

Fund Processing Standardization

Tracking industry progress

Mid 2010 Update

Background

Since May 2009, EFAMA has published reports on recent trends in standardization and automation rates of fund orders received by transfer agents (TAs). The reports are based on a joint EFAMA-SWIFT survey covering close to 80 percent of total cross-border order volumes in Luxembourg and since 2010 also in Ireland. They are 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 are very proud to be in a position as from now to combine the Luxembourg and Ireland reports into one single cross-border fund processing report providing

- a. an aggregated view on both fund processing centres together and
- b. a detailed overview per fund processing centre (Luxembourg and Ireland separately).

EFAMA and SWIFT publish two fund processing standardization reports per year: a full year detailed report and a mid-year update report. This is the mid-year update report.

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

A. Cross-border fund processing standardization in Luxembourg and Ireland

- Combined surveys coverage:
 - 31 transferts agents (TAs) surveyed (21 in Luxembourg, 10 in Ireland)
 - >80% market coverage (on incoming 3d-party mutual funds order volumes)
 - Standardization data collected on 11.3 million incoming orders H1 2010
- The total automation rate of orders processed during Q2 2010 reaches 74.5%.
- The ISO messaging standards*¹ market adoption rate continues to strengthen to the detriment mainly of proprietary ftps:
 - the ISO automation rate has indeed risen from 29.9% (Q2 2009) to 35.8% (Q2 2010), while
 - the use of proprietary ftps has decreased from 43.8% (Q2 2009) to 38.7% (Q2 2010).
- The number of incoming orders manually processed during the first half of 2010 reaches 2.9 million.

B. Cross-border fund processing standardization in Luxembourg

- The total automation rate of orders processed by Luxembourg TAs was 69.7% during Q2 2010; this represents an increase of 0.8 percentage points compared to Q2 2009 (where it stood at 68.9%).
 - The automation rate in the Asia-Pacific region*² (APAC) reached 47%. This represents an increase of 0.7 percentage points compared to Q2 2009 where it stood at 46.3%.
- The percentage of automated orders based on the ISO messaging standards substantially increased from 41.1% during Q2 2009 to 47.9% during Q2 2010. This compares with a drop from 27.8% during Q2 2009 to 21.8% during Q2 2010 for proprietary ftps.

¹ 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 Q4 2012. EFAMA recommends ISO 20022 as single standard for fund processing.

² Please note that the regional data is based on contributions of 16 out of the 21 transfer agents, representing about 61% of the survey volumes for H1 2009.

- The ISO adoption rate in APAC stood at 13.6% during Q2 2010, compared to 10.8% during Q2 2009, while proprietary ftps dropped from 35.6% during Q2 2009 down to 33.5% during Q2 2010.
- Order volumes have overall substantially grown: +32% during H1 2010 compared to H1 2009. In total, 7.8 million orders were processed by survey contributors during the first half of 2010.
 - Order volumes coming from APAC-based order givers shrunk compared to H1 2009: they represented 31% of all incoming volumes at Luxembourg TAs compared to 35% H1 2009.
- The 21 Luxembourg-based TAs surveyed manually processed 2.4 million orders during the first half of 2010.

C. Cross-border fund processing standardization in Ireland

- The total automation rate of orders processed by Irish transfer agents was 85.3% during Q2 2010; this represents an increase by 1 percentage point compared to Q2 2009 (where it stood at 84.3%).
- The percentage of automated orders based on the ISO messaging standards remained stable at 8.5% during Q2 2010 compared to 8.6% during Q2 2009, while the proprietary ftp rate reached 76.8% compared to 75.7% during Q2 2009.
- Order volumes grew substantially: +21% during H1 2010 compared to H1 2009. In total, 3.5 million orders were processed by survey contributors during the first half of 2010.
- The 10 Ireland-based TAs surveyed manually processed 0.5 million orders during the first half of 2010.

A. Cross-border fund processing standardization

Ireland and Luxembourg

A.1. Order volume evolution

By end of June 2010, 11.3 million orders had been processed by the 31 survey contributors across Ireland and Luxembourg. This represents an average 1.9 million monthly volume of orders, up by 28% compared to the first half of 2009.

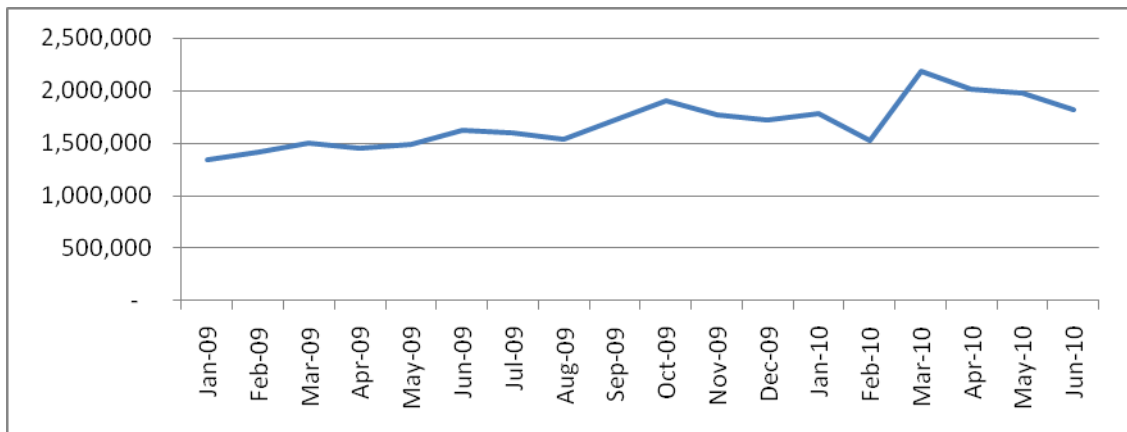


Figure 1 - Order volume evolution

A.2. Automation level

The total automation rate reached 74.5%, compared to 73.7% during Q2 2009.

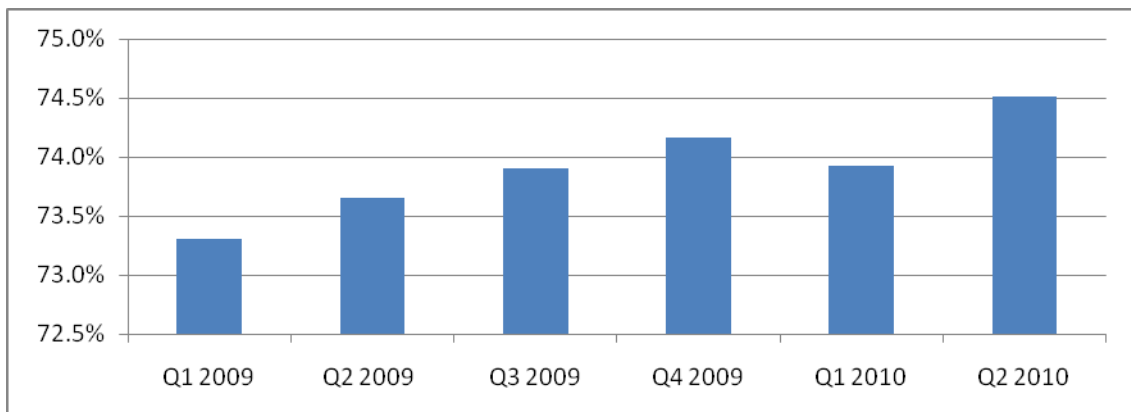


Figure 2 - Automation level evolution

A.3. Standardization levels

Adoption of ISO has increased by 5.9 percentage points in volume terms between Q2 2009 and 2010, and the adoption of proprietary formats has decreased by 5.1 percentage points. The share of manual orders fell from 26.7% in Q2 2009 to 25.5% in Q2 2010.

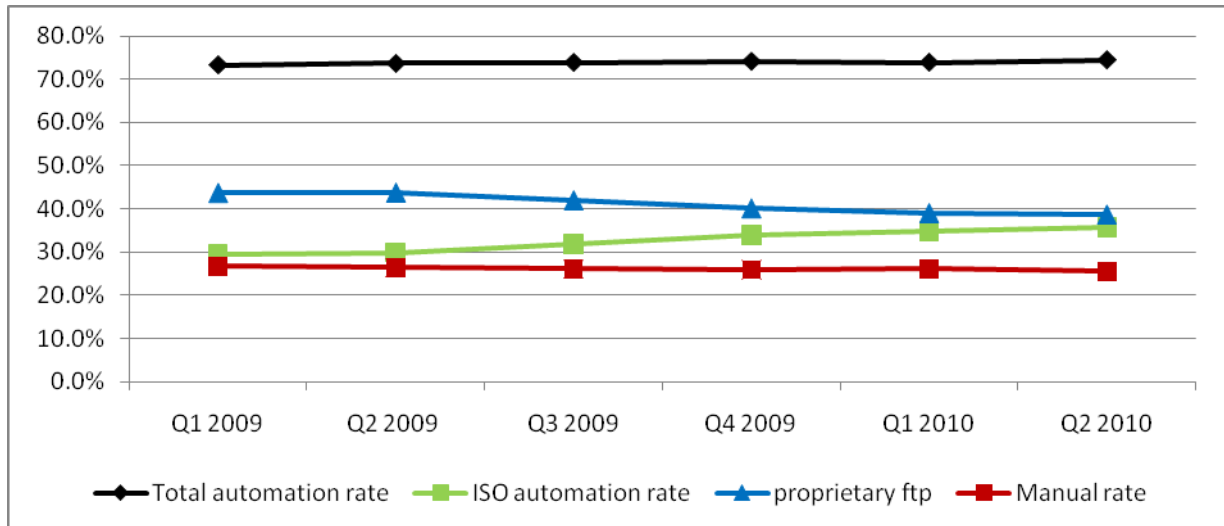


Figure 3 - Standardization rate

B. Focus on Luxembourg

B.1. Order volume evolution

By end of June 2010, 7.8 million orders had been processed by the 21 Luxembourg survey contributors. This represents an average 1.3 million monthly volume of orders, up by 32% compared to the first half of 2009.

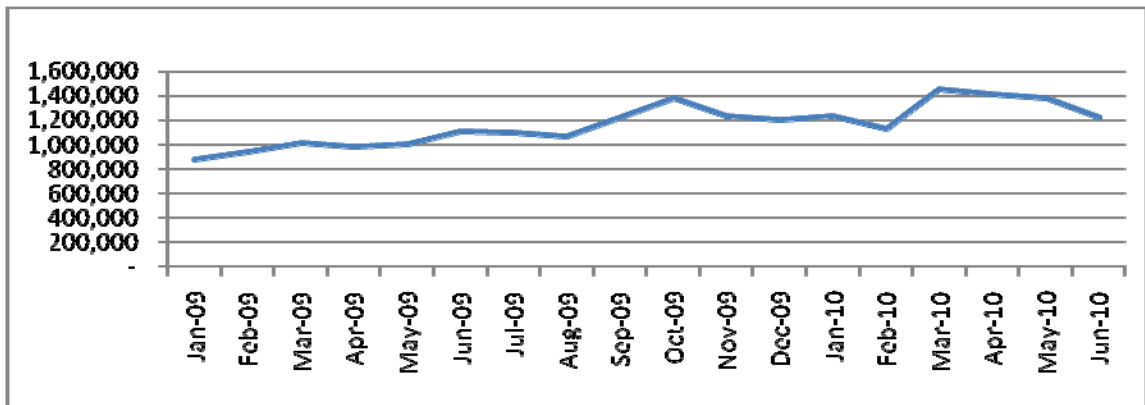


Figure 4 - Order volume evolution

B.2. Automation level

The total automation rate reached 69.7%, compared to 68.9% in Q2 2009.

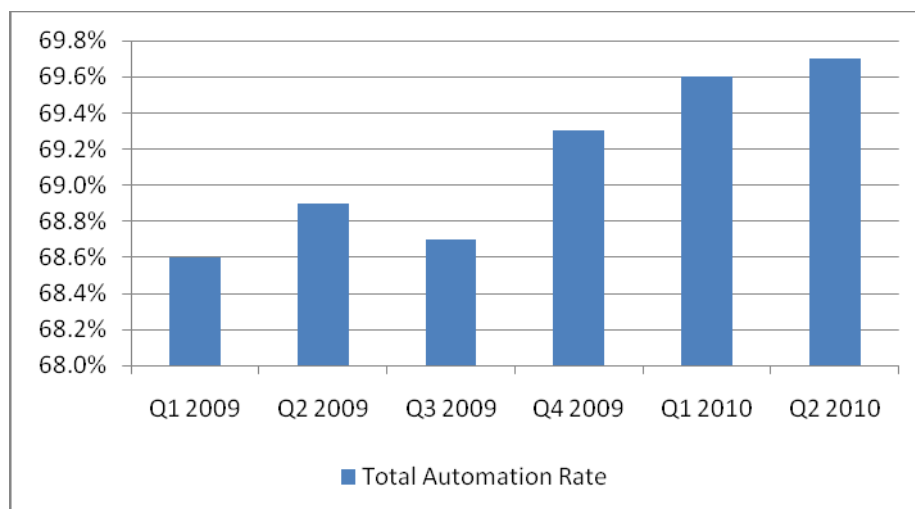


Figure 5 - Automation level evolution

B.3. Standardization levels

Adoption of ISO has increased by 6.8 percentage points in volume terms between Q2 2009 and 2010, and the adoption of proprietary formats has decreased by 6 percentage points. The share of manual orders fell from 31.1% in Q2 2009 to 30.3% in Q2 2010.

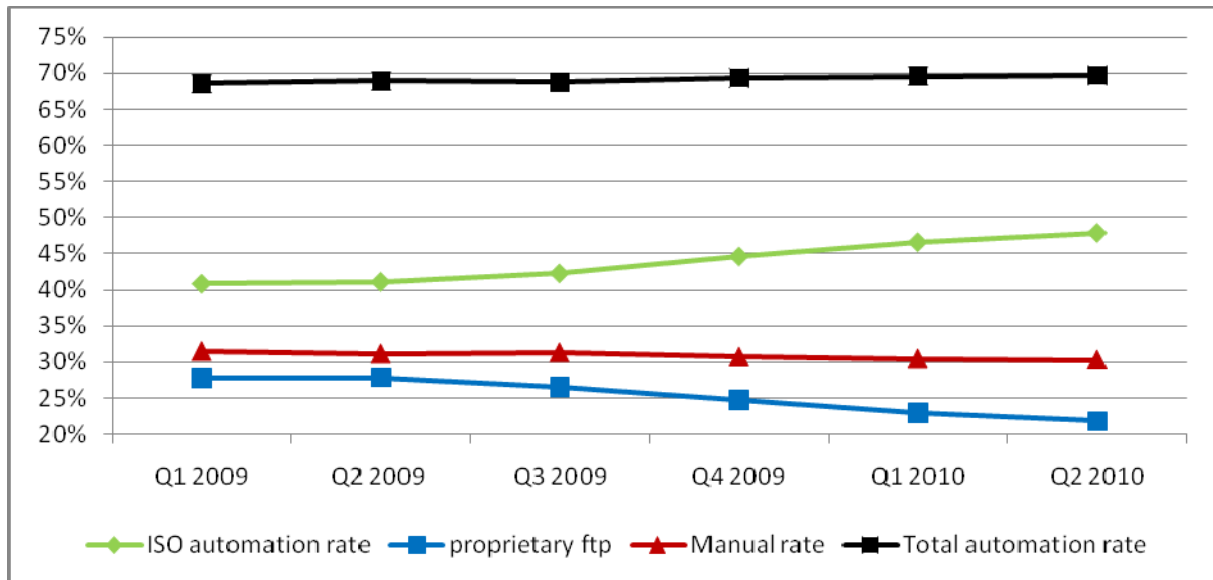


Figure 6 - Standardization rate

B.4. Regional data*³

B.4.1. Split of volumes by region

APAC-based order givers generated 31% of incoming order volumes in Luxembourg during H1 2010; this represents a decrease of 4 percentage points compared to H1 2009. The percentage of orders from EMEA-based order givers increased by 4 percentage points to 64%. The percentage of orders from Americas-based order givers remained stable at 5%.

³ Please note that the regional data is based on contributions of 16 out of the 21 transfer agents, representing about 61% of the survey volumes for H1 2010. This explains data variations compared to the full survey sample statistics.

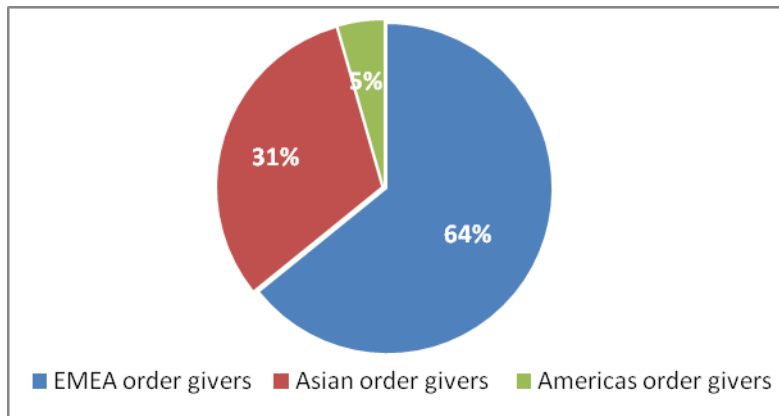


Figure 7 - Order volumes per region

B.4.2. Split of automation and standardization rates by region

ISO standardization rates continue to be much higher with EMEA-based order givers; the rate stands at 55.8% for Q2 2010, compared to 49.3% for Q2 2009.

In APAC, ISO adoption has increased by 2.8 percentage points to reach 13.6% during Q2 2010 (compared to 10.8% during Q2 2009).

The proprietary ftp rate in APAC dropped by 2.1 percentage points, from 35.6% during Q2 2009 to 33.5% during Q2 2010, in favour of ISO.

The total automation rate (ISO + proprietary) in APAC has increased by 0.7 percentage points to reach 47% for Q2 2010 (compared to 46.3% in Q2 2009).

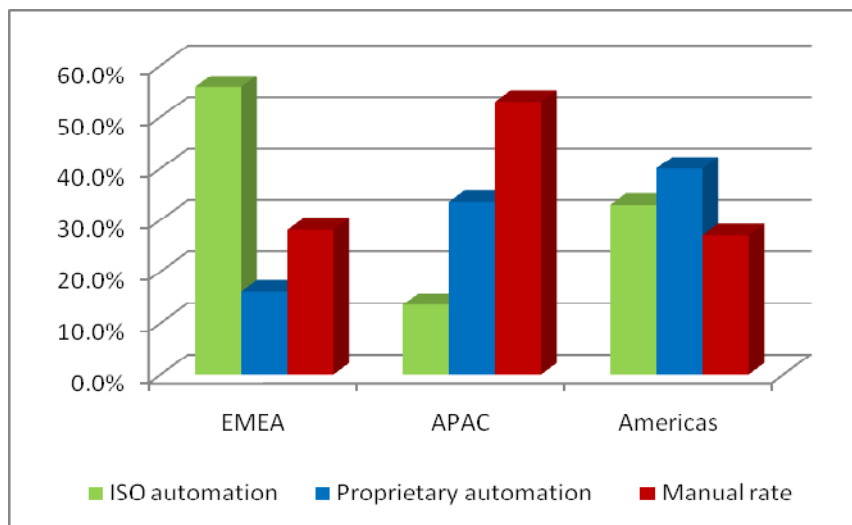


Figure 8 - standardization rates per region – Q2 2010

C. Focus on Ireland

C.1. Order volume evolution

By end of June 2010, 3.5 million orders had been processed by the 10 Irish survey contributors. This represents an average 0.58 million monthly volume of orders, up by 21% compared to the first half of 2009.

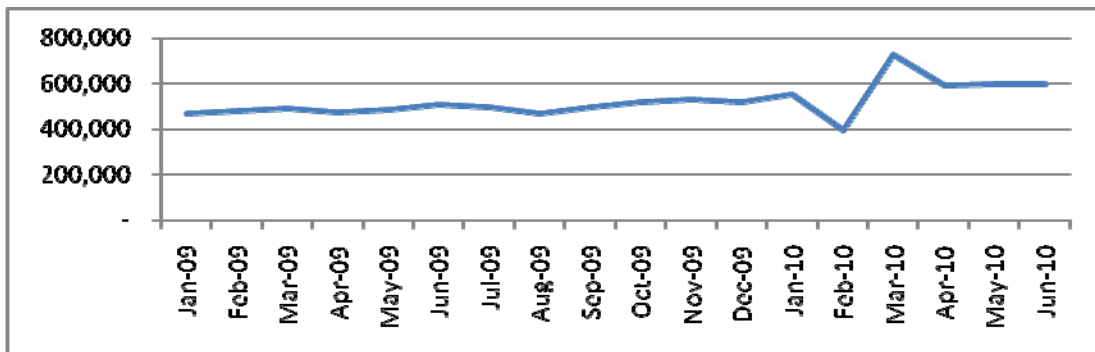


Figure 9 - Order volume evolution

C.2. Automation level

The total automation rate reached 85.3% during Q2 2010, compared to 84.3% in Q2 2009.

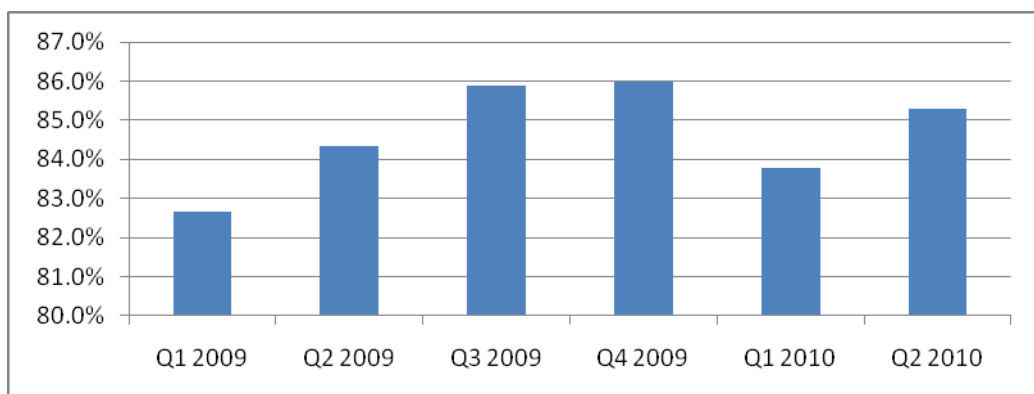


Figure 10 - Automation level evolution

C.3. Standardization levels

The ISO adoption rate reached 8.5% during Q2 2010, compared to 8.6% during Q2 2009, whereas the adoption of proprietary formats increased from 75.4% to 75.8% during the same period. The share of manual orders fell from 15.6% in Q2 2009 to 14.7% in the first half of 2010.

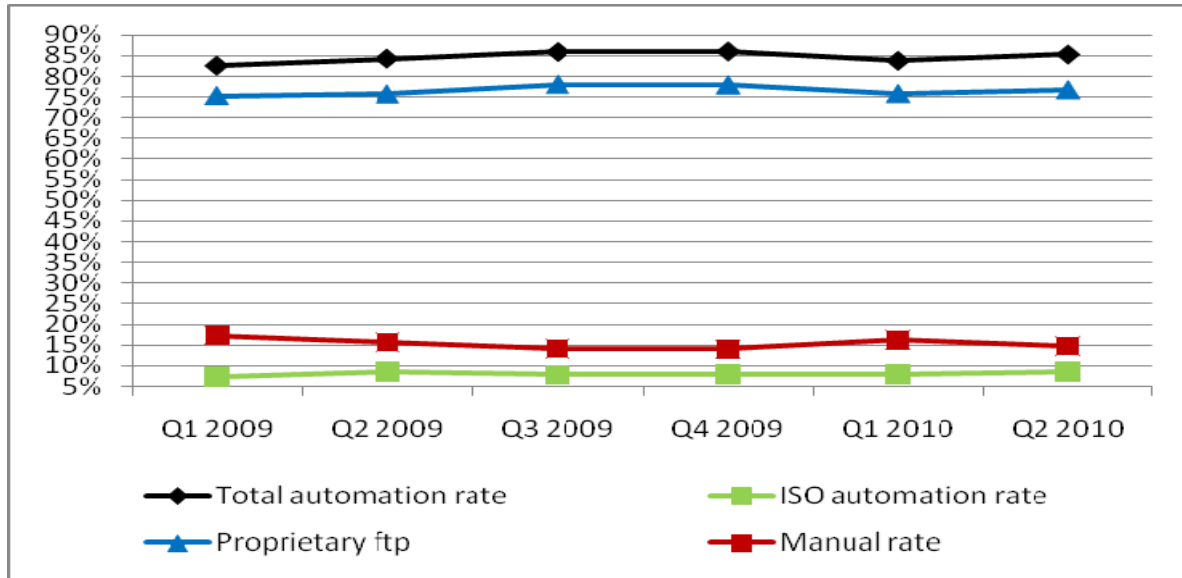


Figure 11 - Standardization rate

D. Next report

The next joint EFAMA-SWIFT Fund Processing Standardization report is planned for publication in Q1 2011 and will cover the January 2008 – December 2010 progress in standardization rates across the two main cross-border mutual fund centres, Luxembourg and Ireland.