



Monte Titoli

PIK Notes introduction



“PIK” Notes in Monte Titoli

What is a PIK bond?

PIK (“Payment in Kind”) is a type of bond that pays interest in additional bonds rather than in cash. The issuer incurs additional debt to create the new bonds for the interest payments.

Payment-in-Kind bond are considered a type of deferred coupon bond since there are no cash interest payments during the life of the bond.



Investors in PIK bond

Because payment in kind bonds are an unusual and high risk product, they appeal mainly sophisticated investors such as Hedge Funds and Insurance.



Issuers of PIK bond

Issuers of these bonds maybe financially distressed and their bonds may have low ratings, but pay interests at a higher rate.

Main conditions to centralise, manage and settle PIK notes in Monte Titoli

- Securities balances are blocked at participant level at Monte Titoli.
- Investors and transfers to a new Investor are only possible if they are qualified “Lordista” of the substitute tax (239/1996 law) or resident in a White List country and exempt upon Self Certification
- A dedicated operational procedure has been put in place to transfer and to settle PIK bonds between two counterparts (generally included in the terms and conditions of the notes).

Issuers of PIK bond

Superstrada Pedemontana, Finaria, SVIM San Babila, Siena NPL 2018



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