

AST Launches Blockchain Share-Ownership Platform for Private Companies

The platform will make it easier for pre-IPO companies to attract funding from early stage investors targeting privately held growth companies. By Max Bowie



New York-based transfer agent AST will this week unveil Astrella, a blockchain- and artificial intelligence (AI)-enabled platform for managing and recording stock issuance to early-stage investors by privately held companies prior to a sale or IPO.

The software-as-a-service platform allows companies to sign up online within minutes, and to pay nothing for the first 10 shareholders in its company, to encourage the use of the blockchain technology that will yield bigger ben-

efits as a company grows. After that, companies pay \$5 per shareholder per month. AST is launching the platform initially as a mobile app for stakeholders and a desktop version for stock plan administrators—and will roll out a browser-based version for investors at a later date, based on feedback from potential clients and investors.

The vendor developed the solution in response to private companies waiting longer—especially true now, when firms are delaying major strate-

gic initiatives until after they expect the Covid-19 outbreak to be over—to IPO, with increasingly complex capital tables and ownership structures being maintained in spreadsheets.

Carine Schneider, president of AST Private Company Solutions, the division of AST that developed Astrella, says using blockchain for its platform was an important step to keep track of share ownership. If transactions are not properly recorded by the time a company is

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ready to IPO or sell, disputes can arise over who owns shares and how many shares they own, as there is no central share registry in unlisted markets. In addition, privately-issued shares can come with different voting rights and dividend levels, so it's important to keep track of what rights each shareholder has.

"Blockchain's immutable ledger allows us to follow along the life of a share, and to show that Investor A bought X-number of shares, sold Y on this date, and a stock split occurred on another date," she says. "So it's important to know when a transaction happened—when did you buy shares, who did you buy them from, and what did you then do with them? We call it the genealogy of a share."

Astrella provides investors with a QR code that contains an updated certificate of stock ownership and their transaction history.

The PCS division created the blockchain share-ownership and record-keeping platform by leveraging blockchain technology already developed by its parent group to manage proxy-voting processes.

"We worked with the same technology and people, and integrated that with what we were already building into Astrella," Schneider says.

The AI component of Astrella performs several functions, including the "repetitive and monotonous" administrative processes associated with managing share ownership in private companies, such as paperwork processing or issuing stock options to new employees. It can also be used to spot and alert company officials to anomalies in the data. For example, if separate records exist on a cap table for an individual at the same address, referring to them as Bob, Bobby, and Robert, the AI can infer that they are likely the same person. Additionally, it can perform data cleansing and scrubbing tasks that would usually be done by a human being.

Astrella will also use its AI component to predict and analyze trends in a company's share-ownership data. For example, it will be able to detect how many companies are fully vested (meaning they've reached their full allocation of a benefit, such as stock options), so that company execs know whether they need to issue more stock options as an incentive to retain staff.

The platform contains a suite of APIs to different service providers that investors might need to provide with access to their data, such as workflow technology provider CharliAI, cloud storage, and file-sharing provider Box,

pre-IPO company investment platform EquityZen, and Derivas, a provider of valuations for financial reporting, tax compliance and deal analysis.

"Your data needs to be used by a lot of people for a lot of reasons—for completing tax returns, performing valuations, or for providing loans to employees to exercise share options. So in our ecosystem, we've built three or four types of firms in each category, so that when you need one, you decide which company you want to use, and open your data up to them via an API," Schneider says.

Life After Astrella

Once a privately-held Astrella client either goes public or initiates a sale, AST can still be used to support either route. If a company decides to list publicly on an exchange, AST's role as a transfer agent can provide a seamless transition to its new obligations and requirements, such as performing transfer agent services, stock plans, and proxy-voting services.

And if a company decides to pursue a sale, lawyers involved in the transaction can use the blockchain records as a reliable source of ownership and transaction data, and have confidence in the information they present to potential buyers, Schneider says. [Wt](#)