Callable Yield Note

A yield note is a principal-protected structured note that pays periodic coupons that are linked to the performance of a basket of equities. A callable yield note gives the issuer the right to recall the note on specific observation dates. Once recalled, the cancellation coupon is paid, the notional is returned, and the deal is cancelled.

If the note is not called prior to the maturity date, the last coupon is paid and the principal is returned. The note provides investors with potential interest payments during the life of the note, along with conditional downside principal protection, based on the performance of the underlying assets.

Callable yield note usually pays a higher coupon or interest rate to investor. However, the event of the call of the note is uncertain to the investor. It is note only linked to the level of a basket of underlying assets, but also to volatility, correlation, dividends, and yield curve.

The auto-call feature limits the total return paid to the buyer by automatically cancelling the note once the return of the worst performing asset is above the trigger (threshold). If the cancellation event is not triggered, the payoff on each payment date is equivalent to a spread-adjusted reference rate.

Reference:
https://finpricing.com/lib/EqYield.html