

Fund Processing Standardization

Tracking industry progress

Mid 2009 Update

Background

In May 2009, EFAMA published a first report on recent trends in standardization and automation rates of fund orders received by transfer agents (TAs) in Luxembourg. The report was based on a joint EFAMA-SWIFT survey covering close to 80 percent of total Luxembourg order volumes. It is available for download at: <http://www.swift.com/solutions/solutions/funds/index.page> and http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=88&Itemid=-99

EFAMA and SWIFT confirmed in this report their intention to issue a mid-year status report to present the evolution of standardization rates during the first six months of 2009.

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 standardization and automation.

Report Highlights

The **total automation rate** of orders processed by Luxembourg transfer agents during the first half of 2009 was **69%**; this represents an increase of 3 percentage points compared to Q4 2008 (where it stood at 66%).

The automation rate in the Asia-Pacific region*¹ (APAC) has progressed at a more rapid pace than previously and is now at **45%**. This represents an increase of 9 percentage points compared to Q4 2008 where it stood at 36%.

Overall, the percentage of automated orders based on the **ISO messaging standard** remains at 41% in volume terms. The ISO adoption rate in APAC now stands at 10% in volume terms, compared to 8% in Q4 2008.

ISO adoption among market players however **has progressed significantly**, in line with EFAMA's recommendations. Indeed, survey contributors have reported **62 new ISO automated links implemented during the first half of 2009**. This compares to **17** new proprietary file transfer links put in place during the same period.*² This trend is expected to lead to an increase in the ISO rate in volumes terms in the second half of the year.

Order volumes have gradually grown again since January 2009. In total, **5.8 million orders** were processed by survey contributors during the first half of 2009. APAC continues its progression in terms of incoming order volumes for Luxembourg TAs: APAC-based order givers now represent 34% of incoming orders, compared to 30% last year.

¹ Please note that the regional data is based on contributions of 12 out of the 19 transfer agents, representing about 54% of the survey volumes for H1 2009.

² 16 out of the 19 TAs surveyed responded to this new section of the survey.

1. Order volume evolution

By end of June 2009, 5.8 million orders had been processed by the survey contributors. This represents an average monthly volume of 977,000 orders, down by 16% compared to the second half of 2008. Volumes have however been gradually growing again since January, reversing the trend that dominated in Q4 2008.

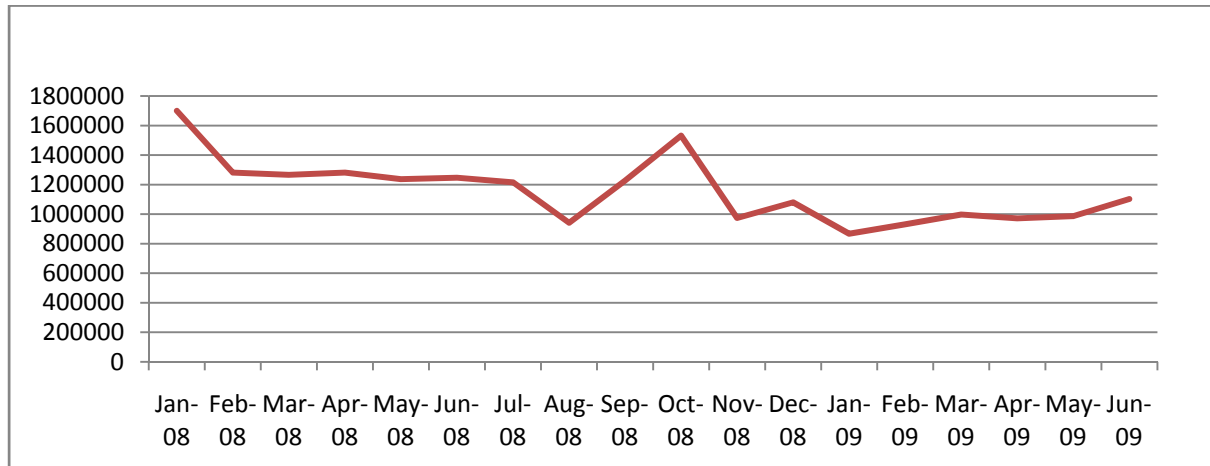


Figure 1 - Order volume evolution

2. Automation Level

The total automation rate in Luxembourg has now reached 69%, compared to 66% in Q4 2008.

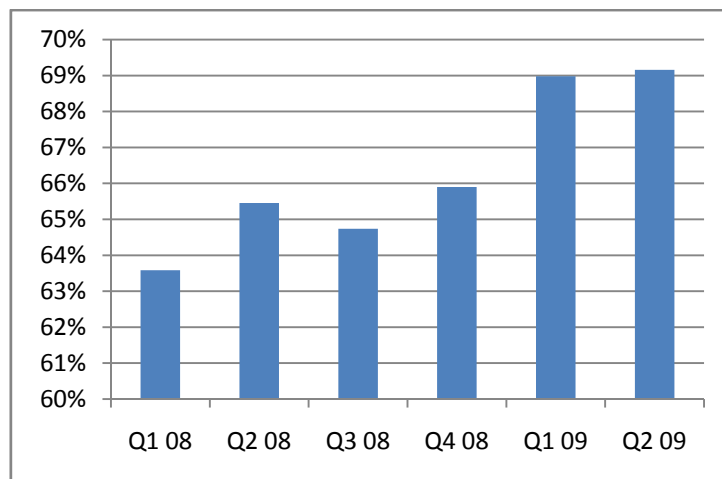


Figure 2 - Automation level evolution

3. Standardization Levels

Adoption of ISO has increased by close to 1 percentage point in volume terms over Q4 2008, and the adoption of proprietary formats has grown by 2 percentage points. Consequently, the share of manual orders fell from 34% in Q4 2008 to 31% in the first half of 2009.

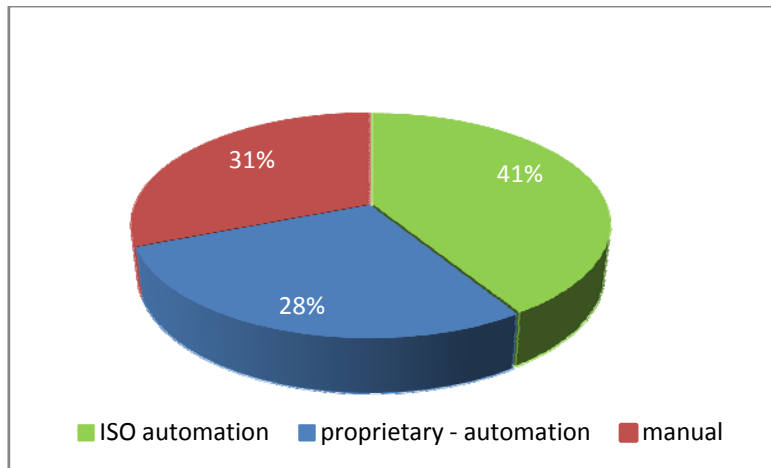


Figure 3 - Standardization rate

To better understand the automation trend, an additional survey was carried out among the 19 Luxembourg TAs. It revealed that if you look at the number of new automated links implemented between January and June 2009, **ISO is much more widely favoured** in the market as the most efficient automation option going forward: 62 new links were launched using the ISO format. This compares with 17 new links set up using a proprietary format.*³

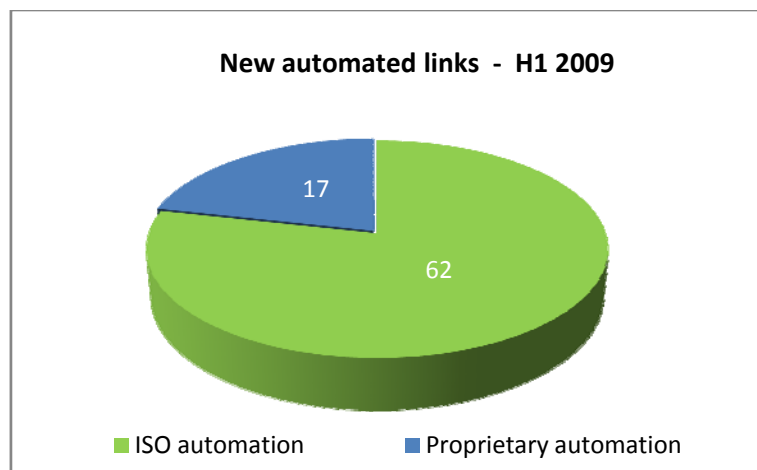


Figure 4 - New automated links launches

³ Amongst the 19 TAs, 16 responded to this new section of the survey. These 16 TAs have launched 62 new ISO links and 20 new proprietary ftps; they stopped 3 proprietary ftps and migrated them into an ISO link (leading to a net 17 new proprietary ftp links; 15 originating from one single player).

Most of the new ISO adopters on the distribution side are EMEA-based, in countries including the UK, Luxembourg, Switzerland, Germany, Spain, Italy, Austria, Sweden, France, Belgium, Portugal and the Baltic republics.

4. Regional split of order volumes^{*4}

APAC-based order givers generated 34% of incoming order volumes in Luxembourg during the first half of 2009; this represented a growth of 4 percentage points compared to Q4 2008. Orders originating from EMEA-based order givers have decreased by 4 percentage points to 61% of the total.

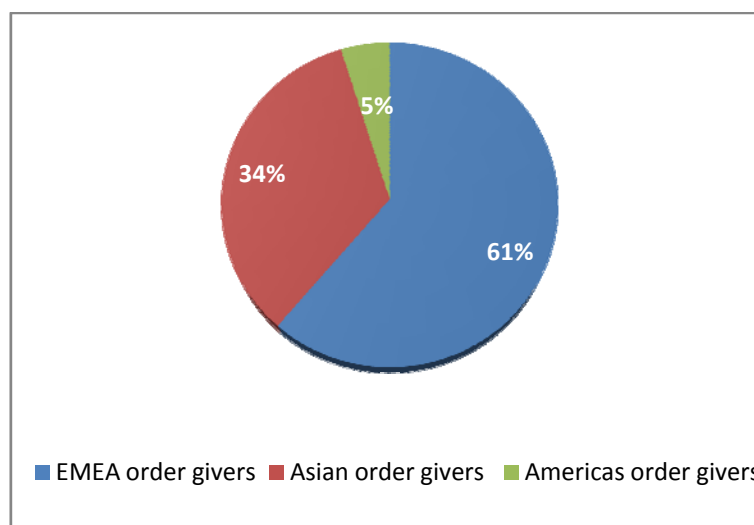


Figure 5 - Order volumes per region

5. Regional split of automation and standardization rates

ISO standardization rates continue to be much higher with EMEA-based order givers; the rate stands at 49% for H1 2009, compared to 46% in 2008.

In APAC, ISO adoption has increased by 2 percentage points to reach 10% during the first half of 2009 (compared to 8% in 2008).

The total automation rate (ISO + proprietary) in APAC has increased by 9 percentage points to reach 45% for the first half of 2009 (compared to 36% in Q4 2008).

⁴ Please note that the regional data is based on contributions of 12 out of the 19 transfer agents, representing about 54% of the survey volumes for H1 2009. This explains data variations compared to the full survey sample statistics.

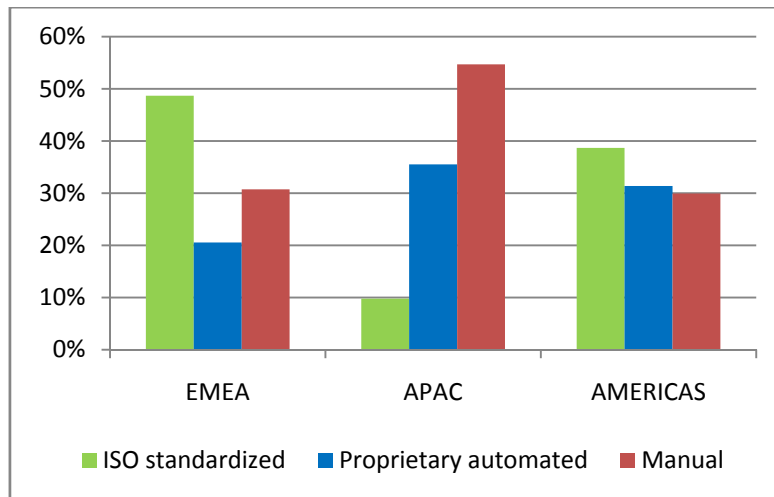


Figure 6 - standardization rates per region

This is a very positive evolution in terms of volumes of automated orders; this increase reflects mostly organic volume growth of existing automated links with APAC-based order givers rather than new launches of automated links, as reflected in the outcome of the survey related to the number of new links set up (see section 3 above), which reveals the ongoing predominance of EMEA-based new automated links launches.

Next report

The next joint EFAMA-SWIFT Fund Processing Standardization report is planned for publication in Q1 2010 and will cover the 2008-2009 progress in standardization rates.