

OTC Markets Advisor Insights Podcast

Equity Stock Transfer Season 3 | Episode 8

OTC Markets Group: From OTC Markets' global headquarters in New York City, you are listening to Advisor Insights, where we feature professionals that will address the issues that affect the small-cap companies that trade on the OTC Markets. Joining us today. We have Mohit Bhansali Chief Executive Officer of Equity Stock Transfer. Mohit, Thanks for joining us absolutely so Mohit I always do ask our guests.

Mohit Bhansali: Hey thank you Matt for so much for having me.

OTC Markets Group: Absolutely, so Mohit I always do ask our guests um, to tell our listeners a little bit about themselves and how equity stock transfer did come to fruition.

Mohit Bhansali: Absolutely I appreciate that Matt but well you know if you're involved in the public securities industry then you likely know what a transfer agent is if you're not then it's probably the greekest thing ever. It's the most non-sexiest industry. The way I got involved is out after college I was working for Etrade securities as a proprietary trader in equities for several years after the.com bust I started working at a law firm. I was working as a legal assistant for a little while and I was a consultant in the hopes of going to law school and I met with several wonderful securities attorneys over between Dewey Ballentine Haines and Boone you know some major law firms across the country and I took some of my trading knowledge that I had some of the stuff that I learned at these firms and working for these firms and then ending up consulting for some of them and I realized that the transfer agent industry especially when you're working on you know corporate securities transactional work transfer agents are an integral part of these types of transactions that occur in the public equity markets. So I started studying and learning more about that and. Created relationships with the with the largest with the larger transfer agents in the country and as a result of that in working from the broker dealer side working with transfer agents and the legal side and being an investor myself in deals, I realized that transfer agent industry is the hub of a spoken hub model.

Mohit Bhansali: In securities transactional space. I got together with another securities lawyer and a few other folks and we opened up our transfer agency in 2011 to really service some of the pain points that I saw and that we saw for issuers. For shareholders or investors of course funds and broker dealers and we tried to address those pain points in that manner. So it was a boutique shop that only opened up with about 6 you know about 6 issuers and now we're over three hundred nearly four hundred issuers in 10 years.

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- OTC Markets Group: And so let's get right into it you did say most of our listeners on this podcast very likely know what a transfer agency is and what kind of services you provide and you did also talk about some pain points just now can you maybe talk about how transfer agents such as yourself assist Microcap and small cap issuers other than your traditional services you know or where can transfer agencies provide value.
- Mohit Bhansali: So with microcap issuers and small cap issuers the name of the game is when you're going public and when you're a public company and you're that small of size under one hundred million two hundred million three hundred million dollars market cap there's a cost of capital There's a cost of doing business for public companies and. Transfer agents larger transfer agents provide a bevy of services that quite frankly are many microcap issuers may not need. So it's very important for smaller agents to be sensitive to the types of transactions that microcap issuers are doing. There could be lending transactions other types of.
- Mohit Bhansali: Ah, equity transactions keeping the costs down and creating maintaining efficiency is very important for agents that are servicing Microcap in small cap issues and that means you know this is a commoditized industry. You know transfer agents you know? Yeah, the computer share doesn't do a dwac any differently. Then an equity stock transfer or a continental a DWac is a DWac, a Drs is a Drs, there's no difference in in how that in what the end product is so we try to maintain our cost and keep them down to be able to assist a lot of the micro cap and small cap issuers.
- OTC Markets Group: Now when a company starts engaging with you know I want to say transfer agents. But in this case, equity stock, you start talking about contracts. What should a company look for when they're you know, researching doing their due diligence on which Ta is best for them.
- Mohit Bhansali: I think level of services number one first and foremost you know an issuer there could be issuers that are very relatively simple. Their cap tables can be relatively simple. Their transactional volume could be relatively simple. You want to be able to make sure a transfer agent is able to. Obviously a sec registers transfer agent would be able to accomplish all that and there are other you know small cap microcap brochures that have various complex transactions complex cap stacks they may have options, plans and such so you want to look at the breadth of services that an agent has and is able to provide proxy services, etc. A fast agent that's able to you know, be able to do dwac and drs's that's number 1 number 2 is when you're looking at a contract. You also want to make sure what the terms of those contracts are for instance is it a long-term contract that you're engaged in or about to engage in. You know, 2 3 5 seven years I've seen are their termination fees should you want to

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terminate your relationship with the transfer agent and move on, many transfer agents charge egregious termination fees. Really huge termination fees. When you're talking about termination fees. They could be from three thousand to Twenty Thousand for a microcap issuer that is a massive pain point because the problem becomes Matt is that if you want to move on from an agent for whatever reason. Maybe it's services that are not up to par

that you need or maybe it's services that you thought they were going to be providing or they're not to the extent that you want to move on and break your contract you might have to pay that toll to do that and that really creates could create an adversarial relationship with the agent because they're somebody that you and your shareholders rely on. For day-to-day transactions. So It's really important to take a look those contracts and make sure that the culture matches up and also that the services match up and the term matches up. Equity Stock Transfer does not have a long-term contract for any issuer we do not have a termination fee. So For instance, just like an issuer's Lawyers or their auditors or their accountants. You don't have to pay a lawyer or your counsel a termination fee. You just have to pay whatever the outstanding balances and you can move your files over in the same way we do I would say the overwhelming majority.

OTC Markets Group: What percentage of transfer agents do you have termination fees?

Mohit Bhansali: I could probably think of maybe 2 or three that do not but everybody else does you know most transfer agents know that the policies and contracts of each other. It's a relatively small industry of a few hundred agents across the country and of course we're all tied together through the securities transfer association for those who are members. But yeah, there's very few.

OTC Markets Group: Now you did just mention costs and I think we can all agree that our small Microcap companies are always cost conscious right? When we're talking about technology automation, is there anything that transfer agents can do to help keep issuer and shareholder costs down?

Mohit Bhansali: Absolutely I'll share with you a case, an anecdote that we currently have as a client from where we've done that is we have a reggae plus issuer that's come in with nearly 16000 holders of record, they're not on street name. They're actually on our books. They're record holders and.

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OTC Markets Group: Wow.

Mohit Bhansali: That issuer is planning on. They've raised close to \$50000000 they're planning on going public in the next quarter so in Twenty Twenty three first quarter just in a matter of few months. That's what's proposed. They asked us, they received proposals from us and a couple of other agents and they said hey look. You know the cost of doing a dwac or cost of doing a drs at the time at which the company goes public for these record holders who are reggae plus holders. They haven't spent a lot of money in buying their shares and not like these reg d guys that spend twenty five fifty thousand dollars is four hundred five hundred thousand bucks and they said how could you possibly charge them one hundred one hundred and fifty dollars to drs their shares when that's basically 50% of their many of their investments just to transfer their shares because that's what the transfer agent cost is I said look we're going to create a customized process and automate the entire system so that once the company goes public we will charge x amount which is a fraction of that. To their shareholders to be able to do that. So I think you know and we're working with Dtc with this. We worked with our own engineers and we came up with a solution and that solution was much more palatable for the tens of thousands of holders and being able to transition them from record to street once the company goes public. So those are some of the ways that we can do that and there's a variety of other technology integrations. We're using through docusign and stripe to be able to accomplish mundane daily processes which are quite frankly, done manually by a lot of agents in the industry.

OTC Markets Group: Now you know you just said it yourself manually I'm sure the Ta industry is so used to manual work and doing all this work for these companies but let's talk about the future as you know we're moving to modernized legacy systems. Where can transfer agents help issuers with that.

Mohit Bhansali: So when we look at private company issuers I feel like you know, a lot of the private equity guys a lot of the private companies have really moved forward. You know in an accelerated fashion very quickly over the last few years especially with the adoption of distributed ledger technology. Where a lot of the recordkeeping can be kept on open and closed blockchains. But that's the private markets right? and the private markets are not regular like the public markets. So where do we see these public markets and in the future.

Mohit Bhansali: And how do we see the different vendors or agencies like the dtcs and the secs of the world upgrading their systems to catch up with what everybody else is doing and I think one area where transfer agents are going to continue to become important. Is doing a lot of Kyc and

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aml work in the transactional world. Um, as we're not going to be able to create a system that is going to be anything different than what Dtc has we have to abide by. Ah, the players in the game we have to abide by their systems. They're upgrading their systems. So interoperability is going to be important I think that's what we hear we see some of the modernization going is interoperability is keeping that conversation and dialogue open with the commission and with dtc but also at the same time you know having. More advanced Kyc and aml tools which transfer agents need in a dire way as a lot more of securities transactions occur through a transfer agent's sort of boat that's going to be something that we're focusing on.

OTC Markets Group: All right? All sounds great. So we do have a couple minutes left and I did want to give you an opportunity I know Ust just came out with a couple of new products. Can you tell our listeners about some of those newer products that you have.

Mohit Bhansali: And a big way. Absolutely yeah, that it's that this in and of itself can take an hour but I will try to distill it down because it's actually quite exciting so Equity Stock Transfer formed an affiliate company which was sort of in beta for the last year that affiliate company is called equidify. So it's e q u i d e f i. There's the defi side which is a decentralized finance sort of acronym and what does equidify do so as a transfer agent we receive instructions as you know our point of contact the touch points that we have. Or with issuers when we receive our instructions either issue shares or stop shares or transfer shares or do a variety of other services like dividend reinvestments and proxies. You name it. 1 of the areas that we found that was always painful for issuers and investors was private placements. The actual transaction itself before the instruction goes to the agent. So equidify is a software or securities as a service platform that allows issuers to use the platform to create manage offerings. So one of the things that we realize once you come into a transfer agent funnel before you come into the transfer agent funnel, you have to be able to do your own offering. That's really been done in a disjointed and fractured way. In the same way that we're talking about Matt the legacy sort of fragmented. Unoptimized systems you know of using pdfs and just a mess of information at the end of day we'll come into the transfer agent through those systems. So we said why don't we create a system before the transfer agent gets that instruction to issue those very securities from these offerings. Why don't we create an entire workflow. For an issuer and an entire workflow for investors to be able to conduct these deals so that once these deals are closed that it spits out those platform spits out a form spits out an instructional matter. It's transferred and agnostic. It's just not for yeah, est. It spits out an instruction letter which would be sent right to a transfer agent with all of the necessary information. Why is that important. It's not just about streamlining a system to be able to you know, get shares issued six months down the line a year down the line when these investors want to deposit their securities. One hundred eighty days three hundred and sixty five days per rule one forty four or whatever exemption it is. They have to scramble back traditionally had to scramble back, get their genealogy information together. Get it over to

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the broker. Broker compliance looks at it and then they either accept or deny the deposit of those shares. This system creates a digital envelope and perhaps a best practice of how we can create an entire genealogy behind the investment that was made the shares that were issued the offering that it was done on an entire certification so that when disk goes to the broker dealer. Shareholder Can then deposit their shares with fairly good certainty that all of that information there from months ago was compiled properly So It's a very streamlined way of getting of really sort of closing the loop on the lifecycle of a private placement transaction. And again the transfer agent somehow is in the middle of it in issuing those securities but at the same time is connected with you know the offering itself.

OTC Markets Group: All right? So, Mohit, we are at our last question I like to ask, which is can you provide some ways for our listeners. Our followers can contact you social media handles. Website.

Mohit Bhansali: Of course. Absolutely so, we have an Instagram handle it @ equity stock. equitystock.com is our website so www dot equitystock dot com or equidify.com which is the product which is the premiere product of e stock and if you need to reach us by email info @ equitystock.com they're all great places or even a cursory Google search on equity stock will get you there.

OTC Markets Group: All right? well Mohit Thanks a lot for joining us. Thank you very much I look forward to seeing you soon.

Mohit Bhansali You're very welcome. Thank you so much Matt and good luck to you and the team you got it.

**This is an autogenerated transcript and may contain typos.*