

[Download This Paper \(Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1&type=2)[Add Paper to My Library](#)

Share:

The Life Cycle of Make-Whole Call Provisions

56 Pages

Posted: 1 Sep 2012

Last revised: 25 Jun 2018

Eric A. Powers (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=216294)

University of South Carolina - Darla Moore School of Business

Scott Brown (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1889660)

University of Puerto Rico

Date Written: June 10, 2018

Abstract

Common perception is that these bonds behave no differently than non-callable bonds due to call provision structure. However, make-whole callable bonds are almost twice as likely to be retired early as equivalent non-callable bonds. Analysis of which bonds/firms include make-whole call provisions as well as analysis of retirement events suggests the call provisions aid firms in precautionary refinancing and in paving the way for major corporate events like M&A. Detailed analysis of news reports reveal three motivating rationales: 1) to refund the debt at what are perceived to be low current interest rates, 2) as a result of a merger or acquisition, and 3) as a mechanism for paying out excess cash.

Keywords: call provision, make-whole[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3199853_code216294.pdf?abstractid=2139497&mirid=1&type=2)

0 References

[Fetch References](#)

0 Citations

[Fetch Citations](#)

Do you have negative results from your research you'd like to share?

[Submit Negative Results \(https://www.ssrn.com/index.cfm/en/Negative-Results/\)](https://www.ssrn.com/index.cfm/en/Negative-Results/)

Paper statistics

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

<https://www.elsevier.com/legal/cookiepolicy>

285

[Cookie Settings](#)[Accept all cookies](#)

6 Citations

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=2139497)

Corporate Finance: Capital Structure & Payout Policies eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508969)

Follow



S&P Global Market Intelligence Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=2978227)

Follow

Feedback

Submit a Paper > (<https://hq.ssrn.com/submissions/CreateNewAbstract.cfm>)

SSRN Quick Links



SSRN Rankings



About SSRN



f (<https://www.facebook.com/SSRNcommunity/>)



in (<https://www.linkedin.com/company/493409?>

| trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A | |


🐦 (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)