ireland, the total automation rate reached 84.6% during Q2 2012 (against 85% in Q4 2011).

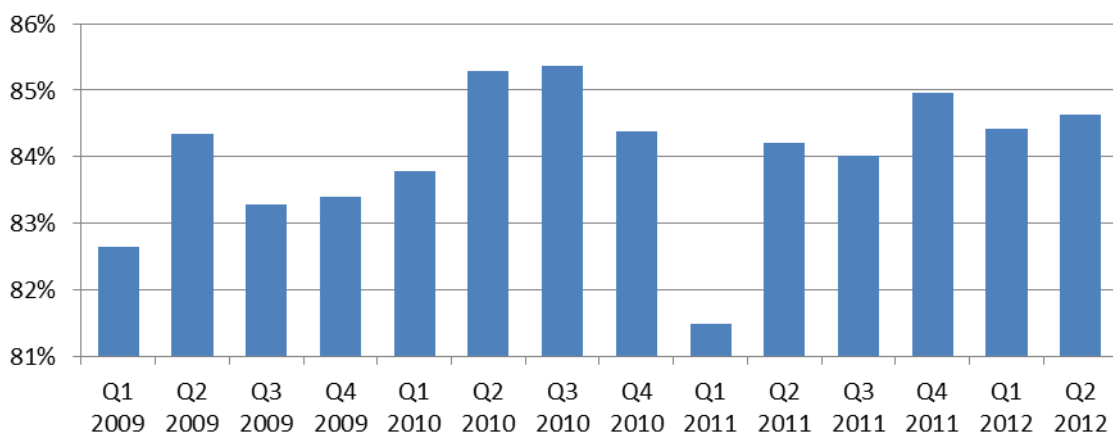


Figure 10 - Automation level evolution – 2009 - 2012

### C.3 Standardisation levels

In the second quarter of 2012, the ISO adoption rate moved up to 17.3% (against 13.1% in Q4 2011), whereas the adoption of proprietary formats decreased to 67.3% during the same period (against 71.9% in Q4 2011). The share of manually processed orders went up from 15% in Q4 2011 to 15.4% in Q2 2012.

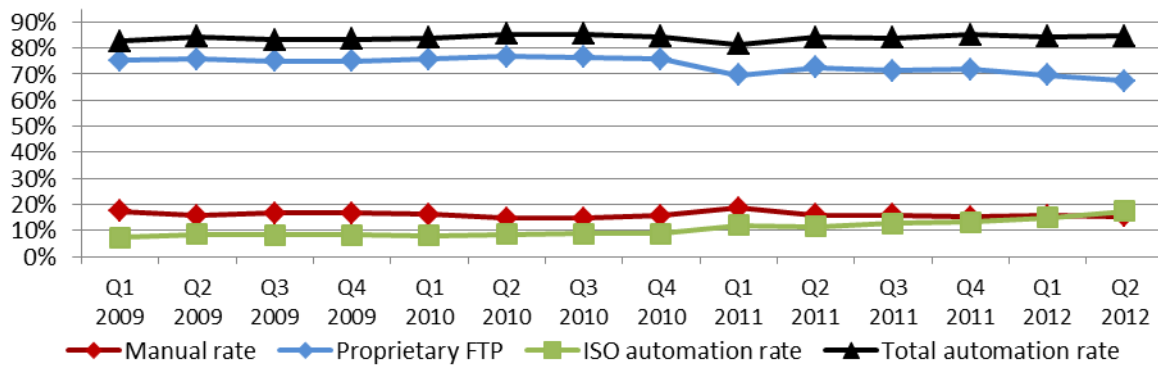


Figure 11 - Standardisation rate evolution 2009 – 2012

### C.4. Regional data<sup>9</sup>

ISO standardization continued to gain in importance in all three regions. Among the regions, the ISO adoption of orders originating from Asia Pacific was the most important. The ISO standardisation rate grew by 5.1 percentage points to 18% in Q2 2012 (against 12.9% in Q4 2011) while the proprietary files rate increased even more to 42.8% (against 34.5% in Q4 2011).

For EMEA, the ISO standardisation rate increased to 8.2% in Q2 2012 (against 6.4% in Q4 2011) and the automation rate of proprietary files decreased to 86.7% in Q2 2012 (against 90.4% in Q4 2011).

The ISO standardization rate in the Americas region increased from 11.9% in Q4 2011 to 13.3% in Q2 2012. Proprietary files were subject to a decrease with a rate moving from 79.7% in Q4 2011 to 76.5% in Q2 2012.

	Manual			Proprietary			ISO automation		
	Q2 2012	Q4 2011	Growth	Q2 2012	Q4 2011	Growth	Q2 2012	Q4 2011	Growth
<b>EMEA</b>	5.0%	3.2%	1.8%	86.7%	90.4%	-3.6%	8.2%	6.4%	1.8%
<b>APAC</b>	39.2%	52.6%	-13.4%	42.8%	34.5%	8.3%	18.0%	12.9%	5.1%
<b>Americas</b>	10.1%	8.4%	1.8%	76.5%	79.7%	-3.2%	13.3%	11.9%	1.4%

Figure 12 – Ireland standardisation rates per region

<sup>9</sup> Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 11) representing 74% 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 2013 and will cover the January 2009 – December 2012 progress in standardisation rates across the two main cross-border investment fund centres, Luxembourg and Ireland.