



Investors Exchange Product Information Circular 2016 - 0902

Date: August 31, 2016

Re: ETRACS Monthly Pay 2X Leveraged Mortgage REIT ETN

Investors Exchange LLC commenced operating as a national securities exchange on August 19, 2016 followed by a two-week security-by-security phase-in period. This Information Circular is being issued to advise you that the following security has been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to IEX Rule 16.160, and will begin trading on IEX during the phase-in period. See the [Exchange’s Website](#) for the phase-in schedule.

<u>Security (“Notes”)</u>	<u>Symbol</u>
ETRACS Monthly Pay 2X Leveraged Mortgage REIT ETN	MORL

Commencement of Trading on the Exchange: October 19, 2012

Issuer/Trust: UBS AG

Primary Listing Exchange: NYSE Arca

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product on the Exchange, as well as to provide certain characteristics and features of the Notes.

Background Information on the Notes

UBS AG (“UBS” or the “Issuer”) has issued Exchange Traded Access Securities (“ETRACs” or “Notes” or “Securities”) linked to the Market Vectors Global Mortgage REITs Index (the “Index”). The maturity date is October 16, 2042. The Notes were priced at \$25 each.

The Index tracks the overall performance of publicly-traded mortgage REITs that derive at least 50% of their revenues from mortgage-related activities. The Securities are senior unsecured debt securities of the Issuer. The Securities provide a monthly compounded two times leveraged long exposure to the performance of the Index, reduced by the Accrued Fees. Because the Securities are two times leveraged with respect to the Index, the Securities may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the Index. The Securities may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the Index Constituent Securities.

Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its Call Right based on the monthly compounded leveraged performance of the Index less the Accrued Fees, calculated as described in the prospectus for the Notes. Investors will receive a cash payment upon early redemption based on the monthly compounded leveraged performance of the Index less the Accrued Fees and the Redemption Fee, calculated as described in the prospectus for the Notes. Payment at maturity or call, upon acceleration or upon early redemption will be subject to the creditworthiness of the Issuer. In addition, the actual and perceived creditworthiness of the Issuer will



affect the market value, if any, of the Securities prior to maturity, call, acceleration or early redemption. Investing in the Securities involves significant risks. Investors may lose some or all of their principal at maturity, early redemption, acceleration or upon exercise by the Issuer of its Call Right if the monthly compounded leveraged return of the Index is not sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable.

It is expected that the market value of the Notes will depend substantially on the value of the Index and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of the Index, the time remaining to maturity, the dividend yield of the stocks comprising the Index, and the credit ratings of the Issuer.

Please see the prospectus for the Notes for more details regarding the calculations and details regarding the Index.

Exchange Rules Applicable to Trading in the Notes

Trading in the Shares on IEX is subject to IEX trading rules.

Trading Hours

The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Suitability

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

Trading Halts

The Exchange will halt trading in the shares of a security in accordance with Exchange Rules. The grounds for a halt under Exchange Rule include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, the Exchange will stop trading the shares of a security if the primary market de-lists the security.

This Information Circular is not a statutory prospectus. Members should consult the prospectus for a security and the security's website for relevant information.

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.