

SecuritEase

INTERNATIONAL

RESPONSE TO Johannesburg Stock Exchange's Transforming To A Non-Mandatory BDA Operating Model

DISCUSSION PAPER

DISCLAIMER

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SecuritEase International Limited (SecuritEase) welcomes the opportunity to comment on the JSE's consultation paper "JSE Equities Market: Transitioning to a non-mandated BDA operating model" and the associated material on shortening the South African equities settlement cycle.

While SecuritEase is not a JSE equities trading member, it does supply financial markets technology to a number of significant South African market participants and wealth managers and does have extensive experience in exchange-traded and OTC post-trade infrastructure in several jurisdictions. We therefore approach this consultation from the perspective of a neutral technology and post-trade services and wealth management service provider with a strong interest in promoting efficient, competitive, and resilient capital markets in South Africa.

1. EXECUTIVE SUMMARY

The JSE's decision to review its post-trade operating model and fee structure is timely and important. Done well, it presents an opportunity to enhance the efficiency, resilience, and competitiveness of the South African equities market.

It is a once-in-a-generation opportunity.

As currently framed, however, the consultation paper raises significant concerns about process, transparency, competitive impact, and technological direction. We encourage the JSE to treat this submission not as criticism, but as constructive input to a more ambitious and genuinely market-wide reform.

Indeed, such is the importance and potential impact of South Africa's equities market to South Africa's economy, done well, this is an opportunity for genuine South African microeconomic reform. SecuritEase does not want to see this once-in-a-generation opportunity wasted.

Regarding shortening of the settlement cycle, SecuritEase believes South Africa should move to a T+1 settlement period as a priority. Notwithstanding the industry-wide changes required to effectively and efficiently move to T+1, South Africa has the capital markets and technical talent, banking infrastructure, and means to make this important change.

SecuritEase is willing and able to engage collaboratively with the JSE, regulators, and market participants to help shape a post-trade ecosystem that is open, contestable, and aligned with global best practice.

Our core concerns can be summarised as follows:

The Consultation process, as described, appears narrow (largely broker-focused), opaque (no visibility of who was consulted or what they said) and compressed into a holiday period, all of which undermines the credibility and inclusiveness of the exercise.

The JSE centric approach positions the paper primarily around the JSE's operating and commercial imperatives, rather than starting from the needs of issuers and investors and then designing market structure and services in support of those interests.

An implied monopolistic, anticompetitive posture that reinforces a vertical integration lock-in. The “non-mandated” BDA model still effectively ties clearing and settlement, and potentially accounting, together within a vertically integrated JSE stack, creating barriers to entry for any party offering competing clearing house or settlement facilities.

Legacy standards and architectures feature in the designs put forward in the paper and appear to entrench legacy messaging (SWIFT MT / ISO 15022) instead of using this as an opportunity to move toward contemporary standards such as ISO 20022, misaligning South Africa with global market infrastructure trends.

An asymmetric risk story is presented in the paper by highlighting risks of using third-party systems, but offers no equivalent, structured analysis of the risks of continued heavy reliance on BDA itself, resulting in an unbalanced and incomplete view of the true risk landscape.

We respectfully submit that the JSE should pause, broaden and deepen its consultation, and re-frame the initiative around first principles of market structure, competition, and long-term benefits to issuers and investors, consistent with international best practice.

2. RECOMMENDATIONS

Considering the concerns outlined above, SecuritEase respectfully suggests that the JSE:

1. **Broaden and re-open the consultation** to include issuers, investors, custodians, CSDPs, independent vendors, relevant industry associations, and other stakeholders, supported by clear publication of the issues, alternatives, and evidence base.
2. **State the principals upon which these reforms are based**, especially that of the primacy of issuer and investor stakeholders.
3. **Publish a transparent summary of prior consultations** with brokers, including the range of views expressed and how these have been reflected in the current proposals.
4. **Re-frame the initiative around explicit public-interest objectives**, making clear how the proposed model will deliver net benefits to issuers and investors, not only to intermediaries or the JSE Group.
5. **Subject BDA to the same level of scrutiny** as third-party solutions, including independent benchmarking and risk assessment.
6. **Review the fee and discount structure** with a view to providing objective justification for the 25% discount and other key parameters, supported by cost studies and, ideally, independent review.
7. **Articulate a clear technology and standards roadmap**, including ISO 20022 adoption and its interaction with settlement-cycle reform, and ensure that any BDA replacement is aligned with that roadmap.
8. **Present a balanced risk analysis** that fairly sets out the risks of each option, including continued reliance on BDA, so that stakeholders can form a balanced view.

SecuritEase would be pleased to contribute further to this work, including providing detailed technical input on functional requirements, migration strategies, and international best practice in post-trade architecture.

3. ABOUT SECURITEASE

SecuritEase is a specialist provider of integrated trading, clearing, settlement, custody, and books-and-records accounting systems to brokers, wealth managers, and banks across several markets including South Africa, the United Kingdom, Australia, and New Zealand.

In the South African context, SecuritEase:

- Supports two of South Africa's largest and most successful wealth managers with the supply of comprehensive, multi-currency, multi-asset class trading, clearing, settlement, custody, currency control reporting, and a full general ledger books-and-records system; and,
- Underpins 12 South African derivatives brokers through a joint-venture arrangement with a South African based market infrastructure software partner.

Our software meets and, in many cases exceeds, the functional capabilities listed in sections 5.1 to 5.10 of the JSE's consultation paper for third-party solutions, including client onboarding, multi-asset class trade and position management, corporate actions, collateral management, lending and borrowing, custody, regulatory reporting, and full multi-currency double-entry accounting.

The SecuritEase system has been implemented by both small and large licensees worldwide and would easily scale in both cost and functional terms to meet the requirements of all JSE participants.

We have also been engaged directly by the South African competition authorities to provide input on international best practice in stock exchange regulation and oversight, particularly regarding competition across different layers of market infrastructure.

4. CONCERNS REGARDING THE CONSULTATION PROCESS

4.1. Limited stakeholder scope

The paper repeatedly refers to “numerous market consultation sessions” and feedback from “many brokers”, yet it appears that only existing members have been consulted to date. There is no indication that issuers, institutional investors, retail investor representatives, CSDPs, custodians, independent software vendors, or alternative trading, clearing, or settlement providers have been engaged in a systematic way.

Equity markets exist primarily to serve **issuers** who need to raise capital, and to serve **investors** who need efficient accessible markets in which to deploy that capital.

Exchanges, depositories, settlement facilities, clearing houses, brokers, and vendors are intermediaries. A consultation focused almost exclusively on one class of intermediary, the JSE, risks overlooking the broader public interest and the long-term development of South Africa’s equity capital markets.

4.2. Lack of transparency regarding prior consultations

Although the paper places significant weight on prior broker consultations as justification for the proposed model and fee structure, it provides no transparency on:

- Which entities were consulted and how representative they are of the full spectrum of JSE members,
- When these consultations took place;
- The questions asked and issues canvassed; or,
- The range of views expressed, including dissenting or minority views.

In the absence of even a high-level summary of submissions and JSE’s response to them, other stakeholders, inclusive of the South African public and regulators, cannot assess whether the proposals genuinely reflect broader market needs, or primarily the preferences of a subset of existing members.

4.3. Timing of the consultation

We also note that this significant paper was released at the end of November 2025, with responses required by the end of January 2026. In the South African context this period coincides with an extended holiday season during which many market participants and decision-makers are unavailable. This has the practical effect of reducing the time and capacity available for stakeholders to prepare meaningful responses to a potentially complex and far-reaching proposal.

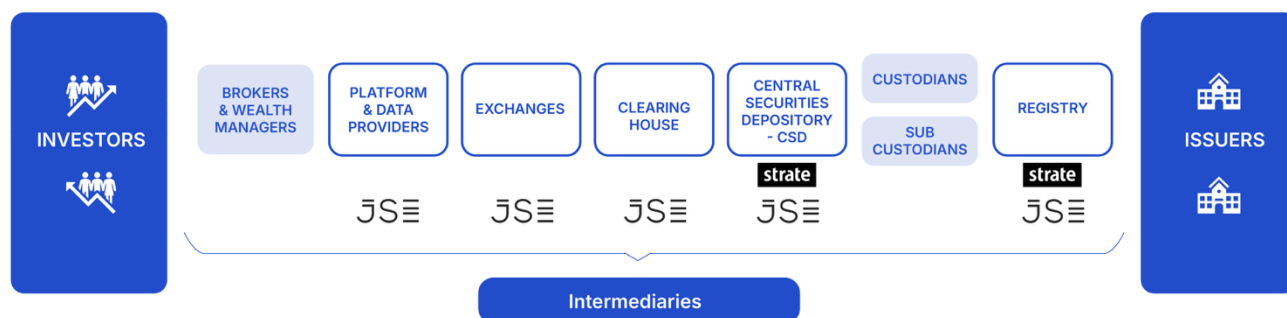
While the JSE is of course free to determine its timelines, good governance practice generally avoids major consultations over peak holiday periods, particularly where fundamental changes to national financial market structure are contemplated.

5. MARKET STRUCTURE AND COMPETITION PRINCIPLES

5.1. Proper hierarchy of interests

The paper is framed primarily around the JSE “reviewing its post-trade operating model and fee structure” and designing a new configuration of services and charges that is workable within the JSE Group. The risk is that this centres the JSE’s commercial and operational interests as the primary “objective function” of the reform.

*South African Stock Market diagram**



The costs of intermediaries are ultimately borne by issuers and investors

Is the JSE putting issuer and investor interest ahead of their own?

SecuritEase believes issuers and investors should be the primary beneficiaries of any market reform

* Excluding A2X <https://www.a2x.co.za>

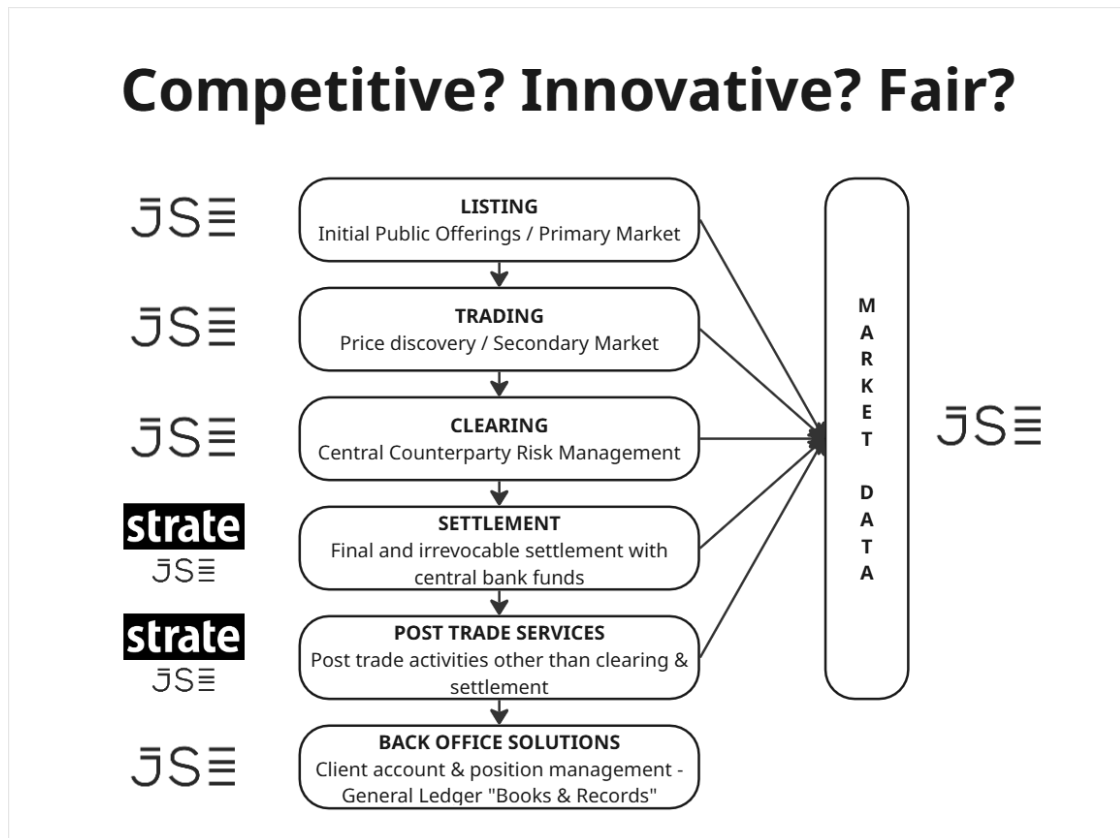
We suggest that the starting point should instead be clearly articulated public policy objectives:

- Reducing frictions and costs that are always ultimately borne by issuers and investors;
- Supporting deep, resilient, and contestable markets; and,
- Encouraging innovation across the post-trade value chain, while maintaining robust risk management and investor protection.

Only once those objectives are defined should the JSE’s own organisational role and service mix be optimised in support of them.

5.2. Separation of core market functions

From a competition and resilience perspective, the core functions of listing, trading, clearing, settlement, and post-trade services (including books-and-records accounting software) should not be tightly bundled in a way that prevents, or unduly discourages, competition at any individual layer.



In particular:

- Clearing and settlement should be structurally separable. When these functions are tightly coupled within a single vertically integrated group, new entrants face higher barriers, and it becomes more difficult for regulators and market participants to test alternative models or providers.
- Participants source books-and-records accounting and broker back-office goods and services either from suppliers operating in a competitive market, or they build their own. Treating BDA as a quasi-utility that is effectively bundled with clearing and settlement risks undermining innovation and investment by third-party providers.

We are concerned that, as currently described, the proposed model may reinforce the JSE's vertical integration rather than opening up the layers to genuine competition to the benefit of South Africa.

5.3. Fee migration and transparency

Where multiple vertically integrated services are priced as a package, there is an inherent risk that reductions in one visible fee component can be offset by increases in another less visible component. This “right pocket, left pocket” dynamic can create the appearance of price reductions without actually lowering the total cost to brokers, and ultimately to issuers and investors. Furthermore, this provides anticompetitive ‘levers’ to shift the true costs of service provision to prevent prospective competitors entering to compete in clearing, settlement, or other post trade services.

Healthy, fit-for-purpose regulation and market design should mitigate this risk, for example through:

- Clear separation of the pricing of distinct services;
- Transparent disclosure of total cost per unit of activity; and,
- Governance arrangements that prevent cross-subsidisation being used to disadvantage competitors in adjacent layers.

The paper does not demonstrate that these safeguards are in place or explain how they would operate under the new model.

6. ASSESSMENT OF THE PROPOSED NON-MANDATED BDA MODEL

6.1. Structural coupling of clearing, settlement, and accounting

On its face, the proposed “Option A versus Option B” structure continues to tie key components together:

- The JSE retains exclusive control over clearing, settlement, and risk management functions.
- BDA remains the default, fully-featured accounting and custody platform tightly integrated with those functions.
- Brokers who wish to adopt third-party or in-house systems must still conform to a set of interfaces (the specifications of which have not been supplied) and operational dependencies designed around the JSE’s internal architecture.

Although the paper uses the language of “non-mandated BDA”, in practice BDA appears to remain at the centre of the model, with alternative solutions required to fit around it rather than being treated as first-class citizens in an open ecosystem.

6.2. Asymmetry between BDA and third-party options

The sections describing functional coverage (sections 5.1 to 5.10) set out a comprehensive list of capabilities that third-party solutions are expected to provide, implicitly treating BDA as satisfying these requirements by default. There is no equivalent open, evidence-based assessment of BDA itself against these criteria, or any benchmarking against best-of-breed solutions operating in comparable markets.

SecuritEase is a supplier whose financial markets technology has been assessed and accredited to meet the post trade processing requirements in global equity markets. Some of these markets are similar to South Africa's, and in general the demands of those markets meet, and in several respects exceed, the functional requirements expressed by the JSE.

SecuritEase can attest that robust, multi-asset, multi-currency, fully integrated trading, settlement, custody, and accounting systems are already deployed and proven in production globally and in South Africa (for international markets). These are not speculative future capabilities.

We would encourage the JSE to subject BDA to the same level of scrutiny it proposes for third-party offerings, including functional, operational, risk, and international cost benchmarking against modern alternatives.

7. ECONOMIC DESIGN AND THE 25% DISCOUNT

A particularly striking feature of the proposal is the decision to offer a fixed 25% discount on BDA fees where a broker uses a partial third-party implementation. The paper presents this as a finalised design choice, without:

- Explaining the economic or cost-allocation methodology used to derive the 25% figure;
- Presenting any independent assessment of relative costs and benefits for brokers;
- Showing how the discount interacts with other fee components across the vertically integrated stack; or,
- Considering alternative pricing approaches that might better reflect the actual scope of services consumed.

For a change of this magnitude, and in a market where the exchange retains a dominant position, it is important that pricing structures are demonstrably grounded in objective analysis and, ideally, subject to independent review. Otherwise, there is a risk that the discount is perceived as an arbitrary number chosen unilaterally by the JSE, which may or may not fairly compensate brokers for the investment and operation of a third-party system.

We recommend that the JSE publish, at least in high-level form, the methodology and assumptions used to derive the proposed discounts and fee tiers and invite comment specifically on these from current and potential market participants and suppliers to market participants.

8. TECHNOLOGY AND STANDARDS CONSIDERATIONS

8.1. Legacy messaging versus ISO 20022

The consultation paper refers only to the 40+ year old SWIFT MT-series messaging, which is based on the ISO 15022 standard. There is no discussion about contemporary ISO 20022 MX messaging, even though leading global securities and payments market infrastructure operators have already migrated or are actively migrating to ISO 20022 as the preferred standard.

Designing a “modernised” post-trade architecture that is still anchored around legacy messaging standards risks locking the South African market into a technological cul-de-sac for another cycle. It may also increase the future cost and complexity of any subsequent migration to ISO 20022, particularly in the context of potential moves to shorter settlement cycles where straight-through processing and richer, structured data become even more important.

We would strongly urge the JSE to:

- Set out its roadmap and rationale regarding adoption of ISO 20022;
- Explain how the proposed model aligns with that roadmap; and,
- Consider whether this reform is in fact an opportunity to adopt ISO 20022 as a core design principle rather than perpetuating the legacy ISO 15022 standard.

8.2. Alignment with settlement-cycle reform

The JSE’s work on shortening the equities settlement cycle should be inherently linked to the design of its post-trade architecture and messaging standards. Decisions taken now on BDA replacement, interfaces, and data models will materially impact the feasibility, cost, and risk of shortening the settlement cycle.

We see limited explicit linkage in the current paper between the non-mandated BDA model and the settlement-cycle reform work. It would be prudent, in our view, to present an integrated roadmap that shows how technology, process, and regulatory changes will work together to deliver a more efficient and globally aligned South African market.

See section “[12 - SecuritEase position on shortening the settlement cycle](#)” below for our summary and recommendations regarding shortening South Africa’s settlement cycle.

9. RISK ANALYSIS AND DISCLOSURE

The paper devotes considerable space to outlining risks associated with choosing a third-party provider, including, for example, the potential for Strate fees to increase. This is appropriate, and market participants should be fully informed about such risks.

However, there is no corresponding, structured analysis of the risks associated with remaining fully dependent on BDA, such as:

- Concentration risk in a single platform and vendor;
- Operational resilience risks when BDA suffers outages;
- Cybersecurity risks associated with the concentration and operational resilience risks mentioned above;
- Innovation risk because the incentive is to maintain the status quo rather than adopt a market architecture that is open to competition and innovation;
- Operational inefficiency risk driven by remaining with a “one-size-fits-all” product that is at best integrated in an arms-length fashion;
- Strategic risk of deterring independent investment in post-trade capabilities in South Africa; and,
- Governance risk where the same organisation designs, operates, and benefits commercially from a quasi-utility platform.

A balanced consultation should present a clear, side-by-side view of the risks and mitigants for each option, including “do nothing” or “minimal change” paths. Without this, readers may form the impression that the risks of third-party adoption have been emphasised, while the risks of continued BDA reliance have been under-stated or ignored.

10. INTERNATIONAL PERSPECTIVES & REGULATORY ENGAGEMENT

SecuritEase’ engagement with the South African competition regulator, at the regulator’s request, underscores that regulators are already alert to the importance of competition and open access in exchange and post-trade markets. Internationally, we see a clear trend toward:

- Greater functional separation between trading, clearing, settlement, and post-trade services where feasible;
- Open access and interoperability requirements for core market infrastructure; and,
- Active encouragement of competition in “non-core” but critical services such as broker back-office systems.

Against this backdrop, the JSE's current proposals risk being perceived as an incremental reshaping of its existing vertically integrated monopoly model, rather than a step toward a more open and contestable ecosystem.

We would encourage the JSE to engage proactively with the competition authority and the broader regulatory community to ensure that its design choices are aligned with these evolving expectations and do not inadvertently create or reinforce barriers to entry.

11. SECURITEASE POSITION ON A SHORTER SETTLEMENT CYCLE

11.1. Global context and strategic choice

SecuritEase supports the JSE's objective of shortening the settlement cycle in South Africa.

The global direction of travel is clear. North America has already moved to T+1, the EU, UK, and Switzerland are planning a coordinated transition to T+1, and other markets such as India and China are already operating at T+1 or shorter for some products.

In that context, South Africa faces a strategic choice. It could treat settlement cycle shortening as a minimal compliance exercise, simply moving from T+3 to T+2 to be "less out of step", or it can treat it as a genuine competitiveness initiative and commit to T+1 within a defined timeframe.

11.2. Preference for T+1 over T+2

SecuritEase view is that T+1 should be the explicit target for South African equities, perhaps with T+2 used only as a short, transitional stage, and then, only if absolutely necessary.

We recognise that T+1 requires significantly more operational change than T+2. It demands higher levels of straight through processing, earlier and more reliable trade affirmation, more robust collateral and liquidity management, and tighter coordination between brokers, custodians, CSDPs, asset managers, and issuers.

However, these are precisely the capabilities that globally competitive markets must develop in any case. A move to T+2 that is not accompanied by a firm, time-bound commitment to T+1 risks locking in an intermediate state that delivers limited benefits while still leaving South Africa structurally behind its peers.

SecuritEase is of the view that choosing to transition to T+2 settlement rather than moving directly to T+1 settlement would amount to missing a key opportunity. Not adopting T+1 settlement would demonstrate that South Africa is not genuinely committed to making its equity markets globally competitive and therefore more attractive to fast-moving capital, and reinforce a disregard for the cost of change for its members.

11.3.Relationship with BDA modernisation, NM-BDA, and CCP

We agree that the shortening of the settlement cycle cannot be considered in isolation from BDA modernisation, the proposed non-mandated BDA model, and the potential introduction of a central counterparty.

Our concern is that the JSE appears to treat BDA modernisation and NM-BDA primarily as preconditions for internal system change, rather than as an opportunity to re-architect the entire post-trade environment in a way that directly supports T+1 and future innovations such as extended trading hours, new product types, and richer data and messaging standards such as ISO 20022.

In our view:

- BDA modernisation should be explicitly framed as a step towards a T+1-capable, ISO 20022-aligned post-trade architecture with open interfaces, not simply a like-for-like technology refresh.
- The design of NM-BDA should actively encourage the use of independent back-office and books-and-records systems that are already capable of supporting T+1 and even same-day workflows, rather than reinforcing BDA as the de facto centre of the ecosystem.
- The introduction of an equity CCP should be evaluated primarily on its contribution to risk reduction and capital efficiency in a T+1 environment, including how margining and default management will operate under a shorter settlement cycle.

11.4.Settlement cycle recommendation

SecuritEase recommends that the JSE:

- Explicitly adopt T+1 as the strategic end-state for South African equity settlement within a defined timeframe.
- If a move to T+2 is adopted as an interim step, commit to a clear, publicly articulated plan and date range for the transition from T+2 to T+1, in order to avoid an open-ended “halfway house”.
- Ensure that BDA modernisation, NM-BDA, and any CCP implementation are designed and sequenced to support T+1 as the default assumption, rather than treating T+1 as a possible future option.

SecuritEase stands ready to support participants and the JSE with practical experience and technology that has already been proven in other markets to simultaneously support multiple settlement cycles including T+1, T+2, T+3 and others.

