Yankee Bond

REVIEWED BY JAMES CHEN | Updated Mar 6, 2018

What is a Yankee Bond

A Yankee bond is a bond issued by a foreign entity, such as a bank or company, but is issued and traded in the United States and denominated in U.S. dollars. Yankee bonds are governed by the Securities Act of 1933, which requires the bonds to be registered with the Securities and Exchange Commission (SEC) prior to being offered for sale. Yankee bonds are frequently issued in tranches, individual portions of a larger debt offering or structured financing arrangement that have differing risk levels, interest rates and maturities, and offerings may be extremely large, as much as $1 billion.

BREAKING DOWN Yankee Bond

One of the drawbacks of Yankee bonds for issuers is the time involved in offering a bond for sale. Because of strict U.S. regulations for the issuing of such bonds, it can take more than three months for A Yankee bond issue to be approved for sale. The approval process includes an evaluation of the issuer's credit worthiness by a debt-rating agency such as Moody's or Standard & Poor's. Foreign issuers usually favor issuing Yankee bonds when there is a low-interest rate environment in the United States, since that means the issuer is able to offer the bond with lower interest payments.

Advantages of Yankee bonds for Issuers and Investors

Yankee bonds can represent a win-win opportunity for both issuers and investors. One of the primary potential advantages for A Yankee bond issuer is the opportunity to obtain financing