

**Fund Processing Standardisation**

**Annual Report**

**on**

**automation and standardisation of**

**cross-border funds orders in 2013**

**30<sup>th</sup> April 2014**

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## Background

Since May 2009, EFAMA & SWIFT publish on a regular basis 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 2013 report. 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 EFAMA<sup>1</sup>. 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. In addition, the report provides statistics on the automated links newly implemented by the TAs in Luxembourg and Ireland in 2013.

EFAMA and SWIFT publish two Fund Processing Standardisation reports per year, which are available on both company websites.

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<sup>1</sup> 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.

## Report Highlights

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

1. **Survey coverage: 31 transfer agents<sup>2</sup> (TAs)** contribute to the survey
  - a. **21 Luxembourg-based TAs**
  - b. **10 Ireland-based TAs**
 With an estimated market coverage of above 80% of the cross-border market volumes.
2. **Total automation rate<sup>3</sup>** of orders during Q4 2013 reached **78.7%**; this represents an increase of **1** percentage points compared to Q4 2012 (**77.7%**).
3. **ISO automation rate<sup>4</sup>** reached **45.3%** in Q4 2013 compared to **43.8%** in Q4 2012, an increase of **1.5** 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 206 new ISO automated links implemented during 2013, compared to 9 new proprietary file transfer (FTP) links put in place in 2013.
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 manual orders.
6. The **order volumes** processed by the 31 survey contributors reached **29.5 million orders** in 2013, **an increase of 21% compared to 2012**.
7. The **31 surveyed TAs manually processed 6.5 million orders in 2013**, compared to 5.6 million in 2012. Manual process rates decreased by 1 percentage points to 21.3% in Q4 2013 (against 22.3% in Q4 2012).

#### Fund Orders Automation and Standardisation Progress Overview

GLOBAL OVERVIEW	Q4 2011	Q4 2012	Q4 2013	Change 12 - 13
Manual orders	24.0%	22.3%	21.3%	-1%
ISO automated orders	37.6%	43.8%	45.3%	1.5%
Proprietary FTP orders	38.4%	33.9%	33.4%	-0.5%
Total automated	76.0%	77.7%	78.7%	1%

Table 1 – Automation and Standardisation rate evolution (Q4 data)<sup>5</sup>

<sup>2</sup> The transfer agency services from one TA based in Ireland have been incorporated in the course of 2013 into another TA (also contributing to this survey) – this explains why the number of contributors decreased from 32 to 31 TA, with a total coverage of the report remaining identical.

<sup>3</sup> 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.

<sup>4</sup> 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’).

## B. Automation and standardisation of fund orders in Luxembourg

1. **Survey coverage: 21 TAs contributed to the survey in 2013** (9 in-house and 12 third-party TAs).
2. The **total automation rate of orders** processed by Luxembourg TAs reached **75.3%** during Q4 2013, compared to 73.7% in Q4 2012.
3. The **ISO automation rate** rose to **57.7%** in Q4 2013, compared to 56.5% during Q4 2012. The rate of proprietary FTP increased to 17.6% in Q4 2013 against 17.2% in Q4 2012, while the manual orders decreased to 24.7% in Q4 2013 compared to 26.3% in Q4 2012. 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 and Americas regions rose to **66.7%** and 33.3% respectively in Q4 2013 (against 66.4% and 30.6% in Q4 2012). The ISO automation in APAC increased strongly to 19.6% compared to 14% in Q4 2012.
5. The **order volumes** processed by Luxembourg TAs reached **20 million** in 2013 compared to 16.2 million in 2012, an increase by 23% compared to 2012. The number of orders processed manually increased to 5 million, compared to 4.4 million in 2012.

### Fund Orders Automation and Standardisation Progress Overview- Luxembourg

GLOBAL OVERVIEW	Q4 2009	Q4 2010	Q4 2011	Q4 2012	Q4 2013	Change 12 - 13
Manual orders	30.7%	28.6%	29.1%	26.3%	24.7%	-1.6%
ISO automated orders	44.6%	49.1%	51.6%	56.5%	57.7%	1.2%
Proprietary FTP orders	24.7%	22.3%	19.3%	17.2%	17.6%	0.4%
<b>Total automated</b>	<b>69.3%</b>	<b>71.4%</b>	<b>70.9%</b>	<b>73.7%</b>	<b>75.3%</b>	<b>1.6%</b>

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

<sup>5</sup> The full year 2011, 2012 and 2013 data are shown in Table 6, page 10.

## C. Automation and standardisation of fund orders in Ireland

1. **Survey coverage: 10 TAs surveyed** (1 in-house and 9 third-party TAs).
2. The **total automation rate** of orders processed by Irish TAs increased to **85.6%** during Q4 2013, from **85.3%** during Q4 2012.
3. The percentage of automated orders based on **ISO messaging standards** increased to **20.9%**, in Q4 2013, from 19.3% in Q4 2012. The **rate of proprietary FTP** and **manually processed orders** decreased to respectively **64.7%** and **14.4%**.
4. The **order volumes** processed by Irish TAs reached **9.5 million** in 2013, an increase by 17% compared to 2012.
5. The **ISO automation rate** decreased in EMEA and Americas regions from 10.6% and 7.8% respectively in Q4 2012 to 7.4% and 5.9% in Q4 2013. In APAC, the ISO automation rate jumped to 21.8% in Q4 2013, from 9.7% in Q4 2012. The substantial weight in the orders of APAC explained why ISO automation rate increased.

### Fund Orders Automation and Standardisation Progress Overview – Ireland

GLOBAL OVERVIEW	Q4 2011	Q4 2012	Q4 2013	Change 12 - 13
Manual orders	15.0%	14.7%	14.4%	-0.3%
ISO automated orders	13.1%	19.3%	20.9%	1.6%
Proprietary FTP orders	71.9%	66.0%	64.7%	-1.3%
Total automated	85.0%	85.3%	85.6%	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 2013, 29.5 million orders have been processed by the 31 survey contributors across Ireland and Luxembourg. This represents an average volume of 2.45 million orders per month, an increase by 21% in comparison to 2012.

(in millions)	2011	2012	2013	Growth 13-12
<b>Total number of orders</b>	25.20	24.3	29.5	21%
<b>Monthly average</b>	2.10	2.03	2.45	

Table 4 – Total order volume evolution 2011 – 2013

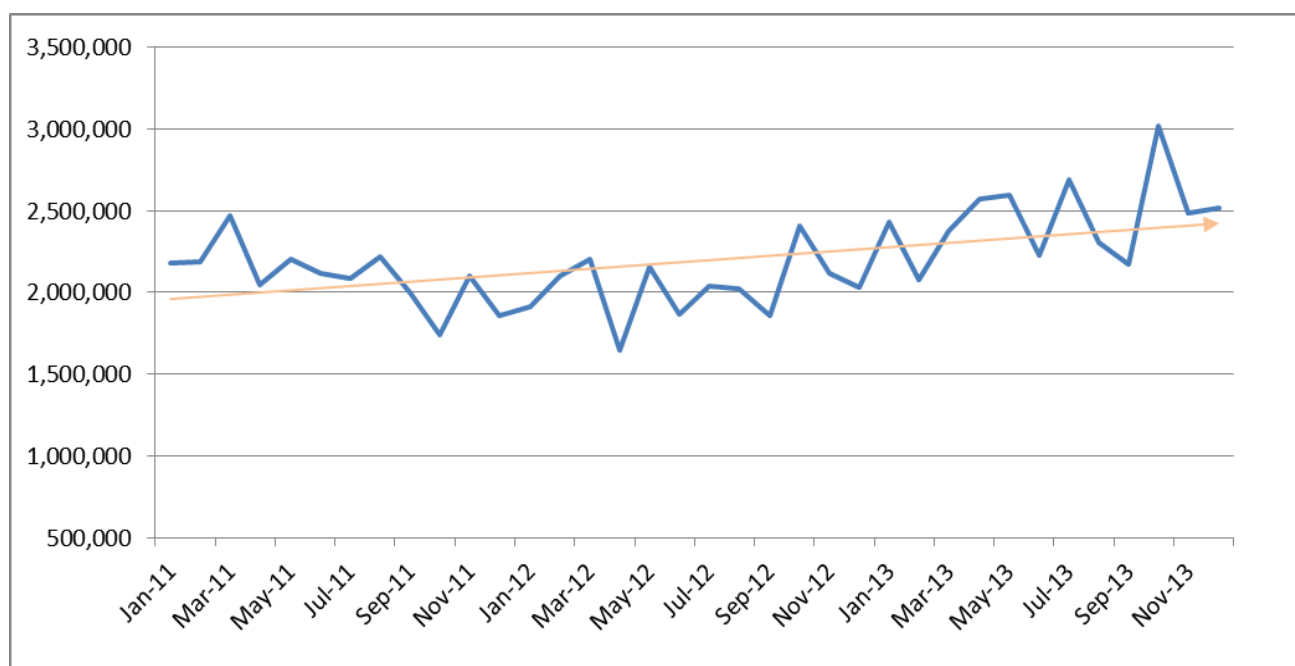


Figure 1 – Total order volume evolution 2011-2013

## A.2 Total automation and standardisation rates

### Total automation rate

The total automation rate reached 78.7% in Q4 2013, compared to 77.7% in Q4 2012. This increase was accompanied with a decrease in the manual processing rate (from 22.3% to 21.3%), mainly to the benefit of ISO automation.

Total automation rate	Q1	Q2	Q3	Q4
2011	74.4%	75.2%	74.5%	76.0%
2012	76.5%	77.0%	76.0%	77.7%
2013	77.4%	77.8%	77.5%	78.7%

Table 5 – Total automation rate evolution 2011 - 2013 (by quarter)

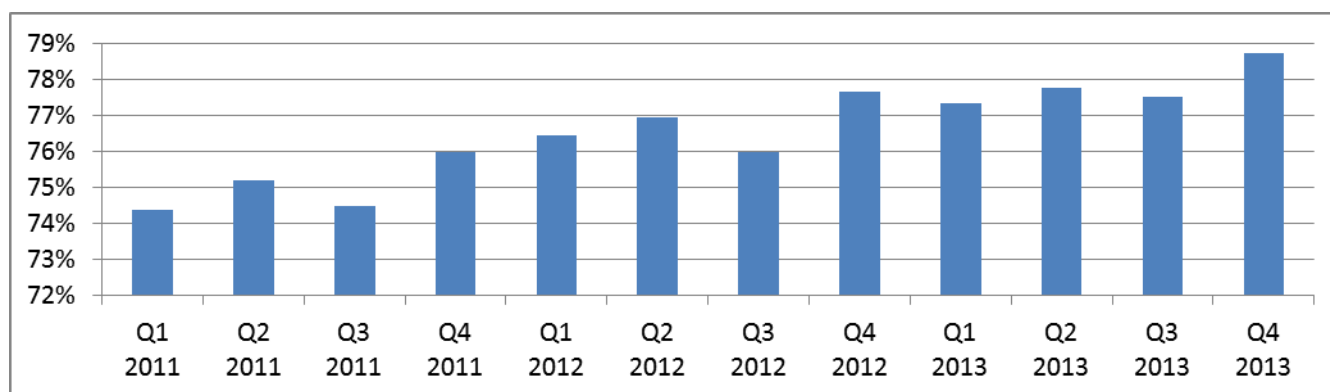


Figure 2 – Total automation level evolution (by quarter)

### Total standardisation rate

The use of the ISO messaging standard increased by 1.5 percentage points in the course of 2013 to reach 45.3% in Q4 (against 43.8% in Q4 2012).

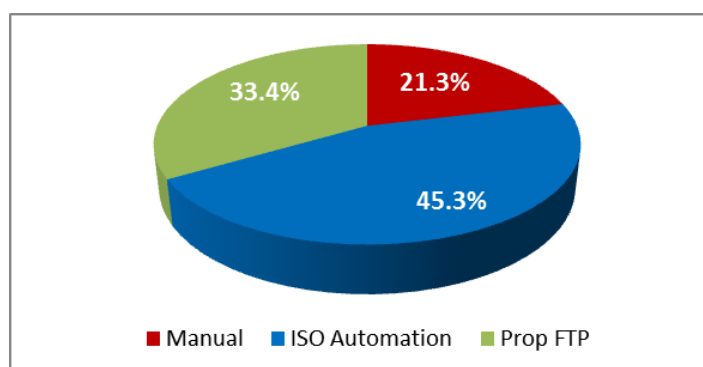
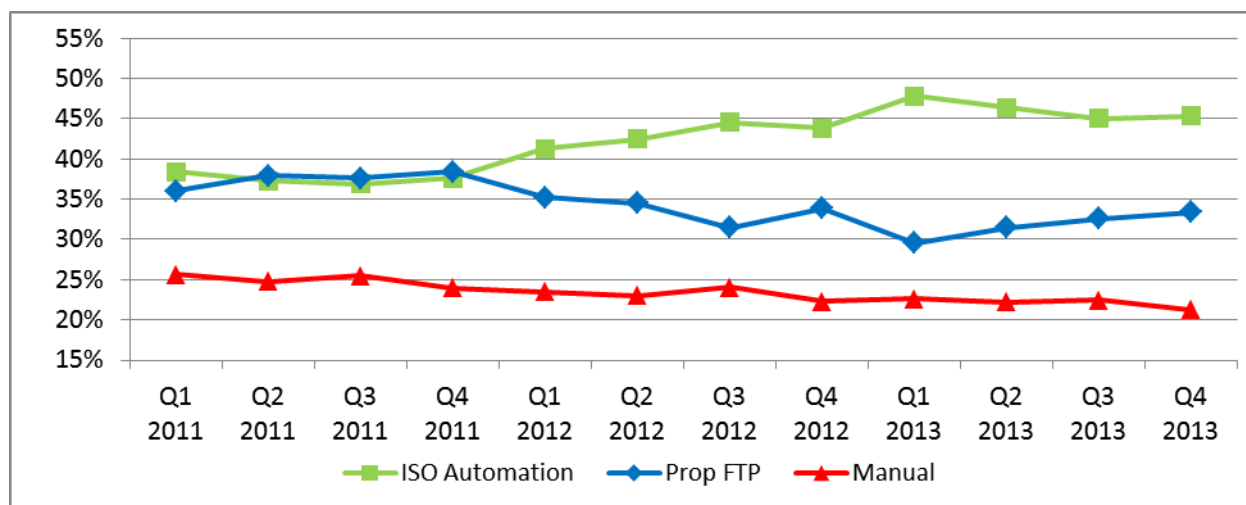


Figure 3 – Total fund order processing rates (Q4 2013)

The graph below shows the various rates evolution since the beginning of 2011.



**Figure 4 – Total fund order processing rates evolution 2011 - 2013**

The adoption of proprietary FTPs decreased by 0.5 percentage point in 2013, whereas the share of manual orders fell from 22.3% in Q4 2012 to 21.3% in Q4 2013. The above trends show a continuous increase of the ISO standards adoption, and a continuous decrease of manual and proprietary FTP orders.<sup>6</sup>

The table below provides detailed rates per quarter.

<b>ISO automation rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	38.4%	37.3%	36.9%	37.6%
<b>2012</b>	41.3%	42.4%	44.5%	43.8%
<b>2013</b>	47.8%	46.3%	45.0%	45.3%
<b>Proprietary FTP rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	36%	37.9%	37.6%	38.4%
<b>2012</b>	35.2%	34.5%	31.5%	33.9%
<b>2013</b>	29.6%	31.4%	32.5%	33.4%
<b>Manual rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	25.6%	24.8%	25.5%	24.0%
<b>2012</b>	23.5%	23.0%	24.0%	22.3%
<b>2013</b>	22.6%	22.2%	22.5%	21.3%

**Table 6 – Total fund order processing rates evolution 2011 - 2013 (by quarter)**

<sup>6</sup> 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 2013

To better understand the automation trend, an additional survey was carried out in 2013 among 31 TAs to look at the number of **new automated links implemented** between January and December 2013 with new counterparties.

The surveyed TAs implemented new ISO links with 206 counterparties, compared to 9 new links using a proprietary FTP. Out of these new ISO links, 169 counterparties were previously using fax (representing 79% of all new links) and 1 used proprietary FTP files (0.5%). Brand new ISO links have been set up with the 36 (17%) remaining counterparties in 2013.

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

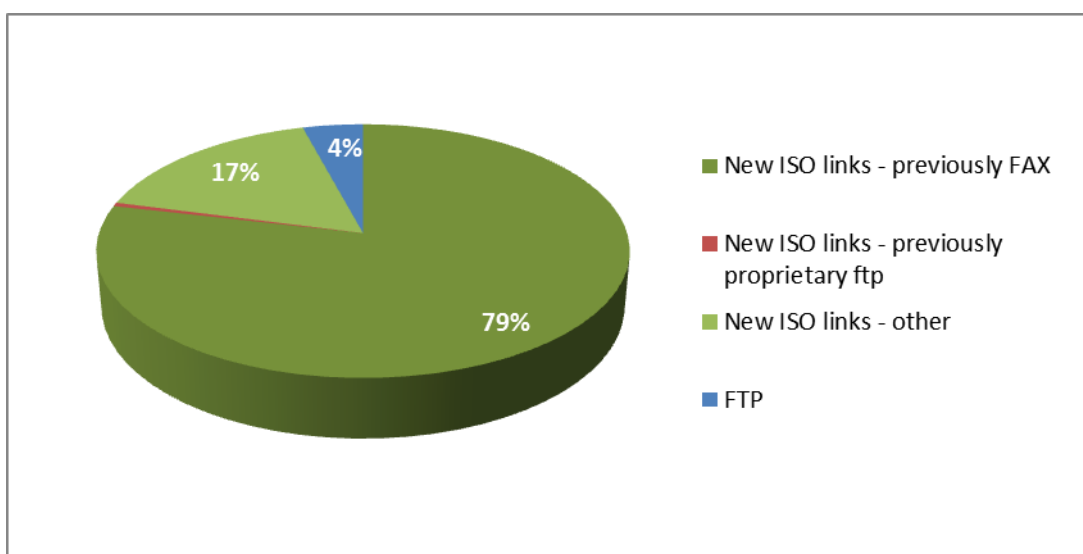


Figure 5 - New automated links launches (2013)

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 Spain, Luxembourg, Sweden and Italy, but some were also set up in Germany, Switzerland, United Kingdom, France, Belgium, Czech Republic, Latvia, Finland, Greece, Denmark and Monaco.

## B. Automation and Standardisation of Fund Orders in Luxembourg<sup>7</sup>

### B.1 Luxembourg order volume evolution

In the course of 2013, the 21 Luxembourg survey contributors processed 20 million orders. This represented a monthly average of 1.67 million orders, an increase by 23% compared to 2012.

(in millions)	2009	2010	2011	2012	2013	Growth 13 - 12
Total number of orders	13.15	16.19	16.34	16.2	20	23%
Monthly average	1.10	1.35	1.36	1.35	1.67	

Table 7 – Order volume evolution Luxembourg 2009 - 2013

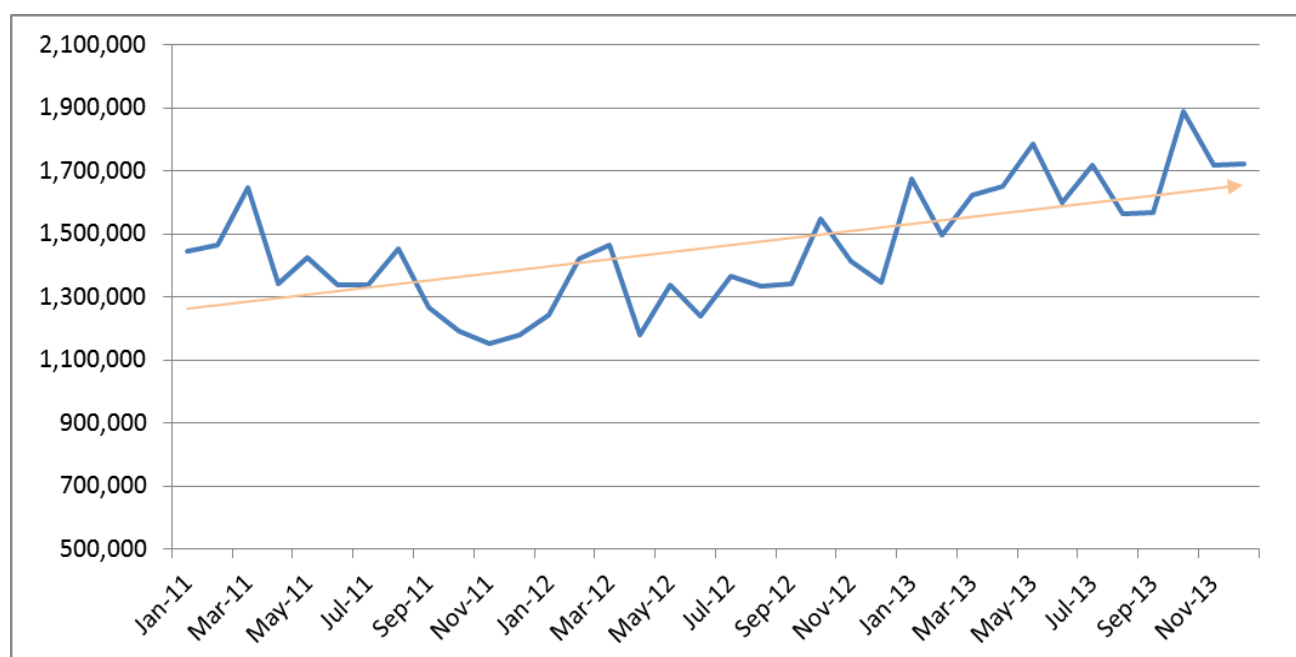


Figure 6 – Luxembourg order volume evolution 2011 - 2013

<sup>7</sup> The data used for one transfer agent are estimates.

## B.2 Luxembourg automation and standardisation rates

### Luxembourg automation rate

The total automation rate reached 75.3% in Q4 2013, compared to 73.7% in Q4 2012.

Total automation rate	Q1	Q2	Q3	Q4
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%
2013	74.9%	74.9%	74.7%	75.3%

Table 8 – Luxembourg total automation rate evolution 2009- 2013 (by quarter)

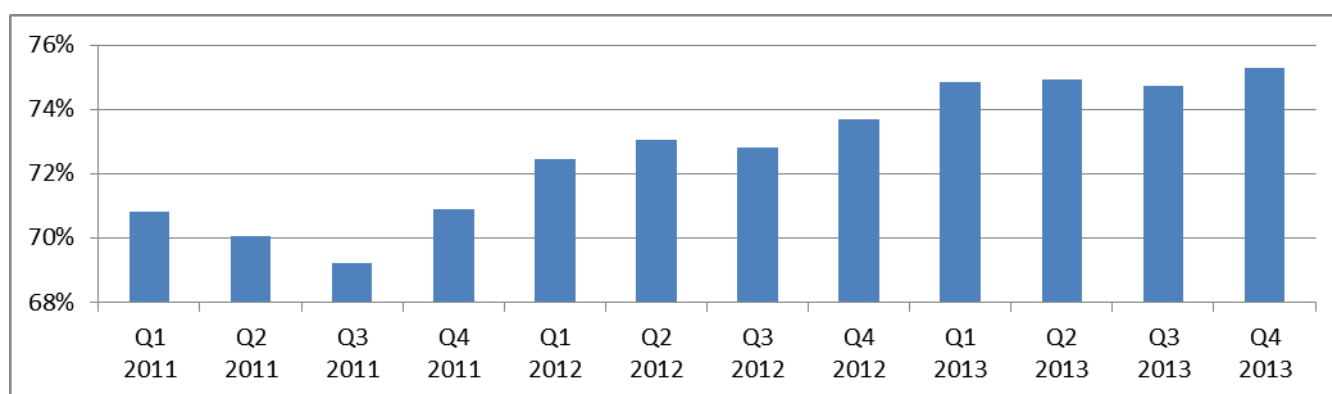


Figure 7 – Luxembourg automation level evolution 2011 - 2013 (by quarter)

### Luxembourg standardisation rate

The use of ISO increased by 1.2 percentage points in 2013, and the adoption of proprietary formats remain stable. The share of manual orders reached 24.7% in Q4 2013 against 26.3% in Q4 2012.

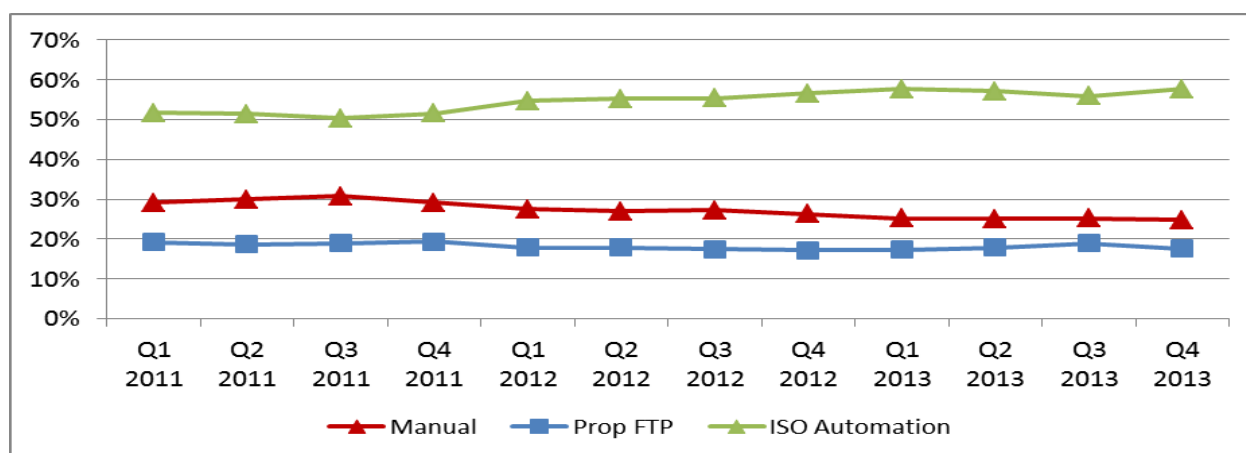
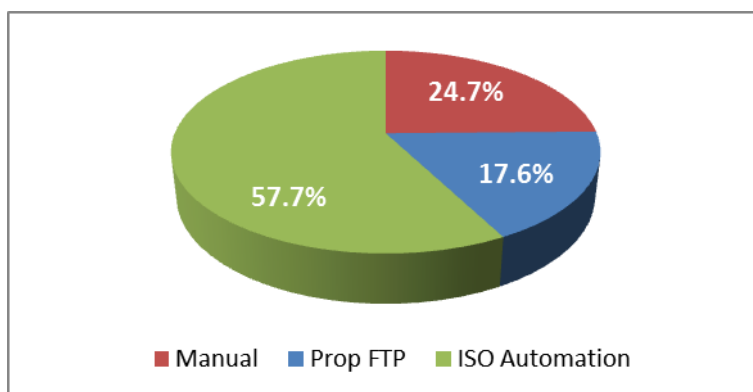


Figure 8 - Luxembourg fund order processing rates evolution 2011 - 2013



**Figure 9 - Luxembourg fund order processing rates 2013 (Q4 2013)**

The table below provides detailed rates per quarter.

<b>ISO automation rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
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%
2013	57.6%	57.1%	55.9%	57.7%
<b>Proprietary FTP rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2009	27.7%	27.8%	26.4%	24.7%
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%
2013	17.3%	17.9%	18.9%	17.6%
<b>Manual rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
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%
2013	25.1%	25.1%	25.3%	24.7%

**Table 9 – Luxembourg fund order processing rates evolution 2009- 2013 (by quarter)<sup>8</sup>**

<sup>8</sup> The median for the Luxembourg total automation and the manual rate stood at 74% and 26% respectively, while the ISO automation rate median evolved to 52% compared to the previous year (47%). The median is the numeric value separating the higher half of a sample, from the lower half. The median has been calculated on 2013 volumes.

### B.3 Regional overview

Regional breakdown information is available from a subset of the Luxembourg survey contributors (14 out of 21) representing 12.4 million orders in 2013 or 62% of the volumes. The regional percentages are calculated on this subset.

#### Regional split of volumes by order giver location

APAC-based order givers generated 30% of incoming order volumes in Luxembourg during Q4 2013. The percentage of orders from order givers in EMEA was 66% against 4% from Americas-based order senders.

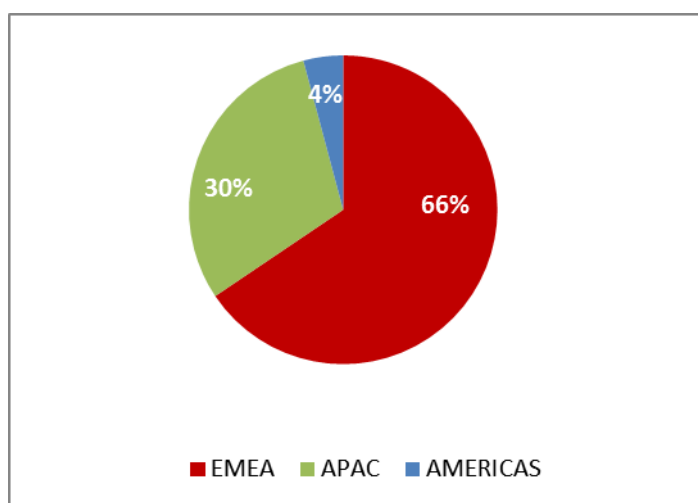


Figure 10 - Luxembourg order volumes per region (by order giver location –Q4 2013)

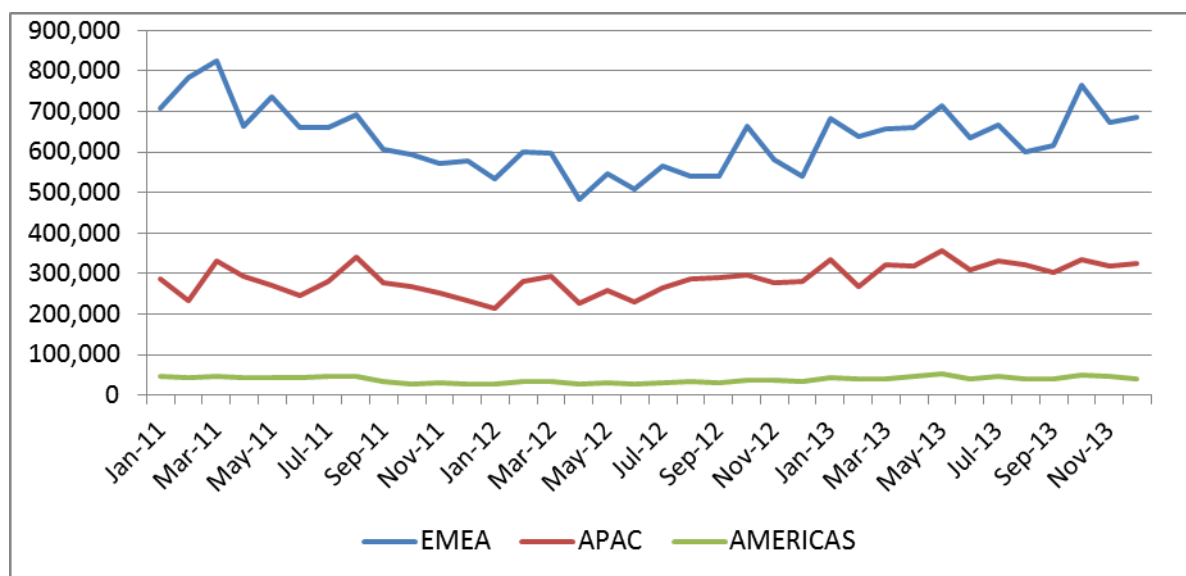


Figure 11 - Luxembourg order volumes evolution per region



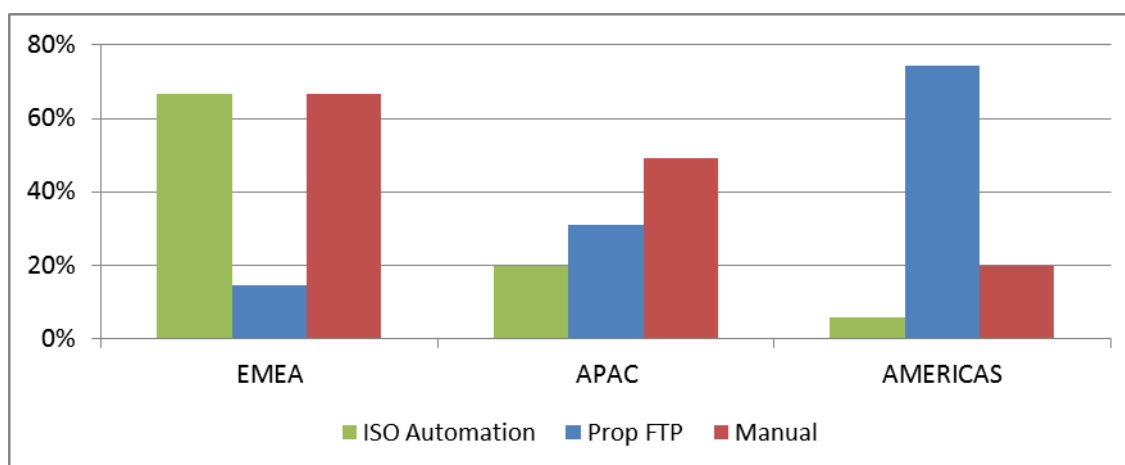
### Regional split of automation and standardisation rates

ISO automation rates of APAC-based order giver increased steadily from 14% in Q4 2012 to 19.6% in Q4 2013. In EMEA and Americas, the ISO adoption rate has increased by respectively 0.3 and 2.7 percentage points.

The total automation (ISO + proprietary) rate increased in the three regions with a strong growth for APAC from 43.4% in Q4 2012 to 50.8% in Q4 2013.

	ISO automation			Total automation (ISO+proprietary formats)		
	EMEA	APAC	Americas	EMEA	APAC	Americas
<b>Q4 2009</b>	56.1%	12.7%	35.3%	72.7%	46.2%	75.7%
<b>Q4 2010</b>	62.1%	14.5%	34.1%	78.0%	44.2%	77.3%
<b>Q4 2011</b>	61.7%	12.8%	34.1%	76.6%	34.6%	71.0%
<b>Q4 2012</b>	66.4%	14%	30.6%	80.9%	43.4%	74.0%
<b>Q4 2013</b>	66.7%	19.6%	33.3%	81.4%	50.8%	77.0%

**Table 10 – Luxembourg fund order automation rates evolution by region**



**Figure 12 – Luxembourg fund order processing rates per region (Q4 2013)**

## C. Automation and Standardization of Fund Orders in Ireland

### C.1 Ireland order volume evolution

In 2013, 9.5 million orders were processed by the 10 Irish survey contributors. This represented an average 0.79 million monthly volume of orders, up by 17% compared to 2012.

(in millions)	2011	2012	2013	Growth 13-12
<b>Total number of orders</b>	8.86	8.11	9.46	17%
<b>Monthly average</b>	0.74	0.68	0.79	

Table 11 – Order Volume evolution Ireland 2011 – 2013

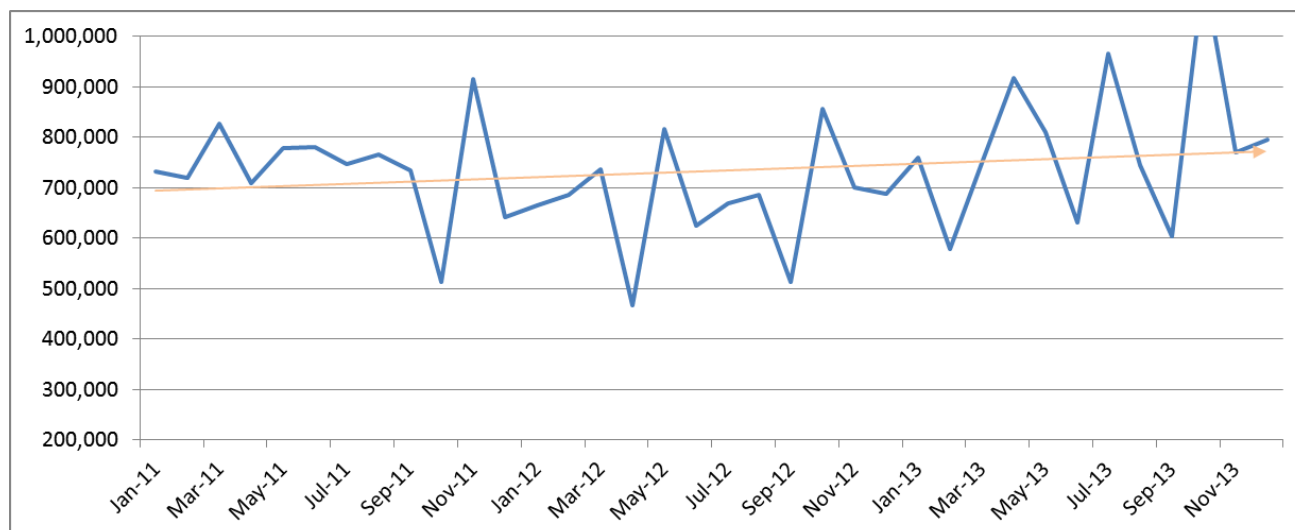


Figure 13 – Ireland Order volume evolution 2011 – 2013

## C.2 Ireland automation and standardisation rates

### Ireland automation rate

The total automation rate reached 85.6% in Q4 2013, against 85.3% in Q4 2012.

Total automation rate	Q1	Q2	Q3	Q4
2011	81.5%	84.5%	84.0%	85.0%
2012	84.4%	84.6%	82.8%	85.3%
2013	83.1%	83.9%	83.4%	85.6%

Table 12 - Ireland automation rate evolution 2011 - 2013 (by quarter)

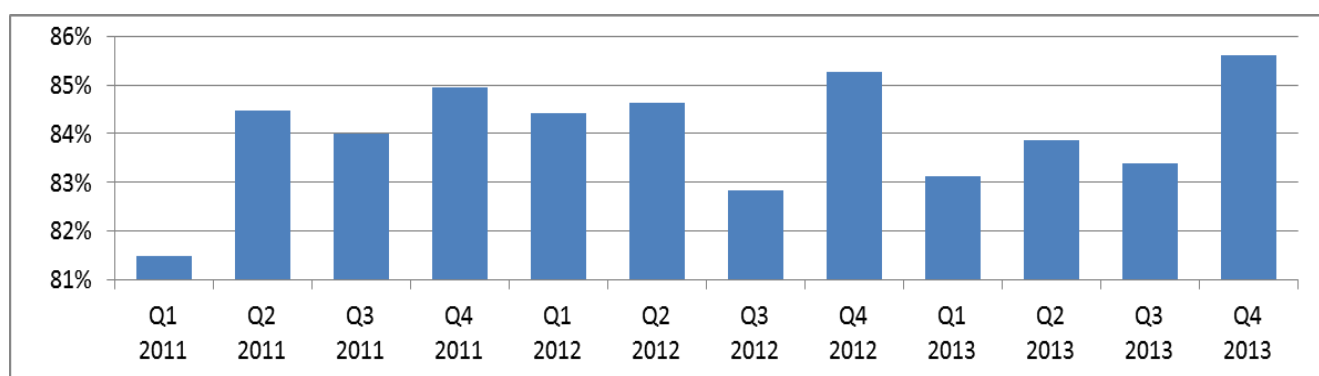


Figure 14 – Ireland automation rate evolution 2011 – 2013 (by quarter)

### Ireland standardisation rate

The ISO adoption rate reached 20.9% during Q4 2013, compared to 19.3% during Q4 2012, whereas the adoption of proprietary formats fell from 66% to 64.7% during the same period.

The share of manual orders decreased from 14.7% in Q4 2012 to 14.4% in Q4 2013.

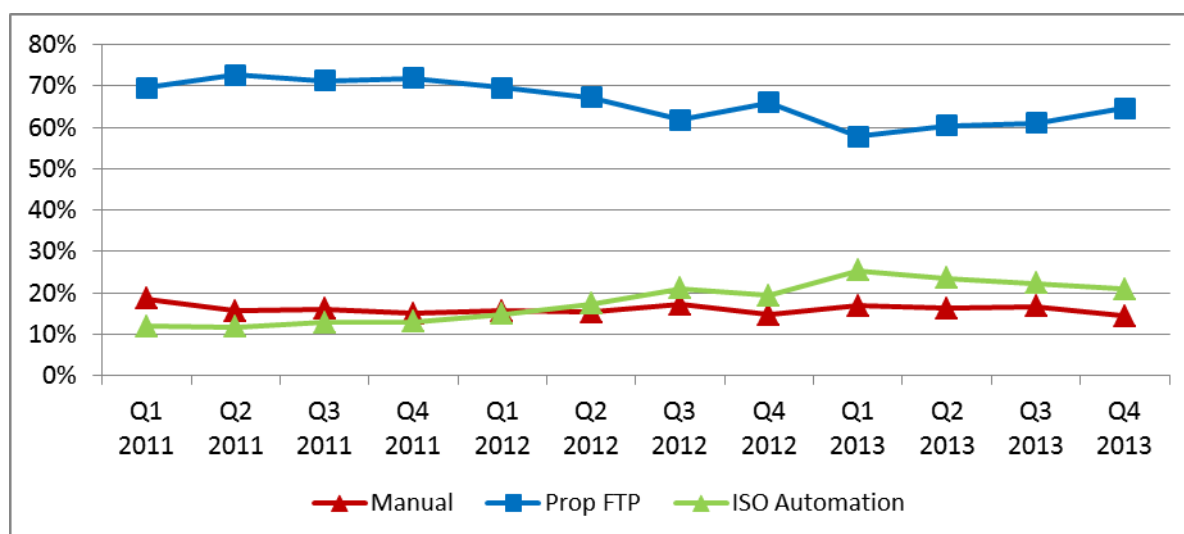
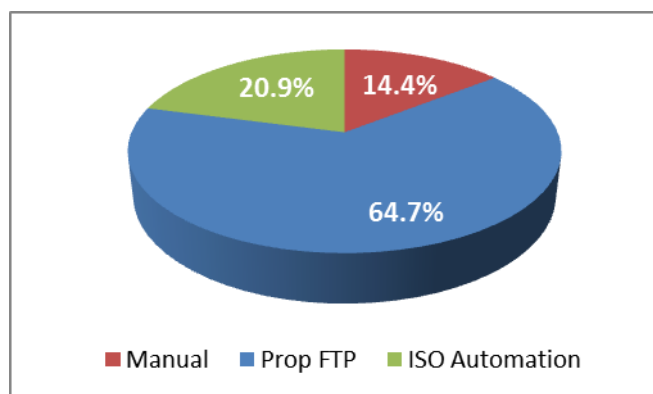


Figure 15 – Ireland standardisation rate 2011 – 2013



**Figure 16 – Ireland fund order processing rates 2013 (Q4 2013)**

The table below provides detailed rates per quarter.

<b>ISO automation rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	11.9%	11.7%	12.7%	13.1%
<b>2012</b>	14.8%	17.3%	21.0%	19.3%
<b>2013</b>	25.3%	23.5%	22.3%	20.9%
<b>Proprietary FTP rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	69.6%	72.8%	71.3%	71.9%
<b>2012</b>	69.6%	67.3%	61.8%	66.0%
<b>2013</b>	57.8%	60.4%	61.1%	64.7%
<b>Manual rate</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2011</b>	18.5%	15.5%	16.0%	15.0%
<b>2012</b>	15.6%	15.4%	17.2%	14.7%
<b>2013</b>	16.9%	16.1%	16.6%	14.4%

**Table 13 – Ireland fund order processing rates evolution 2011 - 2013 (by quarter)<sup>9</sup>**

<sup>9</sup> The median for Ireland total automation rate evolved to 64% compared to the previous year (62%), while the ISO automation rate median stood at 37% and the manual rate median decreased to 36%.

### C.3 Regional split of automation and standardisation rates

Regional breakdown information is available from a subset of the Irish survey contributors (5 out of 10) representing 6.3million orders or 67% of the volumes in 2013. The regional percentages given here under are calculated on this subset.

ISO automation rates of APAC (21.8%) increased significantly in Q4 2013, whereas, in EMEA and Americas, the ISO automation rate respectively fell to 7.4% and 5.9%.

The total automation rate (ISO + proprietary) in APAC had a strong growth with 71.1% and EMEA went up by 0.3 percentage points. Whereas, in Americas, the total automation rate has decreased by 3 percentage points.

	ISO automation			Total automation (ISO+proprietary formats)		
	EMEA	APAC	Americas	EMEA	APAC	Americas
<b>Q4 2010</b>	3.5%	7.6%	19.2%	93.2%	40.6%	74.1%
<b>Q4 2011</b>	6.4%	12.9%	11.9%	96.8%	47.4%	91.6%
<b>Q4 2012</b>	10.6%	9.7%	7.8%	96.1%	35.3%	83.3%
<b>Q4 2013</b>	7.4%	21.8%	5.9%	96.4%	71.1%	80.3%

Table 14 – Ireland fund automation rates evolution by region

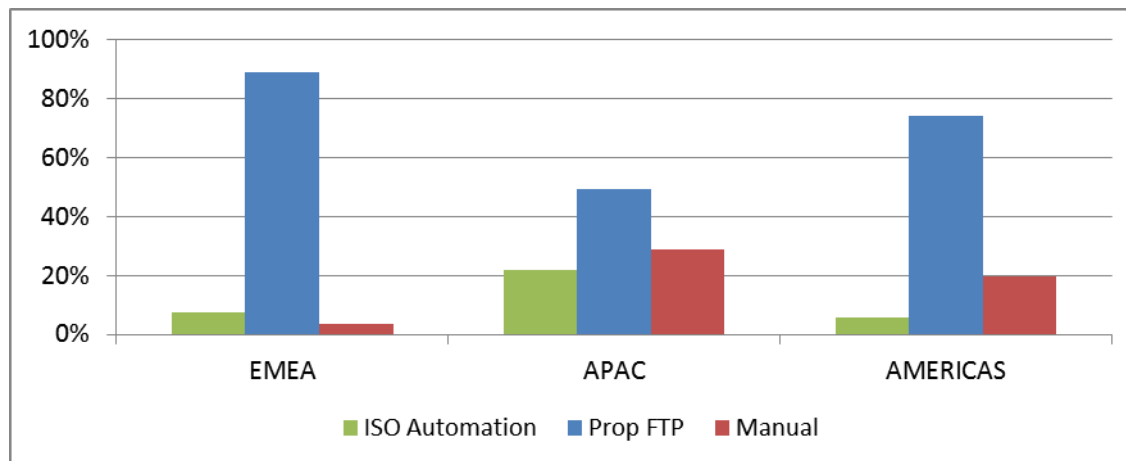


Figure 17 – Ireland fund order processing rates per region (Q4 2013)

## **D. Next report**

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in Q4 2014 and will cover the development during the first half of 2014.

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