FINANCIAL CONDUCT AUTHORITY

Primary Market Technical Note

Zero-coupon notes

The information in this note is designed to help issuers and practitioners interpret our Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA.

PRR 2.3.2EU; PR Regulation Annex 17

How will zero-coupon notes be treated under the Prospectus Regulation?

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 PR Regulation 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 17 (securities giving rise to payment or delivery obligations linked to an underlying asset), 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 17.