



Fund Processing Standardisation

Tracking industry progress

Mid 2015 Update

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 2015. 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.

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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:

- 29 transfers agents (TAs) surveyed: 20 in Luxembourg & 9 in Ireland³
 - 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 17.5 million incoming orders H1 2015
- In the first half of 2015, the **total volume of orders** increased by **11%** to **17.5 million orders**, compared to **15.8 million orders** in the second half of 2014.
 - The volume of **automated processed orders** increased by **13%** to **14.5 million** (against 12.8 million in H2 2014).
 - In the first half of 2015, the adoption of **ISO messaging standards**⁴ increased by 3.8 percentage points to **53.2%** in Q2 2015 (against 49.4% in Q4 2014). In parallel, the use of **proprietary ftp** continued to **decrease** from 33.2% (Q4 2014) to **30.3%** (Q2 2015). The manual processing rate also decreased, from 17.4% in Q4 2014 to **16.5%** in Q2 2015.

B. Cross-border fund processing standardisation in Luxembourg

- Comparing the first half of 2015 to the second half of 2014, **order volumes increased by 10%**. In total, **11.9 million orders** were processed by survey contributors during the first half of 2015.
- Among these orders, **9.7 million orders** were processed automatically, representing an increase of 12% compared to the second half of 2014 (8.6 million orders).
- The **total automation rate** of orders processed in Luxembourg remains almost the same (**81.2%** in Q2 2015 compared to 81.3% in Q4 2014).
- The percentage of automated orders based on the **ISO messaging standards** increased from 57.9% during Q4 2014 to **64.3%** in Q2 2015, whereas the use of **proprietary ftp** decreased from 23.4% in Q4 2014 to **16.9%** in Q2 2015.

³ The number of survey participants of the Luxembourg funds processing centre and the number of Irish survey participants remained stable compared to the 2014 survey.

⁴ 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.

- **Orders incoming from EMEA** represented **69%** against **27%** sent by **APAC-** and **4%** sent by **Americas**-based order givers.⁵
- The **total automation rate** of orders incoming from **EMEA** remains slightly the same with **83%** in Q2 2015 (compared to 83.3% in Q4 2014). This reflected a **decreasing use of proprietary ftp rate** (from 14.2% in Q4 2014 to **13.7%** in Q2 2015) and an increasing use of the **ISO standardisation rate** (from 69% in Q4 2014 to **69.3%** in Q2 2015).
- For orders incoming from the **Americas and APAC** regions, the **total automation rate** increased respectively to 76.8% and 66.9% in Q2 2015 (from 74.9% and 64.6% in Q4 2014). In **Americas**, this trend was mainly driven by an **increase of the ISO standardisation** which went up by 4 percentage points to **33.6%** in Q2 2015. In the **APAC** region, the increase in the automation rate reflected a rise in the **ISO standardisation rate** (from 28.2% in Q4 2014 to 31.8% in Q2 2015), which more than offset the fall in the **proprietary ftp rate** (from 36.4% in Q4 2014 to 35.1% in Q2 2015).

C. Cross-border fund processing standardisation in Ireland

- In the first half of 2015, the **total volume of orders** was equal to **5.6 million**. As such, order volumes increased by 12% compared to the second half of 2014.
- The 9 Ireland-based TAs **manually processed 0.7 million orders** which remain stable compared to the second half of 2014.
- The **total automation rate** of orders processed by Irish transfer agents increased to **88.3%** in Q2 2015 (against 85.6% in Q4 2014).
- The percentage of automated orders based on the **ISO messaging standards** increased to **30.7%** in Q2 2015 (against 29.5% in Q4 2014,) and the **proprietary ftp rate went up to 57.6%** (against 56.1% in Q4 2014).
- The **ISO standardisation rate of Americas- and EMEA**⁶,-originating orders increased in Q2 2015 respectively to **16.8%** and **13.1%** (against 9.2% and 12.3% in Q4 2014. In APAC, the ISO standardisation rate of incoming orders went down to **17.2%** in Q2 2015 (against 18.9% in Q4 2014).

⁵ Regional statistics are based on data provided by 14 (out of the participating 20) TAs in Luxembourg. This represents 58% of the Luxembourg survey volumes for H1 2015.

⁶ 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 2015.

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

A.1 Order volume evolution

Across Ireland and Luxembourg, 17.5 million orders were processed by the 29 survey participants by end of June 2015. With a monthly average of 2.92 million orders, order volumes increased by 11% compared to the second half of 2014.

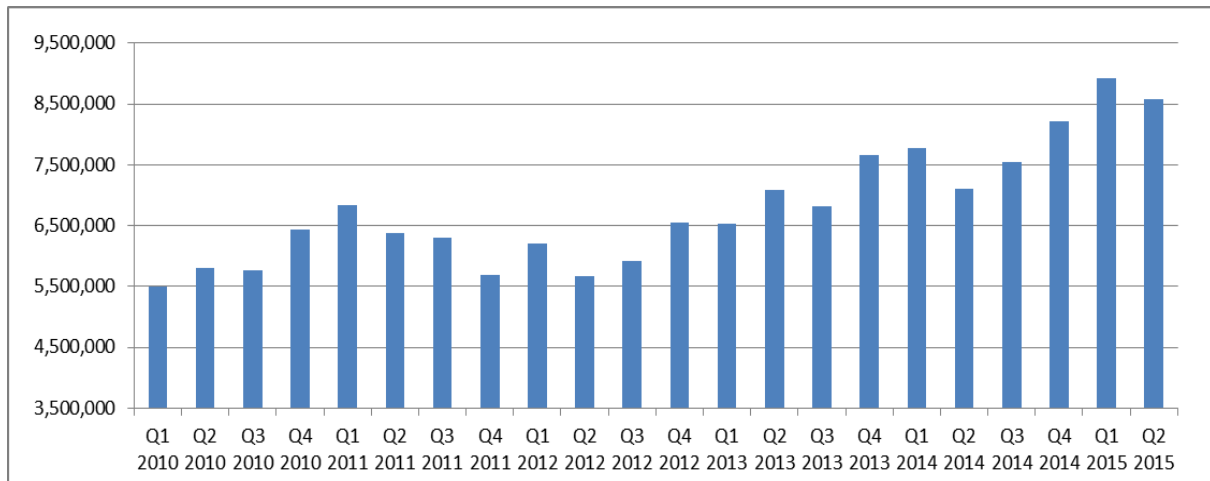


Figure 1 - Order volume evolution 2010 – 2015

A.2 Automation level

The total automation rate slightly increased by 0.9 percentage points in the first half of 2015 compared to last year reaching 83.5% in Q2 2015, against 82.6% where it stood in Q4 2014.

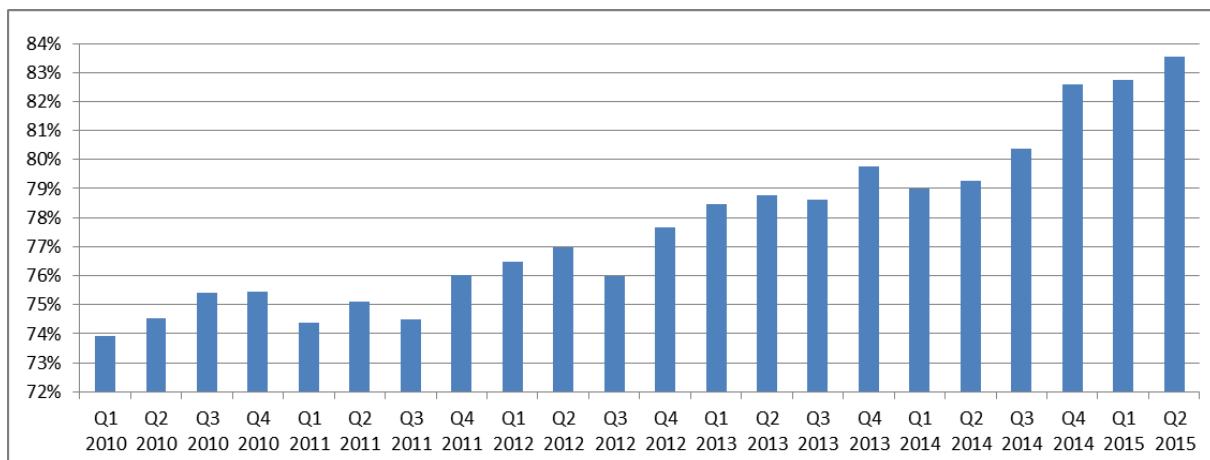


Figure 2 - Automation level evolution 2010 – 2015

A.3 Standardisation levels

In Q2 2015, the adoption of ISO increased by 3.8 percentage points to 53.2% (against 49.4% in Q4 2014). In addition, the adoption of proprietary formats fell to 30.3% in Q2 2015 (against 33.2% in Q4 2014) representing a decrease of 2.9 percentage points. The manual processing rate decreased to 16.5% in Q2 2015 (against 17.4% in Q4 2014).

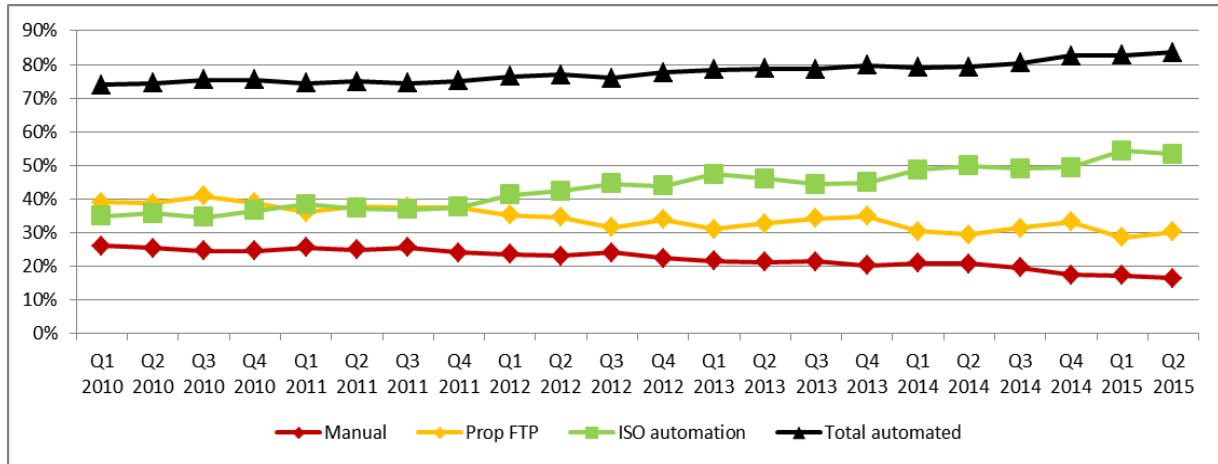


Figure 3 - Standardisation rate evolution 2010 – 2015

B. Focus on Luxembourg

B.1 Order volume evolution

The 20 Luxembourg survey contributors processed 11.9 million orders during the first two quarters of 2015. Representing a monthly average of 1.99 million orders, volumes increased by 10% compared to the second half of 2014.

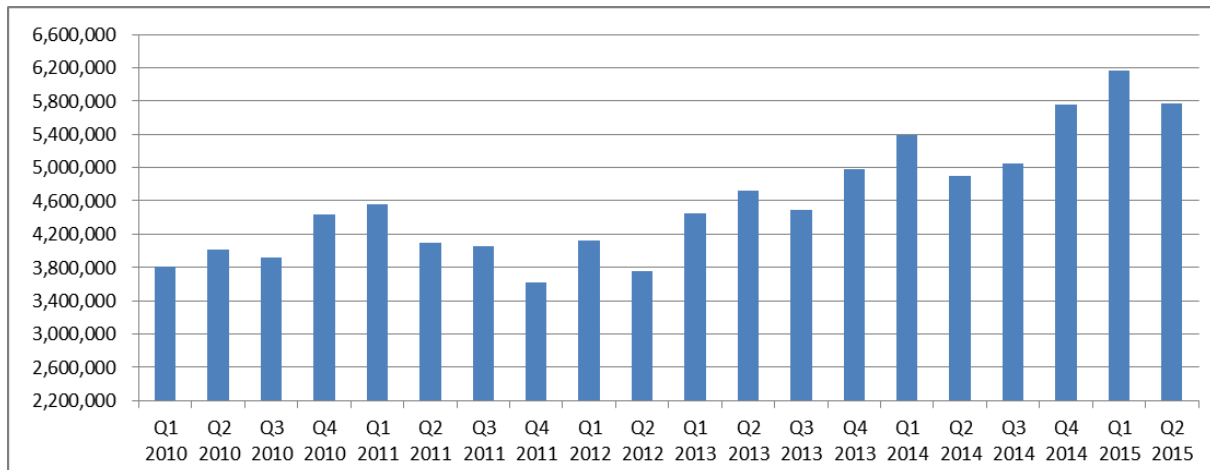


Figure 4 - Order volume evolution 2010 - 2015

B.2 Automation level

In Q1 and Q2 2015, the total automation rate remains stable at 81.2% in Q2 2015 compared to Q4 2014 (where it stood at 81.3%).

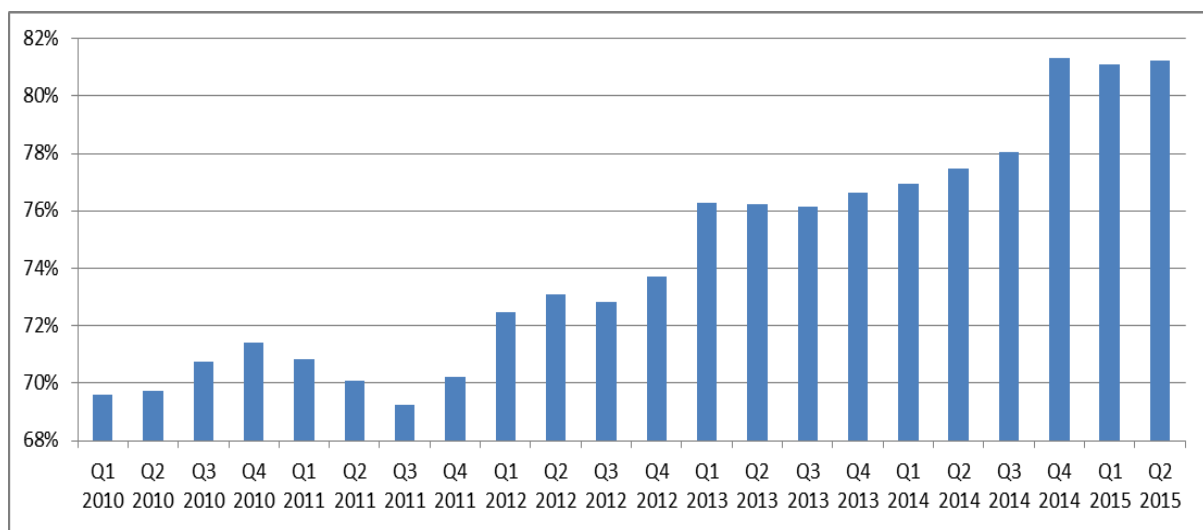


Figure 5 - Automation level evolution 2010 - 2015

B.3 Standardisation levels

The ISO messaging standard increased to 64.3% during Q2 2015 (from 57.9% in Q4 2014). The proprietary formats automation rate decreased by 6.5 percentage points to 16.9% in Q2 2015. The share of manually processed orders went slightly up from 18.7% in Q4 2014 to 18.8% in Q2 2015.

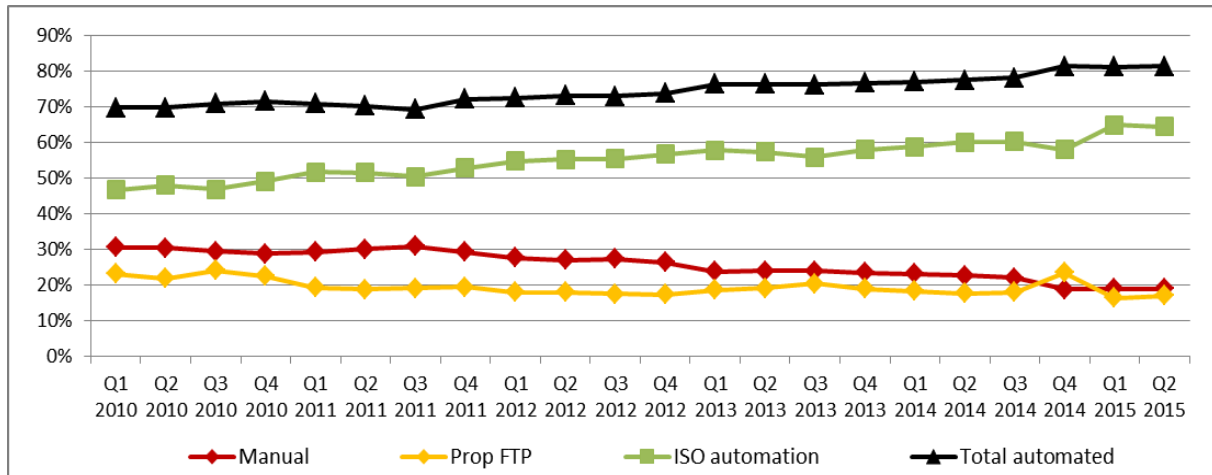


Figure 6 - Standardisation rate 2010 - 2015

B.4 Regional data⁷

B.4.1 Split of volumes by region

The proportion of orders incoming from EMEA and APAC region changed in H1 2015 compared to H2 2014. EMEA region represented 69% of incoming order volumes in Luxembourg in the first half of 2015 compared to 66% in H1 2014, while APAC generated 27% of incoming order volumes against 30% in H1 2014 and Americas 4%.

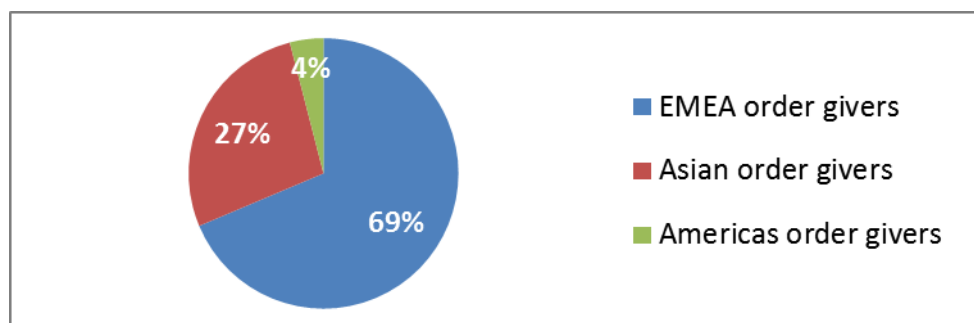


Figure 7 - Order volumes per region – First half of 2015

⁷ Please note that the regional data is based on contributions of 14 out of the 20 transfer agents, representing about 58% of the survey volumes for H1 2015. 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 incoming from the EMEA region decreased marginally to 83% in Q2 2015 from 83.3% in Q4 2014. This was driven by the decreasing proprietary ftp rate which fell by 0.5 percentage points to 13.7% while the ISO standardisation rate increased by 0.3 percentage points to 69.3% in Q2 2015.

The total automation rate of orders sent by order givers located in APAC and Americas increased between Q4 2014 and Q2 2015.

In the APAC region, this was due to an increase of the ISO standardisation rate from 28.2% to 31.8% in Q2 2015 while the proprietary ftp rate fell from 36.4% to 35.1% in Q2 2015.

In Americas, the increase in the automation rate reflected an increase in the ISO standardisation rate to 33.6% and a fall in the proprietary ftp rate to 43.2%.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth
EMEA	17.0%	16.7%	0.3%	13.7%	14.2%	-0.5%	69.3%	69.0%	0.3%	83.0%	83.3%	-0.2%
APAC	33.1%	35.4%	-2.3%	35.1%	36.4%	-1.3%	31.8%	28.2%	3.6%	66.9%	64.6%	2.4%
Americas	23.3%	25.1%	-1.8%	43.2%	45.3%	-2.1%	33.6%	29.6%	4.0%	76.8%	74.9%	1.9%

Figure 8 – Luxembourg standardisation rates per region

C. Focus on Ireland

C.1 Order volume evolution

By end of June 2015, the 9 Irish survey participants processed 5.6 million orders. This equals a monthly average of 0.93 million orders. As such, the volume of orders increased by 12% compared to the second half of 2014.

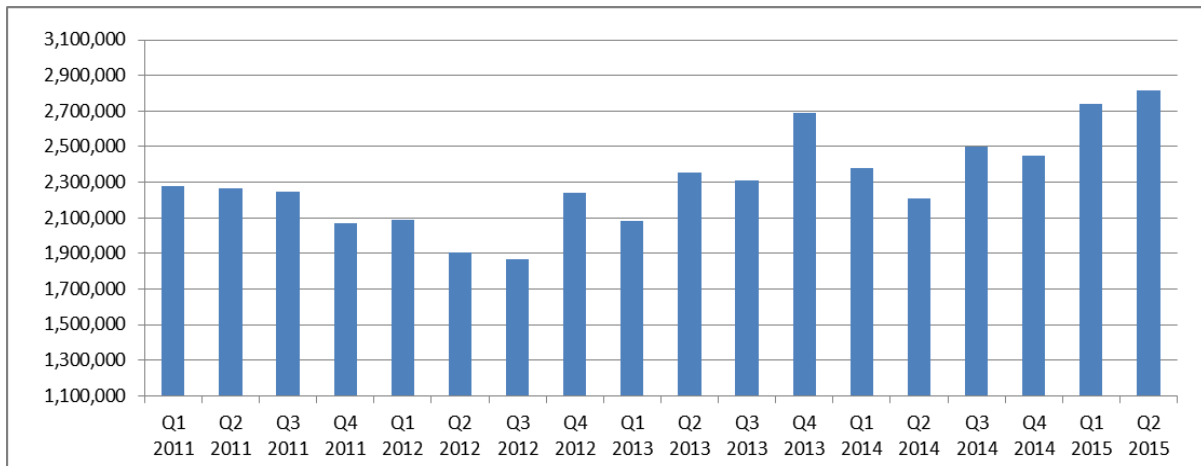


Figure 9 - Order volume evolution 2011 – 2015

C.2 Automation level

In Ireland, the total automation rate reached 88.3% during Q2 2015 (against 85.6% in Q4 2014).

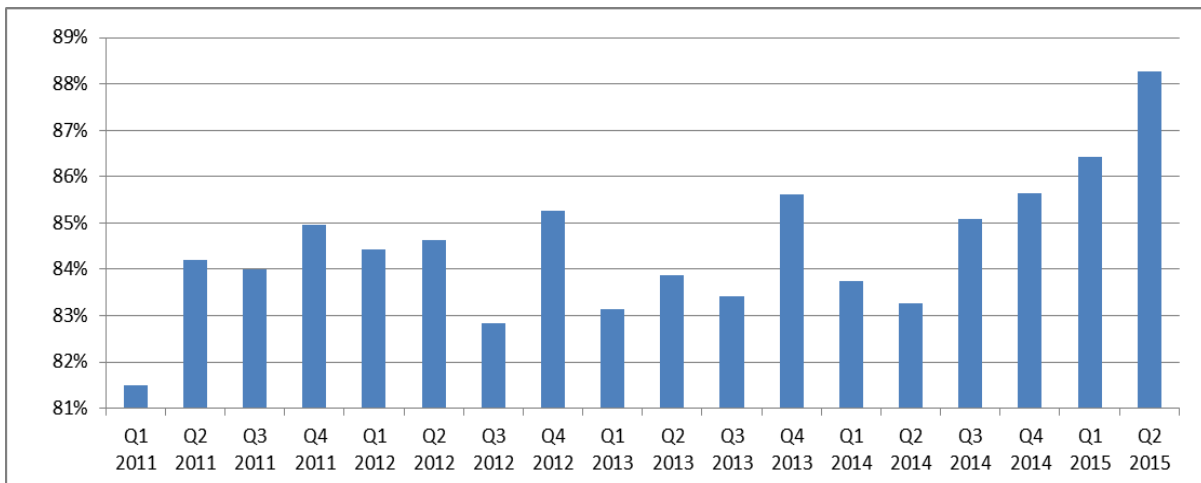


Figure 10 - Automation level evolution – 2011 - 2015

C.3 Standardisation levels

In the second quarter of 2015, the ISO adoption rate moved up to 30.7% (against 29.5% in Q4 2014), and the adoption of proprietary formats increased to 57.6% during the same period (against 56.1% in Q4 2014). The share of manually processed orders went down from 14.4% in Q4 2014 to 11.7% in Q2 2015.

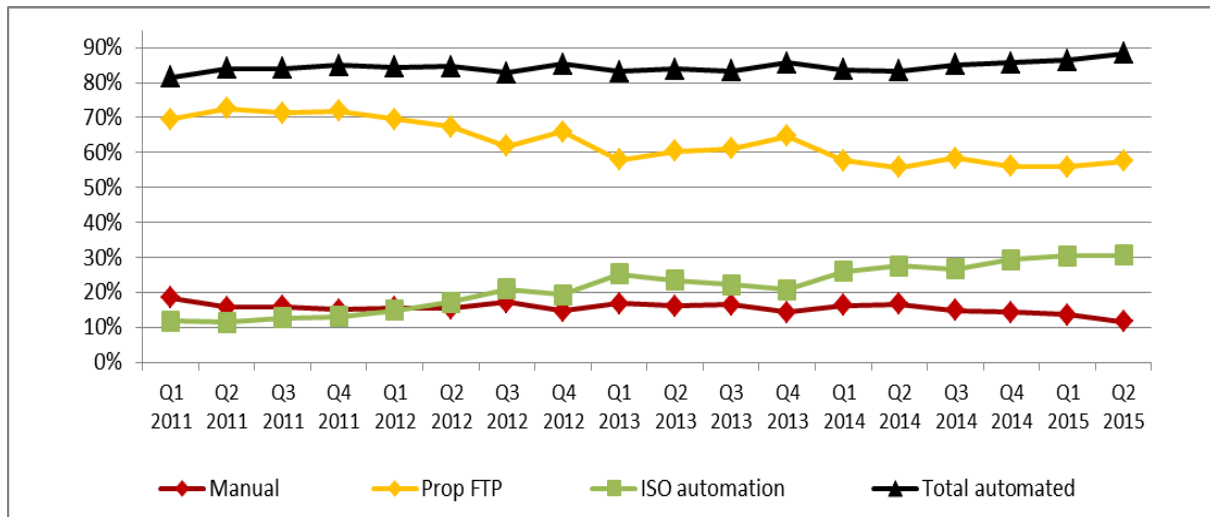


Figure 11 - Standardisation rate evolution 2011 – 2015

C.4. Regional data⁸

The ISO standardisation rate in EMEA grew by 0.8 percentage points to 13.1% in Q2 2015 (against 12.3% in Q4 2014) while the proprietary files rate decreased to 82.9% (against 83.3% in Q4 2014).

For APAC, the ISO standardisation rate decreased to 17.2% in Q2 2015 (against 18.9% in Q4 2014) and the automation rate of proprietary files increased to 53.6% in Q2 2015 (against 50.2% in Q4 2014).

The ISO standardisation rate in the Americas region increased from 9.2% in Q4 2014 to 16.8% in Q2 2015. Proprietary files were subject to a decrease with a rate moving from 71% in Q4 2014 to 63.1% in Q2 2015.

	Manual			Proprietary			ISO automation			Total automation		
	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth	Q2 2015	Q4 2014	Growth
EMEA	4.0%	4.4%	-0.4%	82.9%	83.3%	-0.4%	13.1%	12.3%	0.8%	96.0%	95.6%	0.4%
APAC	29.2%	30.8%	-1.6%	53.6%	50.2%	3.4%	17.2%	18.9%	-1.7%	70.8%	69.2%	1.6%
Americas	20.1%	19.8%	0.3%	63.1%	71.0%	-7.9%	16.8%	9.2%	7.6%	79.9%	80.2%	-0.3%

Figure 12 – Ireland standardisation rates per region

⁸ 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.

D. Next report

The next joint EFAMA-SWIFT Fund Processing Standardisation report is planned for publication in April 2016 and will cover the January 2011 – December 2015 progress in standardisation rates across the two main cross-border investment fund centres, Luxembourg and Ireland.