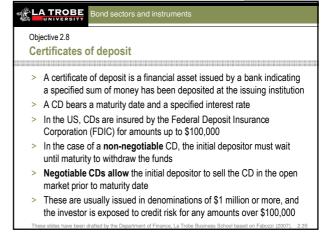
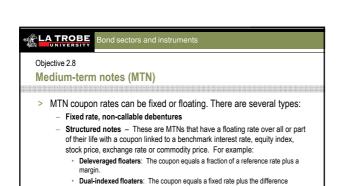


LA TROBE Objective 2.8 Medium-term notes (MTN) > A MTN is a debt instrument with the unique characteristic that notes are offered continuously to investors by an agent of the issuer

- > MTNs offer several maturity ranges from 9 mths to 1 year, 1 year to 18 mths, 18 mths to 2 years and annually thereafter up to 30 years
- > MTNs differ from bonds in that they are sold in smaller issues and sold on a best-efforts basis by agents of the issuer (as opposed to being underwritten, which is usually the case with bonds)
 - The issuer files a shelf registration with the Securities and Exchange Commission for the offering of securities of between \$100 million and \$1 billion The agent posts a rate schedule for securities with the desired maturity ranges
 - as spreads over the equivalent Treasury securities
 - The actual date of maturity is negotiable within the stated ranges





Range notes: The coupon equals a reference rate so long as the reference rate

is within a defined range at the reset date; if not, it equals zero

between two reference rates.

- Objective 2.8 **Bankers acceptances** A bankers acceptance means a bank has accepted ultimate responsibility to repay a loan It is a vehicle created to facilitate commercial trade transactions; e.g. Luxury Cars offers IFA \$900,000 on 60 days terms for 45 cars and arranges with its bank, Doylestown Bank, to issue a letter of credit indicating the bank will make good on the settlement 60 days after shipment. The letter of credit is sent to the car manufacturer's (IFA's) bank, Banco di Francesco - On receipt of the letter of credit, Banco di Francesco notifies IFA who ships the cars and presents shipping documents to Banco di Francesco, and receives payment equal to the present value of \$900,000 Banco di Francesco presents the letter of credit and the shipping documents to Doylestown, which stamps "accepted" on the letter of credit, creating a bankers
- Index amortising notes: The coupon is fixed; however, principal is repaid over the life of the security (i.e. it is amortising) based on some reference rate the time to maturity increases when the reference rate increases, and vice versa. acceptance, whereby Doylestown agrees to pay the holder \$900,000 at maturity

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