



Transfer Agent 101

What to Look for in a Transfer Agent



With a large number of shareholders and numerous compliance requirements, managing shareholder services has become increasingly complex for companies that issue stock. A transfer agent plays a critical role in ensuring compliance by managing recordkeeping, reporting and communication, giving companies confidence that their shareholder transactions are handled efficiently and securely. Here is what you need to know about why transfer agents are essential for managing shareholder records and ensuring compliance.





What is a transfer agent?

A company that issues stock is required by law to:

- Maintain records of how many shares are issued, outstanding and reserved to avoid an inadvertent over-issuance.
- Abide by all laws, rules and regulations pertaining to the issuance, purchase and transfer of stock.
- Fulfill requests from shareholders to buy, sell and transfer shares.
- Keep track of who owns each share.

While the first three requirements are relatively simple, keeping track of who owns each share is an onerous task that most public companies aren't equipped to handle in-house. Instead, this work is outsourced to transfer agents.

A transfer agent, also known as a stock transfer agent, is a third-party provider of recordkeeping and shareholder services for companies that issue stock and other types of securities. In addition to keeping track of the total shares issued, transfer agents keep track of the ownership records for all registered shareholders.

What is the difference between registered and beneficial shareholders?

It's important to understand the difference between a registered owner and a beneficial owner of shares. Most shareholders are beneficial shareholders who purchase stock through a broker or bank. The broker holds share titles in a "street name," keeps track of ownership records and manages shareholder communications.

Registered shareholders, on the other hand, hold their shares directly with the company and register in the actual owner's name on the official register.

These shareholders must maintain updated contact information with the company and receive communications directly from the company.

A transfer agent facilitates registered shareholders in keeping their contact information up-to-date and ensures they receive communications, helping companies meet their compliance obligations.

What does a transfer agent do?

An experienced transfer agent performs several key duties so that companies can properly serve their registered shareholders:



01. Recordkeeping:

The transfer agent acts as the company's "registrar," maintaining an official registry of the number of shares issued and outstanding, as well as names and contact information for the registered shareholders and the number of shares they own.



02. Issuance, transfer and cancellation of shares:

Whenever new shares are issued (such as during a merger or acquisition) or existing shares are exchanged or canceled, the transfer agent handles the transaction, updates the official register and determines the authenticity of the paper certificate or book-entry shares. Transfer agents also provide a secure and simple way for registered shareholders to transfer shares to a new owner and may also provide ways for shareholders to purchase shares directly from the company.



03. Dividend payment:

When the company declares a dividend, the transfer agent pays the registered shareholders on behalf of the company. The transfer agent distributes the cash or issues shares directly to all qualified registered shareholders. In addition, the transfer agent funds the Depository Trust & Clearing Corporation, which in turn allocates funds to the broker-dealers for beneficial shareholders.



04. Shareholder engagement:

Transfer agents handle all registered shareholder-related inquiries from the company and stock-related inquiries from registered shareholders.



05. Reporting, compliance and data security:

Transfer agents handle a multitude of reporting functions that are required by the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC) and state regulations to keep companies compliant.



06. Lost and dormant shareholders:

Transfer agents manage the escheatment process, which occurs when a state takes possession of abandoned property. The transfer agent works on behalf of a business to identify lost or dormant shareholders and then turns their abandoned assets over to the state listed as the shareholder's last known residence.



What should you look for in a transfer agent?

Not all transfer agents are created equal. Beyond keeping records and executing transactions, your transfer agent can provide valuable guidance to help companies navigate a complex, high-stakes and ever-changing regulatory environment. That's why it's important to find a transfer agency that can grow with your company and provide expert guidance as you need it. Look for:

- **Experience:** The right transfer agent will provide a comprehensive suite of transfer agency services and have a track record of success managing complex transactions.
- **Accuracy and responsiveness:** The right transfer agent can handle large volumes of transactions with accuracy and timeliness while providing professional customer services that support your shareholders' inquiries.
- **Consultative approach:** The right transfer agent will work by your side to understand your goals and offer recommendations that meet your critical transfer agent service needs.
- **Client and shareholder satisfaction ratings:** The right transfer agent will have top ratings from recognized transfer agency industry surveys and will help you stay ahead of regulatory changes and industry trends.

Your transfer agent is the face of your organization for your shareholders. At EQ, we use a collaborative approach to deliver world-class transfer agent services to our clients and their shareholders to ensure transactions are processed accurately, reliably and on time.

Discover what an experienced transfer agent can do for your shareholders and your business. [Learn more about EQ Transfer Agent Services.](#)

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