



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

As we continue our focus on investment we present another term related to the topic. Our term for this week is: **Coupon**

The **coupon** or **coupon rate** is the amount of interest stated on a bond when it is issued. This is typically paid semi-annually.

What does this mean for you?

If you decide to invest in bonds, you should know what the **coupon rate** is for those bonds. For example, a bond of \$1,000.00 with a **coupon** of 7% will pay \$70.00. Not all bonds have coupons however, these are called **zero-coupon bonds**. These bonds operate as such that the bond is sold to the purchaser below the face value (par value) and redeemed at face value. An example would be buying a \$1000.00 bond for \$700.00 but collecting full value on redemption.

The term **coupon** comes from the fact that historically bonds had several **coupons**, one for every scheduled interest payment attached to them which the bond holder would redeem for his/her interest. The process has since been updated but the term remained. For more information on available investment opportunities, feel free to call Bank of Saint Lucia's Wealth & Asset Management Division (WAM) at 456-6104 or ECFH Global Investment Solutions at 457-7233.