

Fund Processing Standardisation

Annual Report

on

Industry Progress in 2009

Background

In May 2009, EFAMA published its first annual report on recent trends in standardisation and automation rates of fund orders received by transfer agents (TAs) in Luxembourg. The report was based on a joint EFAMA-SWIFT survey conducted with 19 major transfer agents representing close to 80 percent of total Luxembourg order volumes. A mid-year status report was also published in October 2009.¹ EFAMA and SWIFT confirmed in these reports their intention to issue progress reports to present the evolution of standardisation rates going forward and increase in parallel the survey market coverage.

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 standardisation and automation.



Report Highlights

1. **Survey coverage extension: 21 Luxemburg-based transfer agents** now contribute to the survey (versus 19 in the last report): 11 in-house and 10 third-party transfer agents.
2. **Total automation rate²** of orders during Q4 2009 reached **69.3%**; this represents an increase of 3.7 percentage points compared to Q4 2008 (where it stood at 65.6%).
3. **ISO automation rate** has reached **44.6%** in Q4 2009 versus 40.3% in Q4 2008, an increase of 4.3 percentage points.
4. **Total automation rate** in the **Asia-Pacific region³** (APAC) progressed at a more rapid pace, reaching **46.2% in Q4 2009**. This represents an increase of 10 percentage points compared to Q4 2008.

¹ Both prior EFAMA-SWIFT standardization reports on fund processing 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

² The 'total automation rate' is the sum the 'ISO automation rate' + the 'proprietary formatted ftp' rate. The 'standardisation rate' corresponds to the ISO automation rate, i.e. the rate of automated orders using an ISO format (ISO20022 or ISO 150222 'fund template').

5. **ISO automation rate in APAC** progressed more rapidly in 2009 than in previous years, reaching **12.7%** in Q4 2009, a 5 percentage points increase versus Q4 2008.

6. In terms of **number of new automated links set up** by transfer agents with new order givers, ISO adoption is clearly the ‘choice number 1’: indeed, survey contributors have reported **130 new ISO automated links implemented during 2009**, compared to **24** new proprietary file transfer links put in place during the same period.

7. All the above is a **clear industry signal in favour of ISO adoption** as single standard for fund processing, in line with EFAMA’s recommendations.

8. **Order volumes** have gradually grown again since January 2009. In total, **13.2 million orders** were processed by the 21 survey contributors during 2009. APAC continues its progression in terms of incoming order volumes for Luxembourg TAs: APAC-based order givers now represent 35% of incoming orders, compared to 30% in 2008.

9. The 21 Luxembourg transfers agents surveyed **manually processed 4.1 million orders in 2009**, compared to 5.4 million in 2008.

Fund Processing Standardization Progress Overview

GLOBAL OVERVIEW	Q4 2007	Q4 2008	Q4 2009	Progress Q4 09 / Q4 08
Manual orders	38.5%	34.4%	30.7%	-3.7%
ISO automated orders	36.7%	40.3%	44.6%	+4.3%
Proprietary ftp orders	24.8%	25.2%	24.7%	-0.5%
Total automated	61.5%	65.6%	69.3%	+3.7%

Table 1 – Standardisation rate evolution (Q4 data)*⁴

³ Please note that the regional data is based on contributions of 13 out of the 21 transfer agents, representing about 55% of the survey volumes for 2009.

⁴ For full year data, please refer to exhibit 1

1. Global Overview

1.1 Order volume evolution

In 2009, 13.2 million orders were processed by the 21 Luxembourg transfer agents (TAs) contributing to the survey. This represents a decrease by 13% compared to 2008 order volumes.

(in millions)	2007	2008	2009	Growth 08 - 09
Total number of orders	17,4	15,1	13,2	-13%
Monthly average	1,45	1,25	1,1	-13%

Table 2 - Order volume evolution 2007 - 2009

While there was a general total volume decrease, volumes have however been gradually growing again since January 2009, reversing the trend that dominated in 2008.

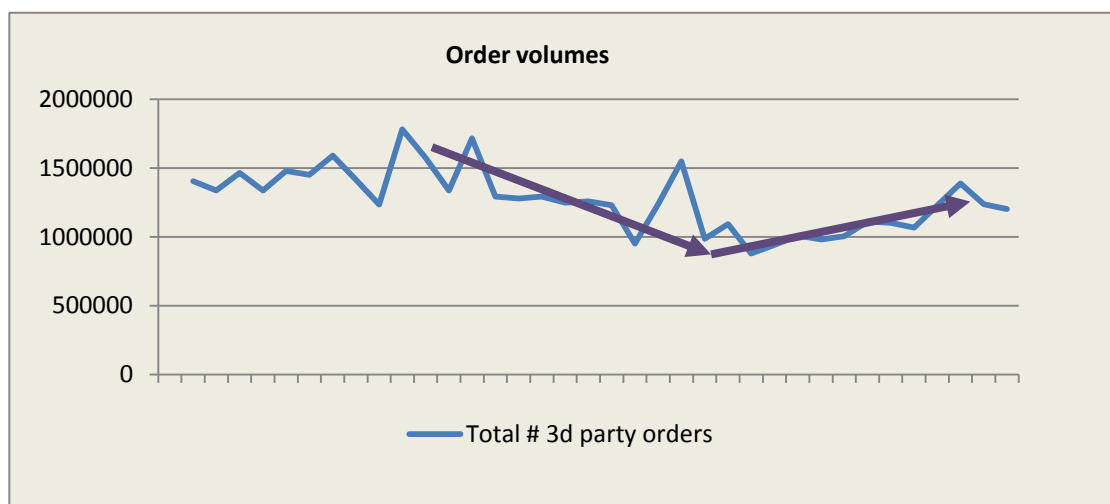


Figure 1 - Order volume evolution 2007 - 2009

1.2 Total automation and standardisation rates⁵

Total automation rate

The total automation rate in Luxembourg increased by 3.7 percentage points in Q4 2009 to reach 69.3%. The manual rate stood hence at 30.7% end 2009.

Total automation rate	Q1	Q2	Q3	Q4
2007	58.3%	59.2%	59.8%	61.5%
2008	63.3%	65.2%	64.4%	65.6%
2009	68.6%	68.9%	68.7%	69.3%

Table 3 – Total automation rate evolution 2007- 2009 (by quarter)

Standardisation rate

Adoption of the ISO messaging standard increased by 4.3 percentage points to reach 44.6% in Q4 2009 (compared to 40.3% in Q4 2008).

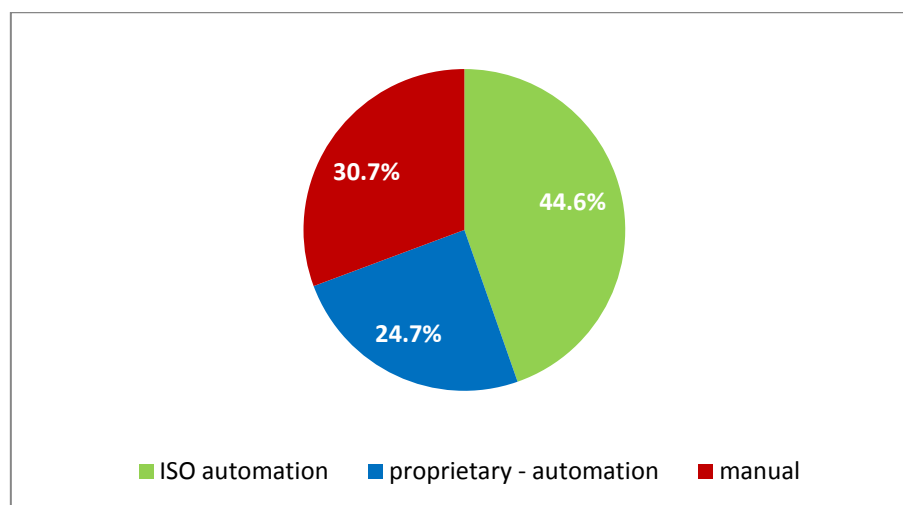


Figure 2 – Standardisation rate Q4 2009

⁵ The 'total automation rate' is the sum the 'ISO automation rate' + the 'proprietary formatted ftp' rate. The 'standardisation rate' corresponds to the 'ISO automation rate', i.e. the rate of automated orders using an ISO format (ISO20022 or ISO 150222 'fund template')

The graph below shows the various automation rates evolution since January 2008

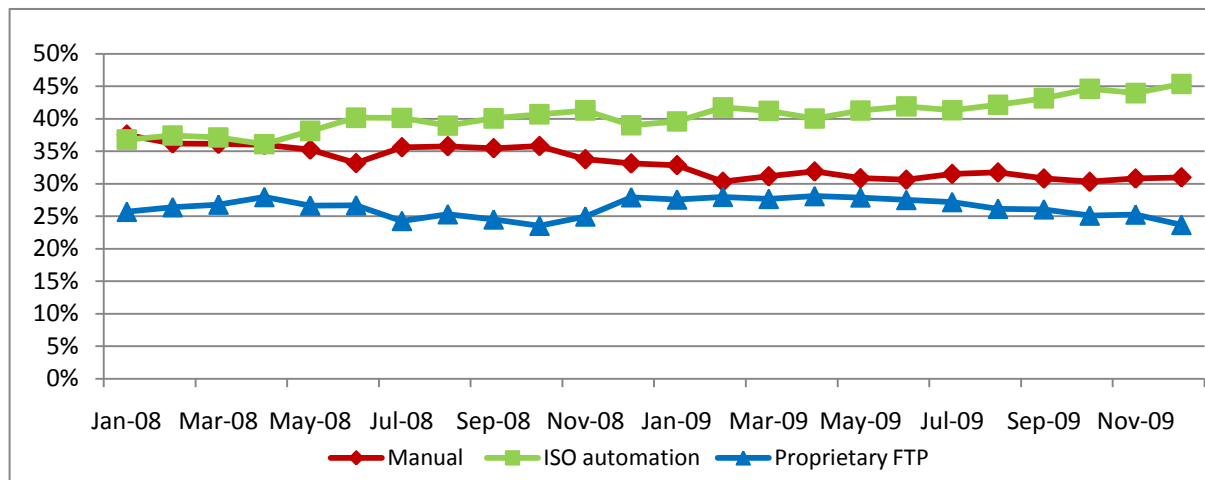


Figure 3 - Standardisation rate evolution 2008 - 2009

The above trends are clear, positive signs that market players are implementing EFAMA’s recommendations in favour of one single ISO open market standard for fund order processing efficiency.

The table below provides detailed rates per quarter since Q1 2007 when the survey was launched. It can be seen that proprietary ftps decreased by 0.4 percentage point in favour of ISO standard adoption in 2009.

ISO standardisation rate	Q1	Q2	Q3	Q4
2007	34.0%	33.8%	35.0%	36.7%
2008	37.1%	38.1%	39.8%	40.3%
2009	40.9%	41.1%	42.2%	44.6%
Proprietary ftp rate	Q1	Q2	Q3	Q4
2007	24.3%	25.4%	24.9%	24.8%
2008	26.2%	27.1%	24.6%	25.2%
2009	27.7%	27.8%	26.4%	24.7%
Manual rate	Q1	Q2	Q3	Q4
2007	41.7%	40.8%	40.2%	38.5%
2008	36.7%	34.8%	35.6%	34.4%
2009	31.4%	31.1%	31.3%	30.7%

Table 4 – Standardisation rate evolution 2007- 2009 (by quarter)

Number of new automated links set up in 2009

To better understand the automation trend, an additional survey was carried out in 2009 among the 21 Luxembourg TAs to look at the number of new automated links implemented between January and December 2009 with new counterparties.

ISO is now much more widely favoured in the market as the most efficient automation option: 130 new links were launched using the ISO format.

This compares with 24 new links set up using a proprietary format.

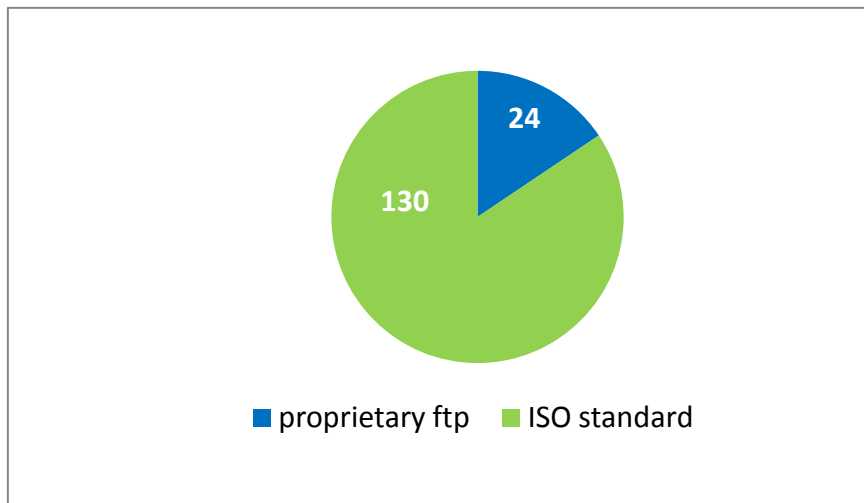


Figure 4 - New automated links launches

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, Ireland and the Baltic Republics.

2. Regional overview⁶

2.1 Order volumes by order giver location

APAC-based order givers⁷ generated 35% of incoming order volumes in Luxembourg during 2009; this is a growth of 5 percentage points compared to 2008. Orders originating from EMEA-based order givers have decreased by 5 percentage points to 60% of the total.

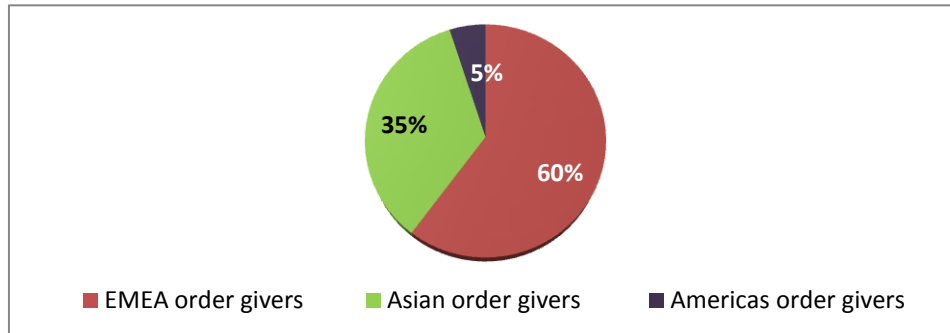


Figure 5 - Order volumes split per region

Order volumes volatility and general evolution is similar across the three regions:

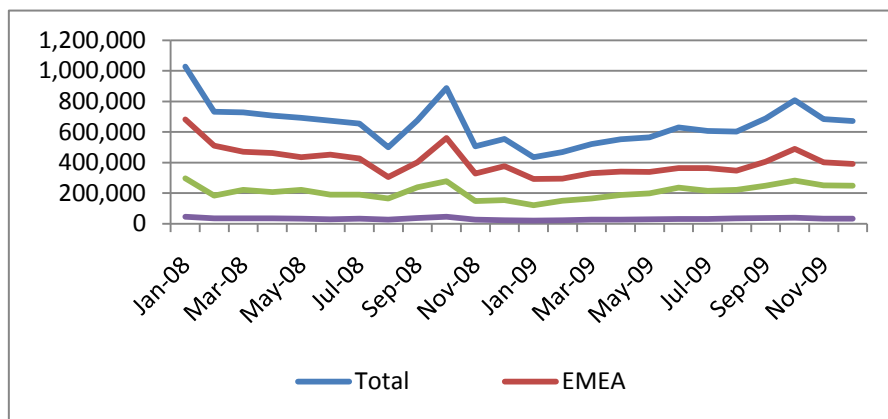


Figure 6 - Order volumes evolution by region

⁶ Please note that the regional data is based on contributions of 13 out of the 21 transfer agents, representing 7.2 million incoming orders – or about 55% of the survey volumes for 2009. This explains data variations compared to the full survey sample statistics.

⁷ It is important to note that orders from APAC-based investors/intermediaries that are first captured by an EMEA-based fund platform (like Clearstream's Vestima+ or Euroclear's FundSettle platforms for example) before reaching the TA are categorised by most survey contributors as orders from EMEA-based order givers, since they are in contact with the latter.

2.2 Regional split of automation and standardisation rates

ISO standardisation rates continue to be much higher with EMEA-based order givers; the rate stood at 56.1% during Q4 2009 for the 13 transfer agents providing that granularity of data in the survey.

In APAC, the total automation rate (ISO + proprietary) increased by 10 percentage points to reach 46.2% during Q4 2009, a more rapid progression than in 2008.

ISO adoption pace of progress in APAC has increased much more in 2009 than previously, i.e. by 5 percentage points to reach 12.7% during Q4 2009 (compared to 7.7% during Q4 2008).

	ISO Standardisation			Total automation (ISO+proprietary formats)		
	EMEA	APAC	Americas	EMEA	APAC	Americas
Q1 2007	41.0%	5.7%	48.9%	58.8%	32.6%	79.1%
Q4 2007	46.8%	5.8%	45.3%	66.4%	31.0%	75.8%
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%

Table 5 - Standardisation rate evolution by region

The graph below highlights the different standardisation and automation rates by regional location of the order giver during Q4 2009:

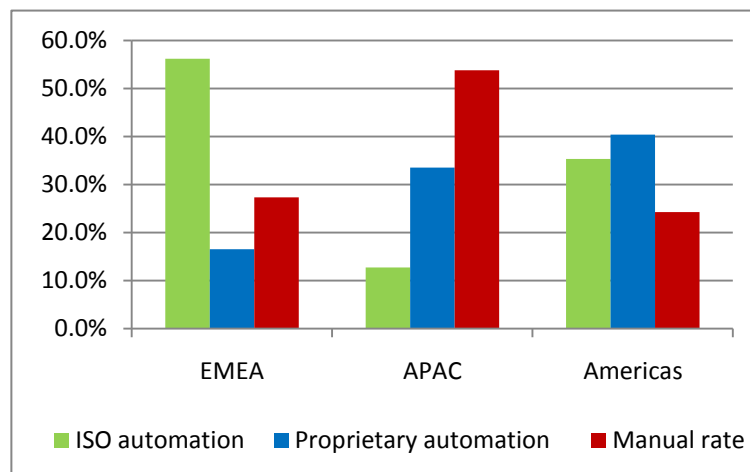


Figure 7 - standardisation rates per region

This is a very positive evolution in terms of volumes of automated orders reaching Luxemburg transfer agents. This increase reflects however still 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 1 above), which reveals the ongoing predominance of EMEA-based new automated links launches.

3. Next report

The next update to this joint EFAMA-SWIFT Fund Processing Standardisation progress report is planned for publication around end of September 2010. This will be a mid-year report covering the first semester of 2010.

The first Irish cross-border mutual fund market standardisation report will be published as soon as possible upon reaching sufficient market coverage of the survey.
