

Fund Processing Standardisation

Annual Report

on

**automation and standardisation of
cross-border funds orders in 2012**

18th March 2013

Index

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Background

Since May 2009, EFAMA & SWIFT publish on a regular basis¹ reports on trends in standardisation and automation rates of fund orders received by transfer agents (TAs) in Luxembourg and Ireland.

This latest version of the Fund Processing Standardization publication is the full-year 2012 report². It 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 per fund processing centre (Luxembourg and Ireland separately); and
- c. a regional perspective of fund processing STP rates per fund processing centre.

This ongoing initiative has the goal to inform about industry's advancements toward increased automation of fund orders and the use of ISO standards, as recommended by EFAMA³. The audience are institutions involved in fund processing, as well as the European Commission, the European Parliament and other interested stakeholders.

Besides the reporting of order volumes and automation rates, this report contains an analysis on the regional split of order volumes (by order giver location). The regional figures are provided in each market focus section as they are based on the underlying sub-set of survey respondents in these markets. A further section provides a view of the automated links newly implemented by the TAs in both markets in 2012.

EFAMA and SWIFT publish two fund processing standardisation reports per year: a full year detailed report and a mid-year update report.⁴

¹ Prior to 2010, the scope of the Annual Report was limited to Luxembourg. TAs in Ireland started to be part of the global survey with the Mid-2010 fund processing standardisation report.

² The full-year 2012 report takes into account data from a participant that was missing until now. The data has been retroactively provided and processed and the report has been adjusted accordingly.

³ EFAMA's best practice recommendations are available on both SWIFT and EFAMA's websites. The first set of recommendations were published in February 2005. A new report was published on 24 March 2011, consolidating the recommendations published in 2005 and updated in 2008, and extending the recommendations in two key areas, i.e. Transfers and Corporate Actions.

⁴ These reports are available on both EFAMA and SWIFT websites.

Report Highlights

A. Automation and standardisation of fund orders in Luxembourg and Ireland

1. **Survey coverage: 32 transfer agents (TAs)** contribute to the survey
 - a. **21 Luxembourg-based TAs**
 - b. **11 Ireland-based TAs**
2. **Total automation rate⁵** of orders during Q4 2012 reached **77.7%**; this represents an increase of **1.7** percentage points compared to Q4 2011 (**76.0%**).
3. **ISO automation rate⁶** reached **43.8%** in Q4 2012 versus **37.6%** in Q4 2011, a significant increase of **6.2** percentage point.
4. In terms of number of new automated links setup by TAs with new order givers, **ISO adoption is clearly the first choice**. Indeed, survey contributors have reported 282 new ISO automated links implemented during 2012, compared to 11 new proprietary file transfer (FTP) links put in place in 2012.
5. The **ISO messaging standard adoption** rate, in line with the EFAMA recommendation in favour of a single ISO standard to be used in the funds industry, continues to strengthen to the detriment mainly of proprietary FTP: the use of **proprietary FTPs has decreased** by **4.5** percentage points from **38.4%** (Q4 2011) to **33.9%** (Q4 2012)
6. **Order volumes** have slightly decreased in the course of 2012. In total, **24.3 million orders** were processed by the 32 survey contributors, **a decrease of 3% compared to 2011**.
7. The **32 surveyed TAs manually processed 5.6 million orders in 2012**, compared to 6.3 million in 2011. Manual process rates decreased by 1.7 percentage points to 22.3% in Q4 2012 (against 24.0% in Q4 2011).

Fund Orders Automation and Standardisation Progress Overview

GLOBAL OVERVIEW	Q4 2010	Q4 2011	Q4 2012	Progress 11 - 12
Manual orders	24.6%	24.0%	22.3%	-1.7%
ISO automated orders	36.5%	37.6%	43.8%	6.2%
Proprietary FTP orders	38.9%	38.4%	33.9%	-4.5%
Total automated	75.4%	76.0%	77.7%	1.7%

Table 1 – Automation and Standardisation rate evolution (Q4 data)⁷

⁵ The ‘total automation rate’ is the sum of the ‘ISO automation rate’ + the ‘proprietary formatted ftp’ rate. This is based on combined Luxembourg and Ireland figures.

⁶ The ‘ISO automation rate’ corresponds to the standardisation rate, i.e. the rate of automated orders using an ISO format (ISO 20022 or ISO 150222 ‘fund template’).

⁷ The full year 2010, 2011 and 2012 data are shown in Table 6, page 10.

B. Automation and standardisation of fund orders in Luxembourg

1. **Survey coverage: 21 TAs contributed to the survey in 2012** (9 in-house and 12 third-party TAs).
2. **The total automation rate of orders** processed by Luxembourg TAs reached **73.7%** during Q4 2012, compared to 70.9% in Q4 2011 and 65.6% in Q4 2008.
3. The **ISO automation rate** rose to **56.5%** in Q4 2012, compared to 51.6% during Q4 2011 and 40.3% in Q4 2008. This evolution confirms the strong industry commitment towards the implementation of the EFAMA's fund processing recommendation to adopt ISO as the single standard for fund processing.
4. The **ISO automation rate** in the EMEA region rose to 66.4%, compared 61.7% in Q4 2011, and 46.9% in Q4 2008.
5. The **order volumes** processed by Luxembourg TAs reached 16.2 million in 2012. The number of orders processed manually declined to 4.4 million, compared to 4.9 million in 2011.

Fund Orders Automation and Standardisation Progress Overview- Luxembourg

GLOBAL OVERVIEW	Q4 2008	Q4 2009	Q4 2010	Q4 2011	Q4 2012	Progress 11 - 12
Manual orders	34.4%	30.7%	28.6%	29.1%	26.3%	-2.8%
ISO automated orders	40.3%	44.6%	49.1%	51.6%	56.5%	5.1%
Proprietary FTP orders	25.2%	24.7%	22.3%	19.3%	17.2%	-2.1%
Total automated	65.6%	69.3%	71.4%	70.9%	73.7%	2.8%

Table 2 – Luxembourg automation and standardisation rate evolution (Q4 data)

C. Automation and standardisation of fund orders in Ireland

1. **Survey coverage: 11 TAs surveyed** (2 in-house and 9 third-party TAs).
2. **The total automation rate** of orders processed by Irish TAs increased to **85.3%** during Q4 2012, from **85.0%** during Q4 2011.
3. The percentage of automated orders based on **ISO messaging standards** increased to **19.3%**, in Q4 2012, from 13.1% in Q4 2011. The **rate of proprietary FTP** and **manually processed orders** reached respectively **66%** and **14.7%**.
4. The order volumes processed by Irish TAs reached **8.1 million** in 2012. The number of orders processed manually declined to 1.3 million, compared to 1.5 million in 2011.
5. **The ISO automation rate** increased in the EMEA region to 10.6% in Q4 2012, from 6.4% in Q4 2011.

Fund Orders Automation and Standardisation Progress Overview – Ireland

GLOBAL OVERVIEW	Q4 2010	Q4 2011	Q4 2012	Progress 11 - 12
Manual orders	15.6%	15.0%	14.7%	-0.3%
ISO automated orders	8.7%	13.1%	19.3%	6.2%
Proprietary FTP orders	75.7%	71.9%	66.0%	-5.9%
Total automated	84.4%	85.0%	85.3%	0.3%

Table 3 – Ireland Automation and Standardisation rate evolution (Q4 data)

A. Automation and standardisation of fund orders in Ireland and Luxembourg

A.1 Total order volume evolution

In 2012, 24.3 million orders have been processed by the 32 survey contributors across Ireland and Luxembourg. This represents an average volume of 2.03 million orders per month, a decrease by 3% in comparison to 2011.

(in millions)	2010	2011	2012	Growth 12-11
Total number of orders	23.50	25.20	24.3	-3%
Monthly average	1.96	2.10	2.03	

Table 4 – Total order volume evolution 2011 – 2012

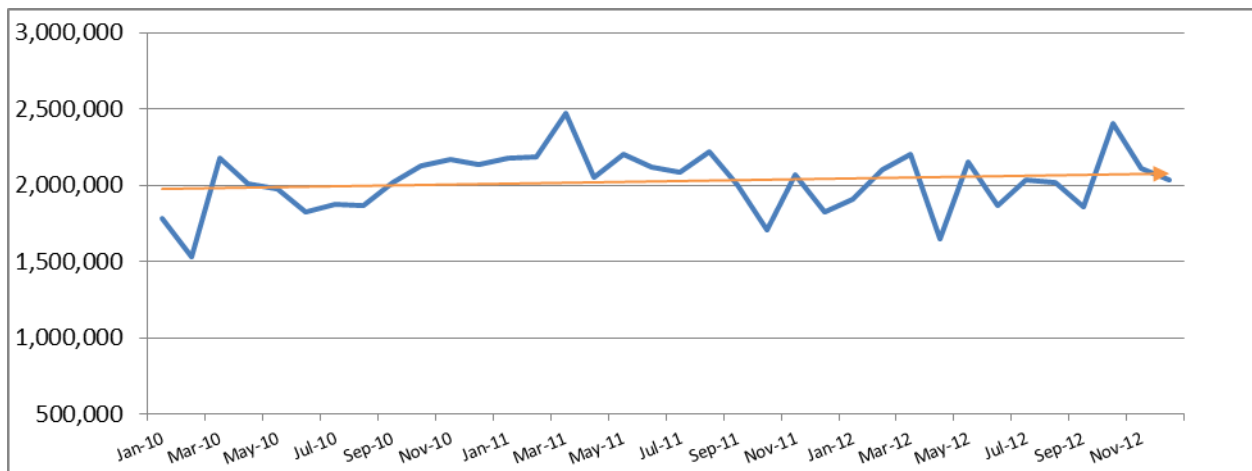


Figure 1 – Total order volume evolution 2010-2012

A.2 Total automation and standardisation rates

Total automation rate

The total automation rate for the survey reached 77.7% in Q4 2012, compared to 76% in Q4 2011. The increase of automation was accompanied with the decrease of the manual processing rate (22.3%) at the end of 2012, mainly to the benefit of ISO automation.

Total automation rate	Q1	Q2	Q3	Q4
2010	73.9%	74.5%	75.4%	75.4%
2011	74.4%	75.2%	74.5%	76.0%
2012	76.5%	77.0%	76.0%	77.7%

Table 5 – Total automation rate evolution 2010 - 2012 (by quarter)

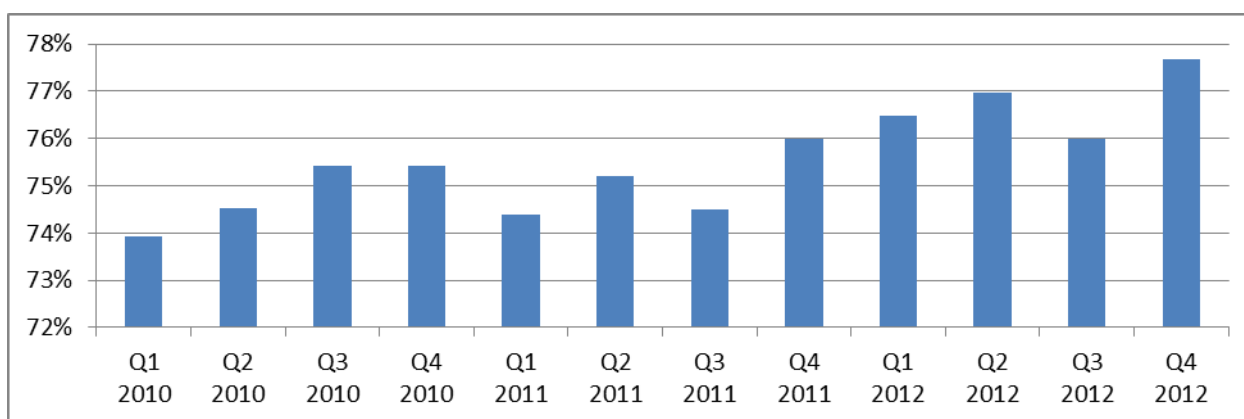


Figure 2 – Total automation level evolution (by quarter)

Total standardisation rate

The use of the ISO messaging standard increased by 6.2 percentage points in the course of 2012 to reach 43.8% in Q4 (against 37.6% in Q4 2011). The rate of ISO automation is now higher than the rate of the proprietary FTP.

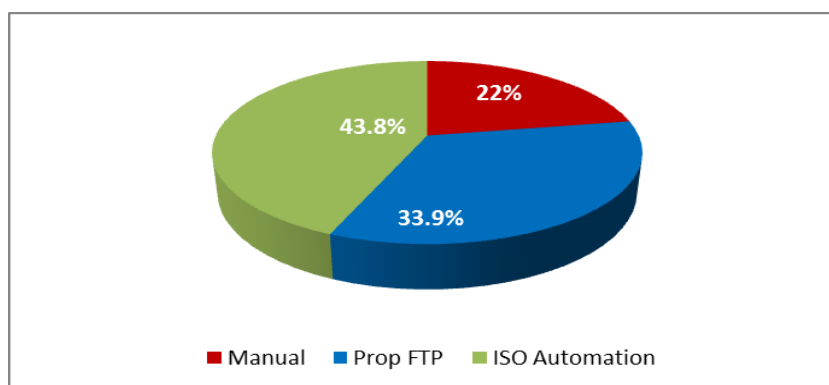


Figure 3 – Total fund order processing rates (Q4 2012)

The graph below shows the various rates evolution since the beginning of 2010.

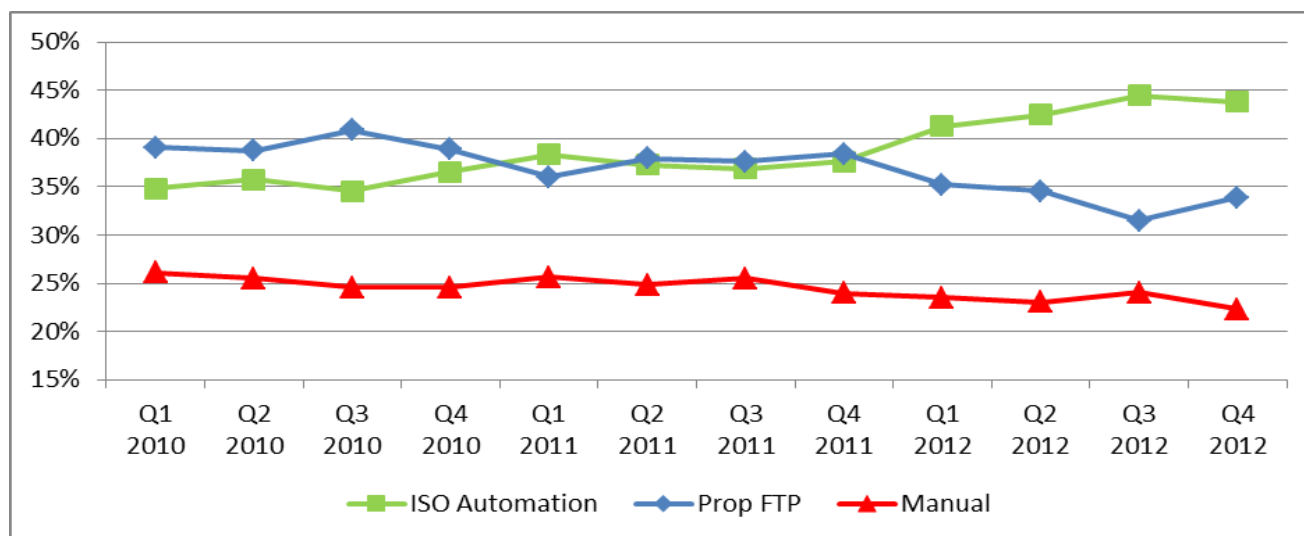


Figure 4 – Total fund order processing rates evolution 2010 - 2012

The adoption of proprietary FTPs decreased by 4.5 percentage point in 2012, whereas the share of manual orders fell from 24% in Q4 2011 to 22.3% in Q4 2012. The above trends show a strong increase of the ISO standards adoption, and a continuous decrease of manual and proprietary FTP orders.⁸

The table below provides detailed rates per quarter since the launch of the joint survey.

ISO automation rate	Q1	Q2	Q3	Q4
2010	34.8%	36%	34.4%	36.5%
2011	38.4%	37.3%	36.9%	37.6%
2012	41.3%	42.4%	44.5%	43.8%
Proprietary FTP rate	Q1	Q2	Q3	Q4
2010	39.1%	38.7%	40.9%	38.9%
2011	36%	37.9%	37.6%	38.4%
2012	35.2%	34.5%	31.5%	33.9%
Manual rate	Q1	Q2	Q3	Q4
2010	26.1%	25.5%	24.6%	24.6%
2011	25.6%	24.8%	25.5%	24%
2012	23.5%	23.0%	24.0%	22.3%

Table 6 – Total fund order processing rates evolution 2010 - 2012 (by quarter)

⁸ The reported share of “Total ISO” covers ISO 15022 and ISO 20022 messages. The migration programme from ISO 15022 fund messages into ISO 20022 fund messages is ongoing with the consequence that the ISO 20022 message will become the single ISO open market standard for fund messages, as recommended by EFAMA.

A.3 Number of new automated links set up in 2012

To better understand the automation trend, an additional survey was carried out in 2012 among 31 TAs to look at the number of **new automated links implemented** between January and December 2012 with new counterparties.

The surveyed TAs implemented new ISO links with 354 counterparties, compared to 61 new links using a proprietary FTP. Out of these new ISO links, 330 counterparties were previously using fax (representing 80% of all new links) and 2 used proprietary FTP files (0.5%). Brand new ISO links have been set up with the 22 (15%) remaining counterparties in 2012.

This result confirms that ISO standards remain widely favoured in the market as the most efficient automation option

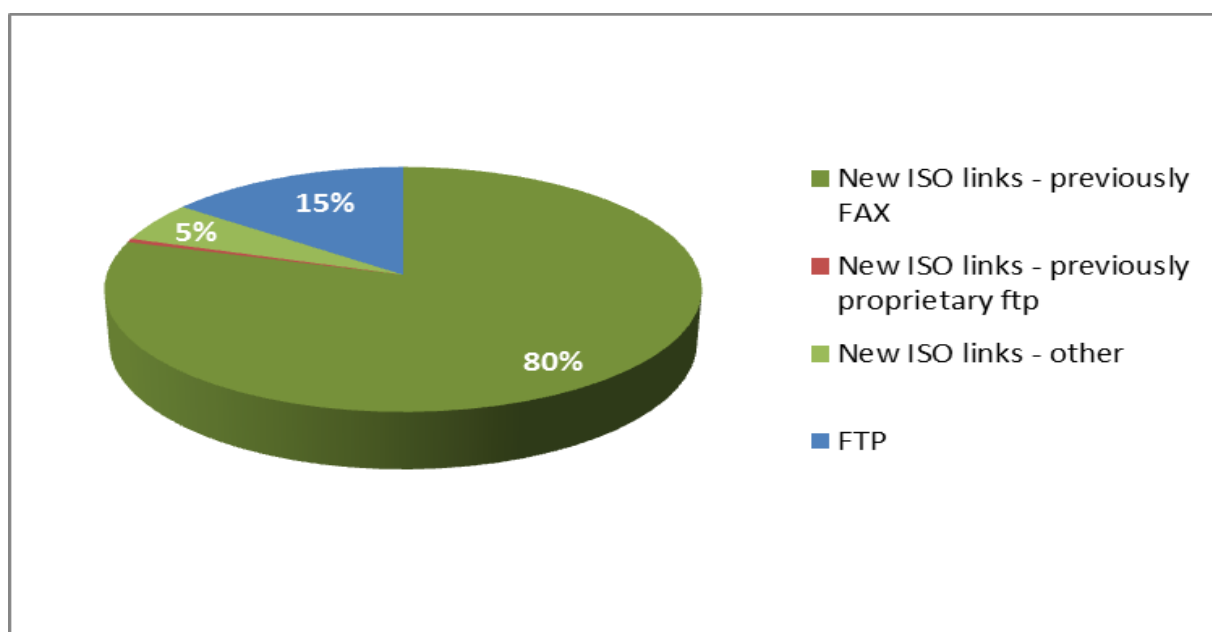


Figure 5 - New automated links launches (2012)

The new ISO adopters on the distribution side are mainly located in the EMEA region with a residual number in Asia. In EMEA, new connections came primarily from Luxembourg and the Italy, but some were also set up in Belgium, France, Germany, Ireland, Italy, Slovakia, Czech Republic, Spain, Sweden, Switzerland, Greece and the Netherlands.

B. Automation and Standardisation of Fund Orders in Luxembourg

B.1 Luxembourg order volume evolution

In the course of 2012, the 21 Luxembourg survey contributors processed 16.2 million orders. This represented a monthly average of 1.35 million orders compared similar level to 2011.

(in millions)	2008	2009	2010	2011	2012	Growth 12 - 11
Total number of orders	15.13	13.15	16.19	16.34	16.2	-1%
Monthly average	1.26	1.10	1.35	1.36	1.35	

Table 7 – Order volume evolution Luxembourg 2008- 2012

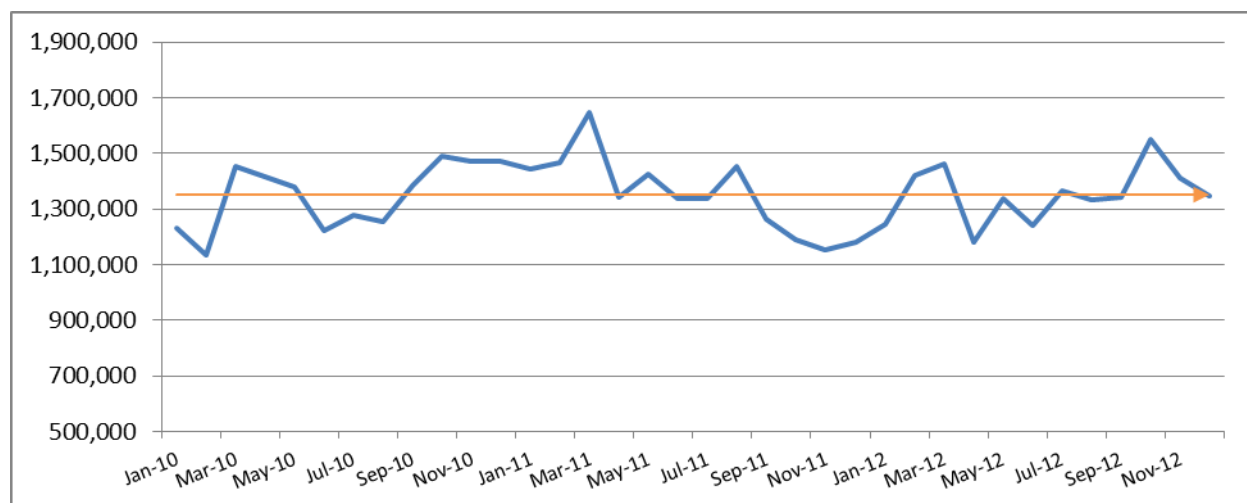


Figure 6 – Luxembourg order volume evolution

B.2 Luxembourg automation and standardisation rates

Luxembourg automation rate

The total automation rate reached 73.7% in Q4 2012, compared to 70.9% in Q4 2011.

Total automation rate	Q1	Q2	Q3	Q4
2008	63.3%	65.2%	64.4%	65.6%
2009	68.6%	68.9%	68.7%	69.3%
2010	69.6%	69.7%	70.7%	71.4%
2011	70.8%	70.1%	69.2%	70.9%
2012	72.5%	73.1%	72.8%	73.7%

Table 8 – Luxembourg total automation rate evolution 2008- 2012 (by quarter)

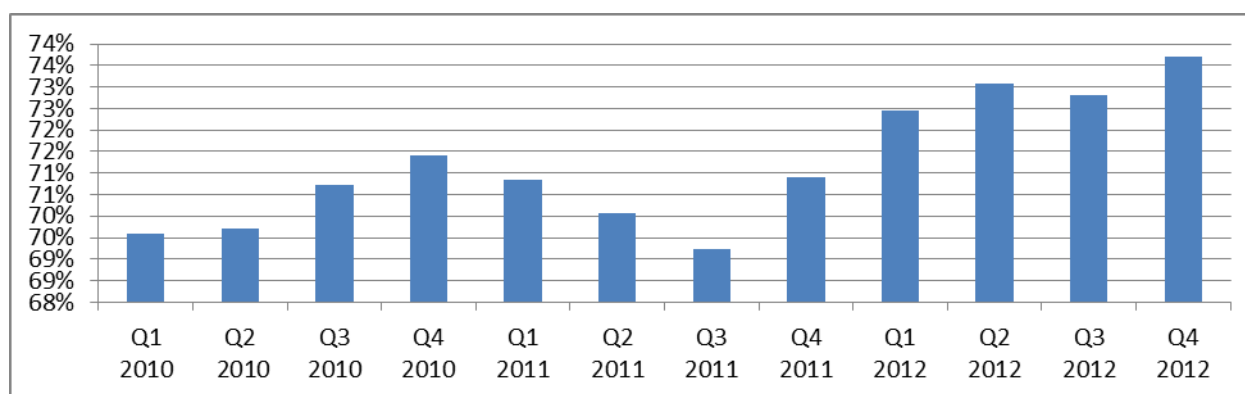


Figure 7 – Luxembourg automation level evolution 2010 - 2012 (by quarter)

Luxembourg standardisation rate

The use of ISO increased by 4.9 percentage points in 2012, and the adoption of proprietary formats fell by 2.1 percentage points. The share of manual orders reached 26.3% in Q4 2012 against 29.1% in Q4 2011.

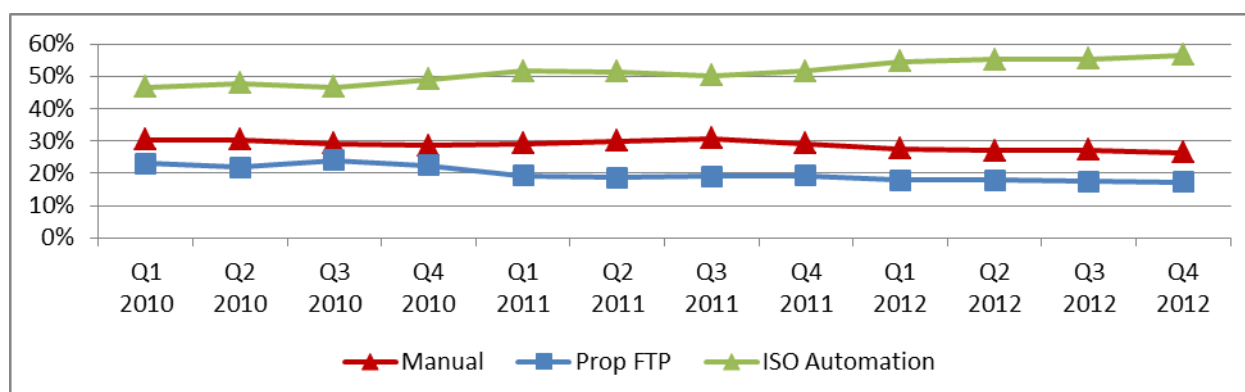


Figure 8 - Luxembourg fund order processing rates evolution 2010 - 2012

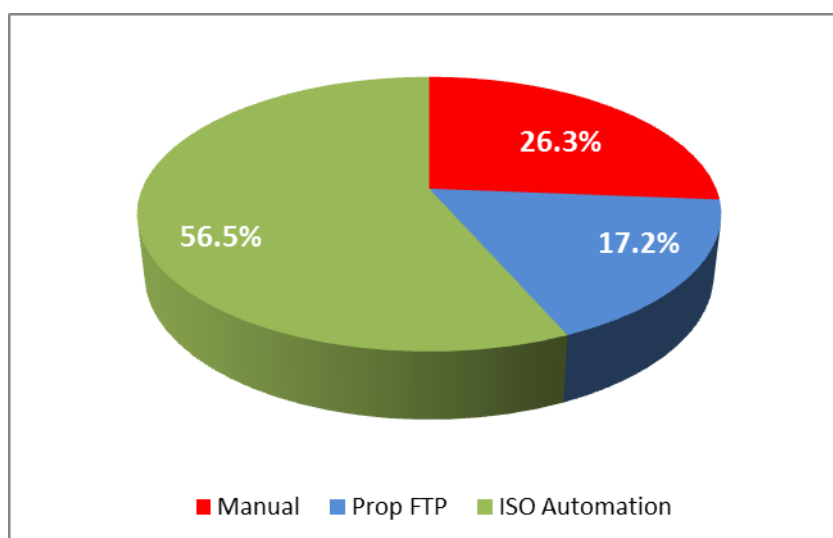


Figure 9 - Luxembourg fund order processing rates 2012 (Q4 2012)

ISO automation rate	Q1	Q2	Q3	Q4
2008	37.1%	38.1%	39.8%	40.3%
2009	40.9%	41.1%	42.2%	44.6%
2010	46.6%	47.9%	46.7%	49.1%
2011	51.6%	51.4%	50.3%	51.6%
2012	54.6%	55.2%	55.4%	56.5%
Proprietary FTP rate	Q1	Q2	Q3	Q4
2008	26.2%	27.1%	24.6%	25.2%
2009	27.7%	27.8%	26.4%	24.6%
2010	23.0%	21.8%	24.1%	22.3%
2011	19.2%	18.7%	19.0%	19.3%
2012	17.8%	17.9%	17.5%	17.2%
Manual rate	Q1	Q2	Q3	Q4
2008	36.7%	34.8%	35.6%	34.4%
2009	31.4%	31.1%	31.3%	30.7%
2010	30.4%	30.3%	29.3%	28.6%
2011	29.2%	29.9%	30.8%	29.1%
2012	27.5%	26.9%	27.2%	26.3%

Table 9 – Luxembourg fund order processing rates evolution 2008- 2012 (by quarter)⁹

⁹ The median for the Luxembourg total automation rate stood at 74%, while the ISO automation rate and the manual rate median stand at 47% and 26% respectively. The median is the numeric value separating the higher half of a sample, from the lower half. The median has been calculated on 2012 volumes.

B.3 Regional overview

Regional breakdown information is available from a subset of the Luxembourg survey contributors (15 out of 20) representing 10.3 million orders in 2012 or 63% of the volumes. The regional percentages are calculated on this subset.

Regional split of volumes by order giver location

APAC-based order givers generated 31% of incoming order volumes in Luxembourg during 2012. The percentage of orders from order givers in EMEA was 65% against 4% from Americas-based order senders.

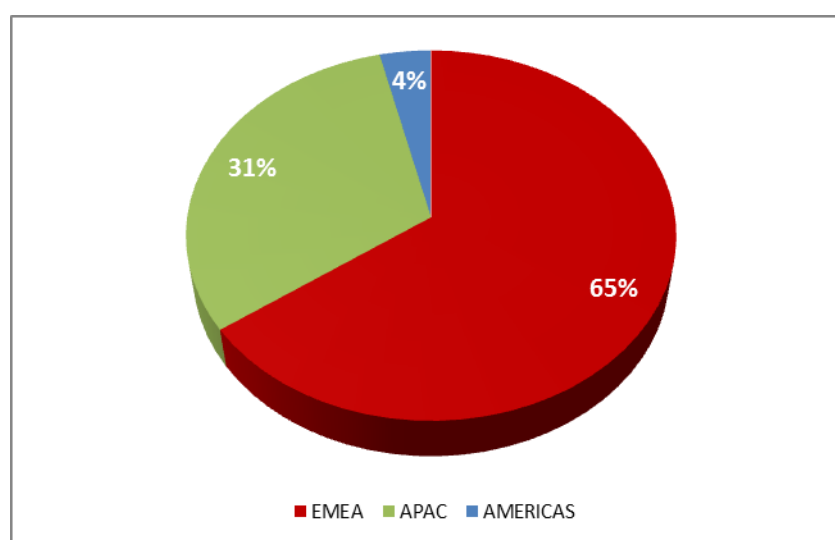


Figure 10 - Luxembourg order volumes per region (by order giver location –2012)

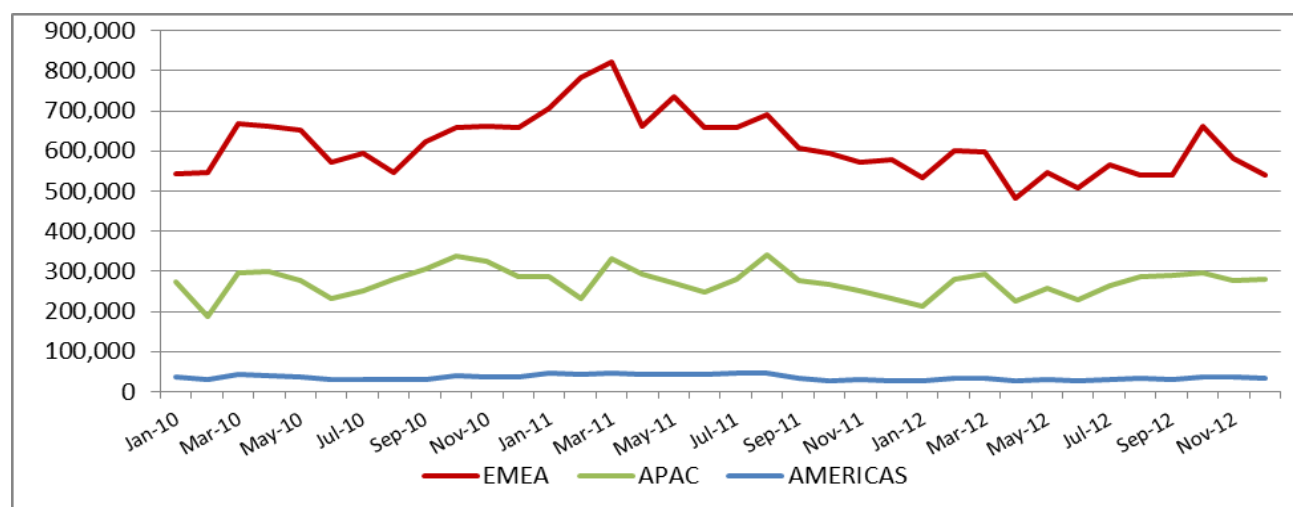


Figure 11 - Luxembourg order volumes evolution per region

Regional split of automation and standardisation rates

ISO automation rates of EMEA-based order giver increased from 61.7 % in Q4 2011 to 66.4% in Q4 2012.

In the Americas region, the ISO adoption rate decreased in Q4 2012 to 30.6% against 34.1% in Q4 2011. However, the total automation (ISO + proprietary) rate increased in the three regions with a strong growth for APAC from 34.6% in Q4 2011 to 43.4% in Q4 2012.

	ISO automation			Total automation (ISO+proprietary formats)		
	EMEA	APAC	Americas	EMEA	APAC	Americas
Q4 2008	46.9%	7.7%	46.7%	63.1%	36.2%	72.4%
Q4 2009	56.1%	12.7%	35.3%	72.7%	46.2%	75.7%
Q4 2010	62.1%	14.5%	34.1%	78.0%	44.2%	77.3%
Q4 2011	61.7%	12.8%	34.1%	76.6%	34.6%	71.0%
Q4 2012	66.4%	14%	30.6%	80.9%	43.4%	74.0%

Table 10 – Luxembourg fund order automation rates evolution by region

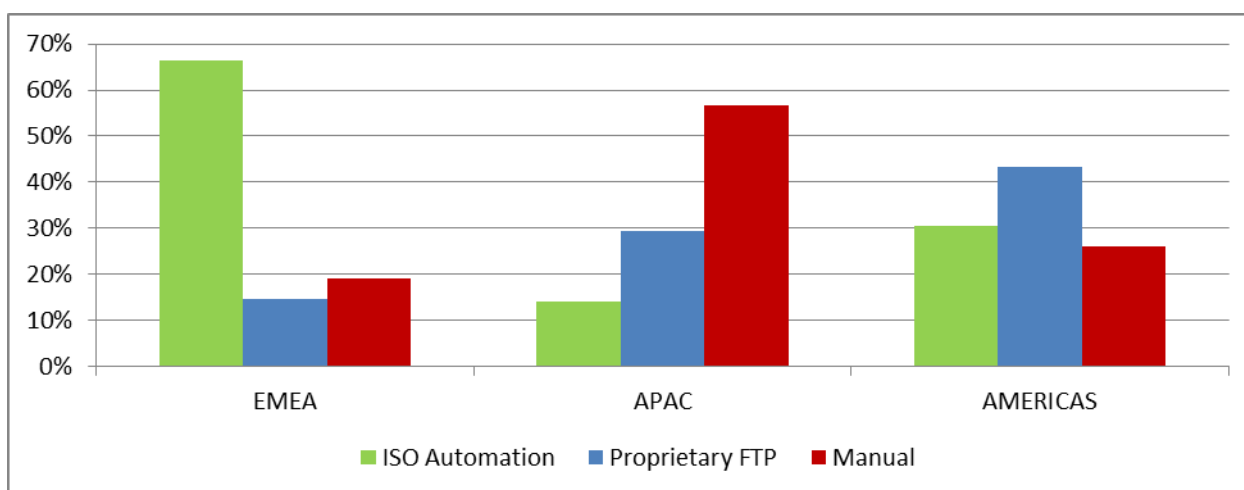


Figure 12 – Luxembourg fund order processing rates per region (Q4 2012)

C. Automation and Standardization of Fund Orders in Ireland

In 2012, 8.11 million orders were processed by the 11 Irish survey contributors. This represented an average 0.68 million monthly volume of orders, down by 9% compared to 2011.

C.1 Ireland order volume evolution

(in millions)	2010	2011	2012	Growth 12-11
Total number of orders	7.31	8.86	8.11	-9%
Monthly average	0.61	0.74	0.68	

Table 11 – Order Volume evolution Ireland 2011 – 2012

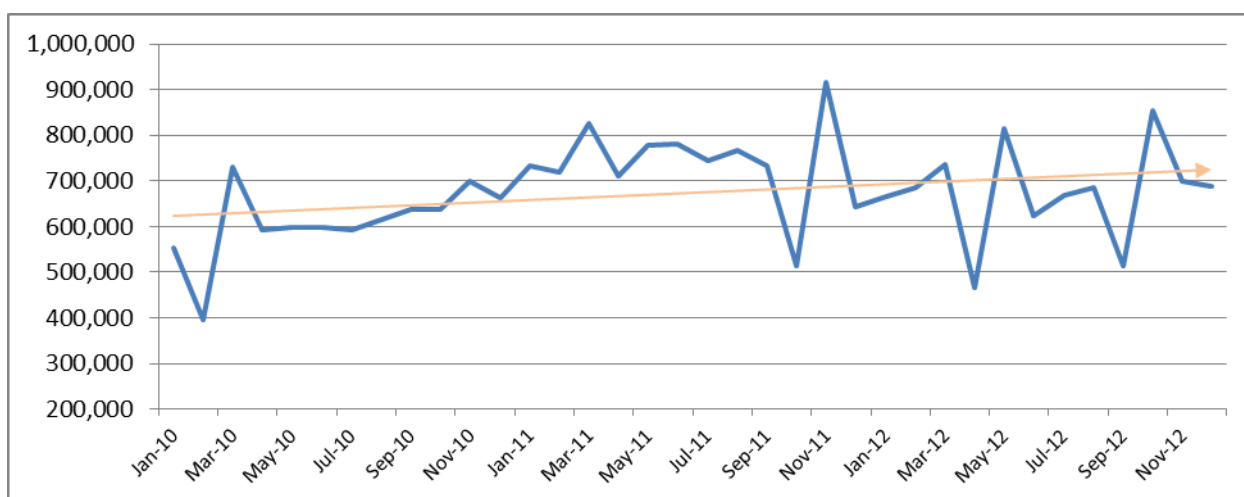


Figure 13 – Ireland Order volume evolution 2010 – 2012

C.2 Ireland automation and standardisation rates

Ireland automation rate

The total automation rate reached 85.3% in Q4 2012, against 82.8% in Q4 2011.

Total automation rate	Q1	Q2	Q3	Q4
2010	83.8%	85.3%	85.4%	84.4%
2011	81.5%	84.5%	84.0%	85.0%
2012	84.4%	84.6%	82.8%	85.3%

Table 12 - Ireland automation rate evolution 2010 - 2012 (by quarter)

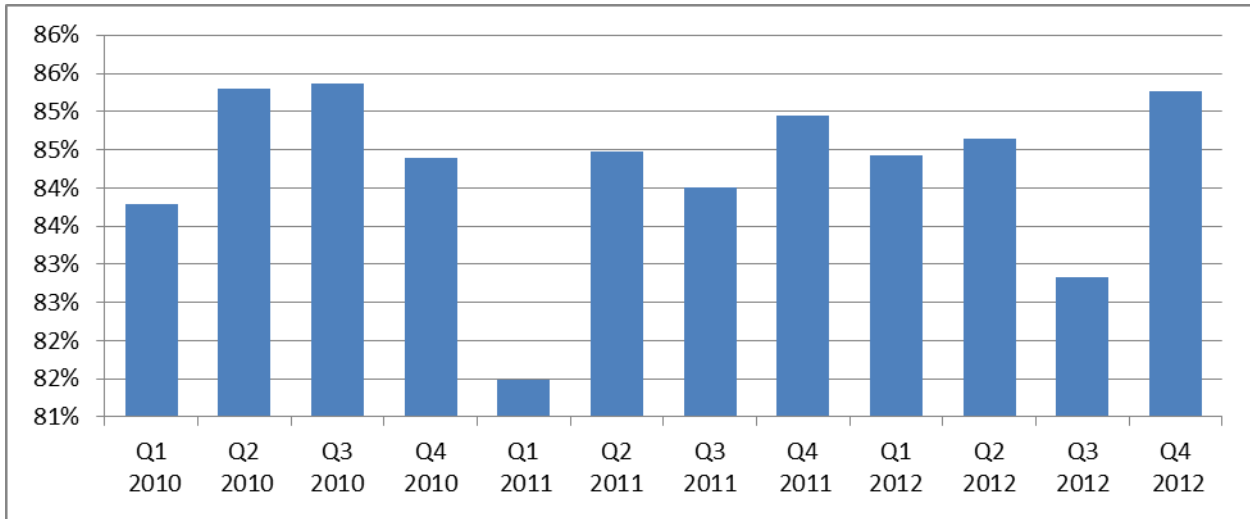


Figure 14 – Ireland automation rate evolution 2010 – 2012 (by quarter)

Ireland standardisation rate

The ISO adoption rate reached 19.3% during Q4 2012, compared to 13.1% during Q4 2011, whereas the adoption of proprietary formats fell from 71.9% to 66% during the same period.

The share of manual orders decreased from 15 % in Q4 2011 to 14.7% in Q4 2012.

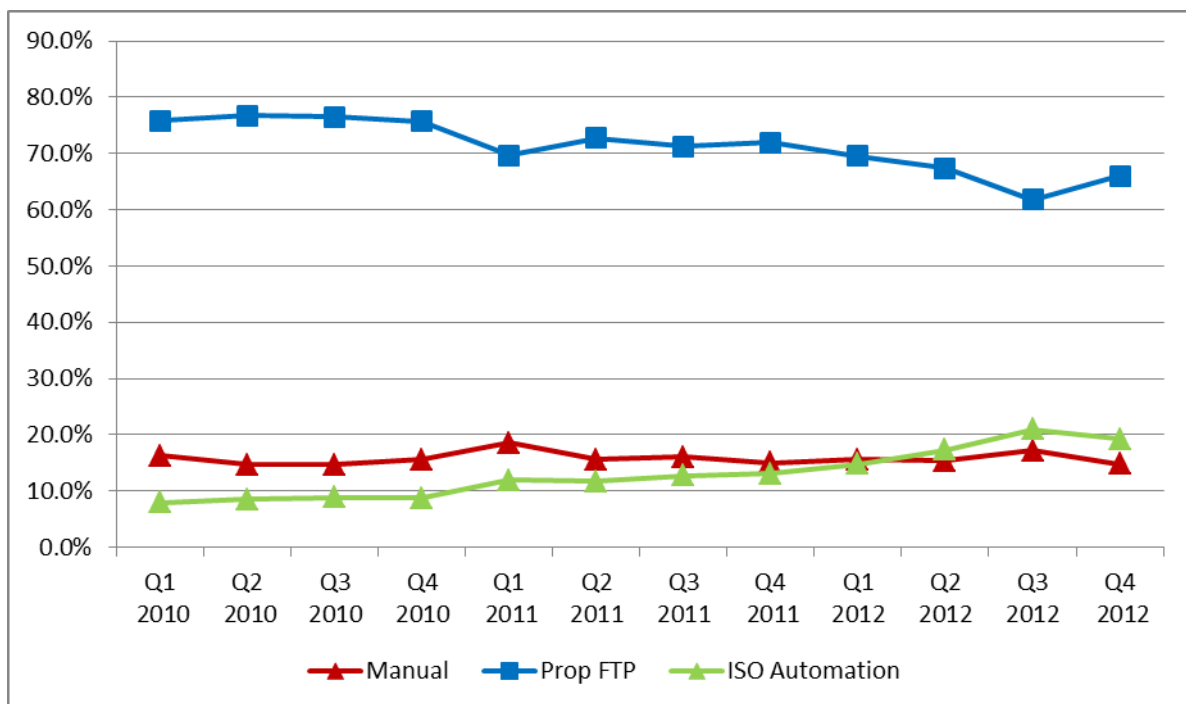


Figure 15 – Ireland standardisation rate 2010 – 2012

ISO automation rate	Q1	Q2	Q3	Q4
2010	8.0%	9.1%	8.2%	8.7%
2011	11.9%	11.7%	12.7%	13.1%
2012	14.8%	17.3%	21.0%	19.3%
Proprietary FTP rate	Q1	Q2	Q3	Q4
2010	75.8%	76.8%	76.5%	75.7%
2011	69.6%	72.8%	71.3%	71.9%
2012	69.6%	67.3%	61.8%	66.0%
Manual rate	Q1	Q2	Q3	Q4
2010	16.2%	14.7%	14.6%	15.6%
2011	18.5%	15.5%	16.0%	15.0%
2012	15.6%	15.4%	17.2%	14.7%

Table 13 – Ireland fund order processing rates evolution 2010 - 2012 (by quarter)¹⁰

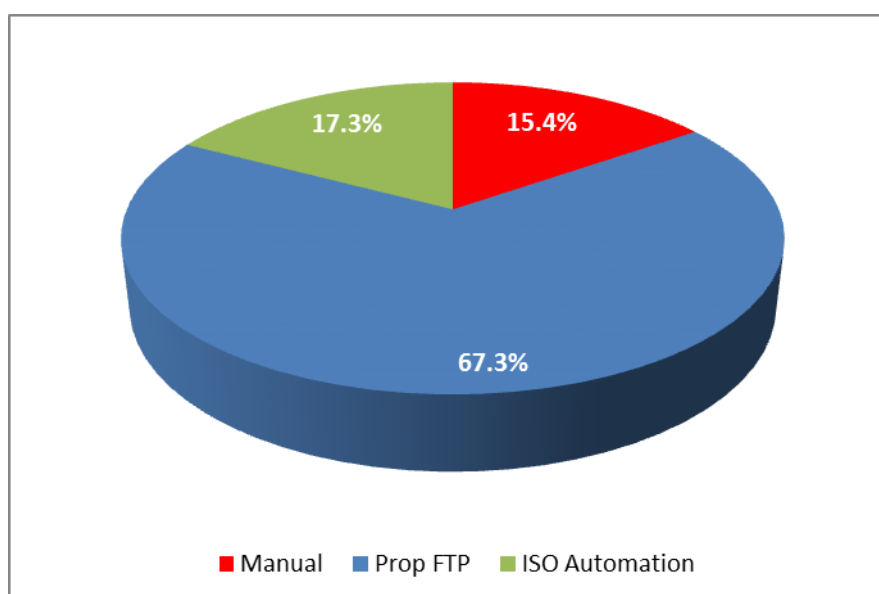


Figure 16 – Ireland fund order processing rates 2011 (Q4 2012)

¹⁰ The median for Ireland total automation rate stood at 62%, while the ISO automation rate median evolved to 37% compared to the previous year (16%) and the manual rate median decreased to 38%.

C.3 Regional split of automation and standardisation rates

Regional breakdown information is available from a subset of the Irish survey contributors (6 out of 11) representing 6 million orders or 74% of the volumes in 2012. The regional percentages given here under are calculated on this subset.

ISO automation rates of EMEA (10.6%) increased in Q4 2012, whereas, in APAC and Americas, the ISO automation rate respectively fell to 9.7% and 7.8%.

The total automation rate (ISO + proprietary) has decreased in EMEA, APAC and Americas by 0.7, 12.1, 8.3 percentage points, respectively.

	ISO automation			Total automation (ISO+proprietary formats)		
	EMEA	APAC	Americas	EMEA	APAC	Americas
Q4 2009	2.7%	9.2%	22.6%	94.5%	36.9%	73.4%
Q4 2010	3.5%	7.6%	19.2%	93.2%	40.6%	74.1%
Q4 2011	6.4%	12.9%	11.9%	96.8%	47.4%	91.6%
Q4 2012	10.6%	9.7%	7.8%	96.1%	35.3%	83.3%

Table 14 – Ireland fund automation rates evolution by region

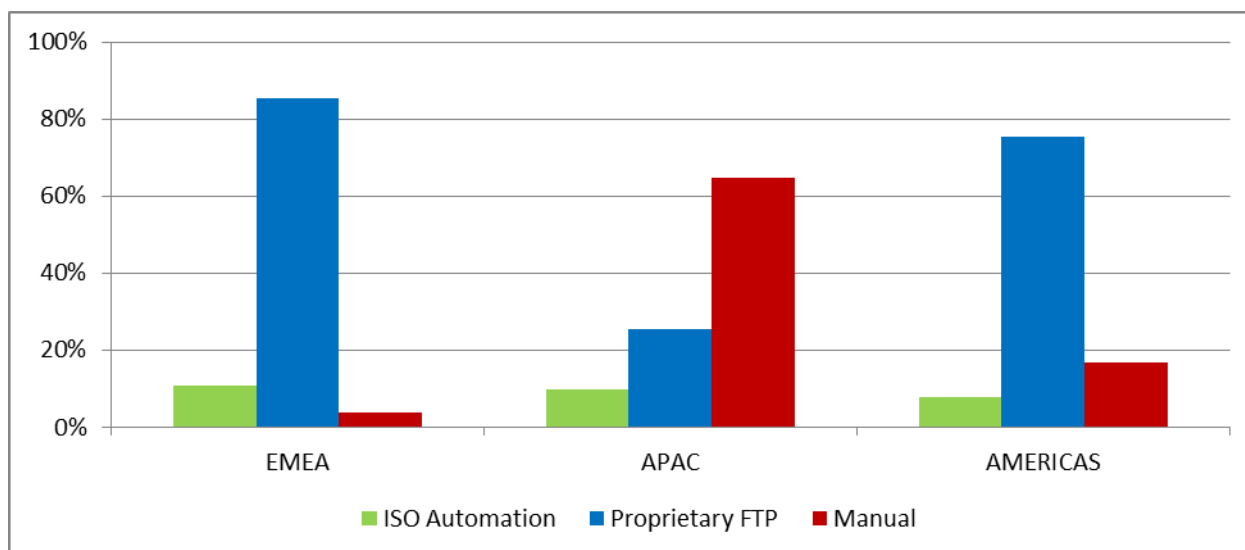


Figure 17 – Ireland fund order processing rates per region (Q4 2012)

D. Next report

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in Q4 2013 and will cover the development during the first half of 2013.
