



Investors Exchange Product Information Circular 2016 - 0931

Date: September 14, 2016

Re: UBS ETRACS

This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Investors Exchange (“IEX” or the “Exchange”) as UTP Derivative Securities pursuant to IEX Rule 16.160. Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing shares of the exchange-traded funds. Please forward this Information Circular to interested persons within your organization.

<u>Security (“Notes”)</u>	<u>Symbol</u>
UBS ETRACS Monthly Pay 2X Leveraged Dow Jones International	RWXL
Real Estate ETN Due March 19, 2042	

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 these new products pursuant to the Exchange’s unlisted trading privileges, as well as to provide certain characteristics and features of the products. For a more complete description of the Issuer, the securities and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website or examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange.

Background Information on the Notes

UBS AG (the “Issuer”) has issued Monthly Pay 2X Leveraged Exchange Traded Notes (“ETNs” or “ETRACS” or “Notes”) linked to the linked to the Dow Jones Global ex-U.S. Select Real Estate Securities Index (the “Index”). The maturity date is March 19, 2041. The Notes were priced at \$25 each.

The Notes will be senior unsecured debt securities and will provide a monthly compounded two times leveraged long exposure to the performance of the Index, reduced by the Accrued Fees. Because the Notes will be two times leveraged with respect to the Index, the Notes may benefit from two times any positive, but will be exposed to two times any negative, performance of the Index. The Notes may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the securities underlying the Index. Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its Call Right (as described below) based on the monthly compounded leveraged performance of the Index less the Accrued Fees. 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. 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 Notes prior to maturity, call,



acceleration or early redemption. Investing in the Notes 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.

For each ETN, unless earlier redeemed, called or accelerated, investors will receive at maturity a cash payment equal to (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period plus (b) the final Coupon Amount if on such last Trading Day the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, plus (c) the Stub Reference Distribution Amount as of such last Trading Day, if any, minus (d) the Accrued Fees as of such last Trading Day.

This cash payment is referred to as the “Cash Settlement Amount”. If the amount so calculated is less than zero, the payment at maturity will be zero.

Upon early redemption, if it occurs, investors will receive per ETN a cash payment on the relevant Redemption Date equal to (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date plus (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding such Redemption Valuation Date if on such Redemption Valuation Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, plus (c) the Stub Reference Distribution Amount as of such Redemption Valuation Date, if any, minus (d) the Accrued Fees as of such Redemption Valuation Date, minus (e) the Redemption Fee. This cash payment is referred to as the “Redemption Amount”.

As of any date of determination for a series of Securities, an amount per Note equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date.

The Index Factor is equal to: $1 + (2 \times \text{Index Performance Ratio})$. The Index Performance Ratio is equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

For the period from the Initial Trade Date specified in the applicable pricing supplement to the applicable initial Monthly Valuation Date (such period, the “Initial Calendar Month”), the Current Principal Amount will equal \$25.00 per Note of any series. For each subsequent calendar month, the Current Principal Amount for each Note of that series will be reset as follows on the Monthly Reset Date:

New Current Principal Amount = previous Current Principal Amount \times Index Factor on the applicable Monthly Valuation Date - Accrued Fees on the applicable Monthly Valuation Date

If any series of the Notes undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

The Monthly Initial Closing Level for the Initial Calendar Month will be specified in the applicable pricing supplement and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar month, the Monthly Initial Closing Level on the Monthly Reset Date will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month.



As determined by the Calculation Agent, the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date or any Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) $1/t$ times (b) (i) the sum of the Index Closing Levels on each Trading Day from, and including, the Call Valuation Date, Acceleration Date or the Calculation Date, as applicable, to, but excluding, the date of determination, plus (ii) the number of Trading Days from and including the date of determination to and including the last Trading Day in such Measurement Period,

times the Index Closing Level on such date of determination. For purposes of this definition, "t" equals the number of Trading Days in the applicable Measurement Period.

The Index is a float-adjusted index designed to measure the performance of publicly-traded real estate securities. The Index represents equity real estate investment trusts (REITS) and real estate operating companies (REOCs) trading globally, excluding in the United States. As of February 29, 2012, the Index was comprised of 127 securities.

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

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.

Exchange Rules Applicable to Trading in the Notes

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

Trading Hours

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during the Regular Trading Session.

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, (3) 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 the Exchange's Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

This Information Circular is not a statutory prospectus. IEX 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.