UKLA Technical Note

Zero-coupon notes

Ref: UKLA / TN / 631.1

PR 2.2.9R;
PR Appendix 3
Annex XX

How will zero-coupon notes be treated under the Prospectus Directive (PD)?

Zero-coupon notes generally refer to notes that do not pay any interest (a coupon). When redeemed at maturity, these notes generally pay out the par value (face value of the note) and when redeemed early, pay out an amount marginally lower or marginally greater than par. A combination of PD annexes may be applicable to zero coupon notes, for example, depending on whether the notes are retail or wholesale denominated or whether the notes are issued using a single prospectus or a base prospectus and final terms.

While we expect that a prospectus for securities which have redemption linked to an underlying will need to comply with the disclosure requirements in Annex XII (or Annex XX(12) in the case of a base prospectus) (securities notes for derivative securities), our understanding is that zero coupon notes are not linked to an underlying. As such, zero coupon notes are not securities that fall within the disclosure requirements set out in Annex XII or XX(12).