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February 3, 2014

Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission 100 F Street NE  
Washington, DC 20549

**Re: File No. S7-09-13 Proposed Crowdfunding Rules**

Dear Ms. Murphy,

We would like to thank the Commission for providing the opportunity, and the platform, to comment on an initiative which seeks to change the paradigm in securities offerings and capital raises.

I am writing to you on behalf of Equity Stock Transfer, LLC ("EST"), a registered transfer agent, in response to the Commission's request for comment on File No. S7-09-13 Proposed Crowdfunding Rules (the "Proposed Rules").

EST is a bonded, full service transfer agent that provides publicly traded and privately held issuers with, among other things, shareholder accounting, proxy, paying agent and related ad hoc services. We participate in various recordkeeping responsibilities in the universe of securities transactions, which can range from complex public offerings to smaller private company issuances, transfers and conversions. Regardless of the size or complexity of the transaction, investor and issuer information recordkeeping must meet rigorous compliance standards. We wish to express our concern with the shareholder recordkeeping and investor safeguard requirements proposed by the Commission in connection with the Proposed Rules and offer guidance on the creation of a secure, stable and standardized format for which, and by whom, records should be maintained in crowdfunding transactions.

**Recordkeeping**

Transfer agents have specialized industry knowledge and infrastructure to maintain, process and transfer shareholder records as a part of their core competency and function. Some of the problems that transfer agents address when shareholder records are received from investment banks, law firms and private holders are erroneous registrations (i.e. scrivener's errors), lost securities, duplicate securities, missing shareholder genealogy and general record disorganization. EST maintains shareholder records in proprietary software systems designed specifically for securities transactions and is effectively a "gatekeeper" for records maintenance, update and dissemination, where necessary. Further, hardcopies of the aforementioned records are stored on site and "cloud" level redundancies are in place consistent with our SSAE-16 compliance requirements. In this way, transfer agents like EST act as a hub or central

repository for company and investor records and provide a streamlined system for agencies (i.e. SEC, FINRA, IRS, DTC) to access such records in an efficient and standardized manner.

### **Investor Protection**

Historically, the Commission's policies have prioritized protecting investor information. In 2001, the Commission proposed an amendment to Rule 17Ad-7 of the Securities Exchange Act of 1934 ("Act"), which amendment became effective on May 31, 2001, and stated that "in order to facilitate the prompt, accurate, and efficient clearance and settlement of securities transactions, the Commission, having due regard for the public interest, the protection of investors, the safeguarding of securities and funds, and the maintenance of fair competition among transfer agencies, is authorized to promulgate rules and regulations that are necessary or appropriate to implement the provisions of Section 17A of the Act." In the spirit of Rule 17Ad-7, the Commission and transfer agents, by virtue of their existence under the Commission's rules, adhere to the same principles and philosophy of investor protection.

Full service transfer agents, including those whose clients represent a more complex body of publicly traded companies, are subject to insurance and bond requirements, as prescribed by SROs such as the Depository Trust & Clearing Corporation, to mitigate the loss arising from lost securities and fraud.

### **Conclusion and Recommendations**

In summary, the three areas where a transfer agent's core competency can benefit issuers and investors in connection with the Proposed Rules are: i) issuer cost efficiency, ii) investor security and iii) shareholder recordkeeping. With respect to the Proposed Rules and the institution of "funding portals" discussed therein, a transfer agent's primary responsibility would be to capture, standardize and protect issuer and investor information -- a task which is the very foundation of a transfer agent's core function.

We recommend to the Commission that in connection with crowdfunding transactions under the Proposed Rules transfer agents be tasked with the express purpose of record-keeping, record-protection and investor protection. We further recommend that the Commission work with the transfer agent community to propose standardized processes to gather and protect transaction information to create market protection, efficiency and competition, which would invite greater issuer and investor participation.

Again, we appreciate the Commission's effort to maintain an open dialogue with industry professionals. For further discussion on this matter, kindly contact me at [mohit@equitystock.com](mailto:mohit@equitystock.com) or 917-746-4596.

Sincerely,



Mohit Bhansali  
Chief Operating Officer  
Equity Stock Transfer, LLC