



Investors Exchange Product Information Circular 2016 - 0934

Date: September 14, 2016

Re: UBS AG (ETNs)

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>Securities (the “Fund”)</u>	<u>Symbol</u>
ETRACS Monthly Reset 2xLeveraged ISE Exclusively Homebuilders ETN due March 13, 2045	HOML
ETRACS ISE Exclusively Homebuilders ETN due March 13, 2045	HOMX

Issuer/Trust: UBS AG

Issuer/Trust Website: <http://etracs.ubs.com>

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

As more fully explained in the Pricing and Prospectus Supplements dated March 10, 2015, the ETRACS ISE Exclusively Homebuilders ETN due March 13, 2045 (the “HOMX ETNs”) and the ETRACS ISE Monthly Reset 2xLeveraged ISE Exclusively Homebuilders ETN due March 13, 2045 (the “HOML ETNs”) (together, the “ETNs”) (File No. 333-178960) are linked to the performance of the ISE Exclusively Homebuilders Index (the “Index”). The ETNs do not guarantee any return of principal at maturity and will not make interest payments. At maturity or upon early redemption, investors will receive a cash payment based on the performance of the Index. The ETNs are senior unsecured obligations of UBS AG (the “Issuer”), acting through its London branch, which mature on March 13, 2045.

The HOMX ETNs are linked to the direct performance of the Index and the HOML ETNs provide a 2x



leveraged exposure to the Index.

Because the HOML ETNs are two times leveraged with respect to the Index, the HOML ETNs may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the Index. The return on the HOML ETNs, however, can, and most likely will, differ significantly from two times the return on a direct investment in the Index. The HOML ETNs are very sensitive to changes in the performance of the Index, and returns may be negatively impacted in complex ways by volatility of the Index on a monthly basis. Accordingly, the HOML ETNs should be purchased only by knowledgeable investors who understand the potential consequences of investing in the Index and of seeking monthly compounding leveraged investment results. Investors should actively and frequently monitor their investment in the Securities.

The Index focuses solely on companies that engage in the development and construction of homes and communities. The Index is designed to provide direct exposure to homebuilders. The Index attempts to capture at least two-thirds of the homebuilders industry's market capitalization. Due to the non-uniform weight distribution across entire industries, a "modified" market capitalization-weighted methodology is used to adjust the weighting of the Index Constituent Securities. This modification prevents a few large Index Constituent Securities from dominating the Index and distorting an Index return that is representative of an industry sector.

All of the following requirements must be met in order for an entity to be eligible for inclusion in the Index:

1. The entity's common stock must be listed on the NYSE, NYSE MKT or NASDAQ. Initial public offerings must be listed for at least 6 months.
2. At least 25% of the entity's stock must be publicly floated.
3. The entity must be an operating company and not a closed-end fund, exchange-traded fund, holding company, investment vehicle, or royalty trust.

An entity must also satisfy the following market capitalization, liquidity, and weighting concentration requirements in order to be eligible for inclusion in the Index:

1. Each Index Constituent Security must have a market capitalization of at least \$75 million, except that for each of the lowest weighted Index Constituent Securities that in the aggregate account for no more than 10% of the weight of the Index, the market capitalization for such Index Constituent Securities must be at least \$50 million.
2. Trading volume of each Index Constituent Security must have been at least one million shares for each of the prior six months, except that for each of the lowest weighted Index Constituent Securities that in the aggregate account for no more than 10% of the weight of the Index, trading volume must have been at least 500,000 shares for each of the prior six months.

The value of the Index is reported on Bloomberg under ticker symbol "RUFTR <Index>".

The ETNs are subject to early redemption or acceleration in whole or in part at any time. Accordingly, an investor should not expect to be able to hold the ETNs to maturity. Additionally, the ETNs do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, investors will receive a cash payment, the amount of which will vary depending on the



performance of the Index and will be reduced by the accrued fees as of the last Business Day in the measurement period and may be zero.

The ETNs may be redeemed early, at the investor's option, subject to a minimum redemption amount of 50,000 securities. Upon such early redemption, the investor will receive a cash payment based on the performance of the Index for the HOMX ETNs. In the case of the HOML ETNs, the investor will receive a cash payment based on the monthly compounded two times leveraged performance of the Index.

The ETNs' initial indicative value current value on the initial valuation date will equal \$25.00. The Intraday Indicative Value for the ETNs will be disseminated by market data vendors under the symbols HOMX.IV and HOML.IV.

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.

Investment Risks

As described in the ETNs' Prospectus Supplements, investing in the ETNs involves a number of risks not associated with an investment in conventional debt securities. An investment in the ETNs involves significant risks and is not appropriate for every investor. Investing in the ETNs is not equivalent to investing directly in the Index. Accordingly, the ETNs should be purchased only by knowledgeable investors who understand the terms of the investment in the ETNs and are familiar with the behavior of the Index and financial markets generally. Interested persons are referred to the Prospectus for a full description of risks associated with an investment in the ETNs.

Risks associated with the HOML ETNs include, but are not limited to: non-guaranteed return of principal risk, market risk, homebuilding industry risk, credit worthiness of the Issuer, trading market for the securities may not develop, no interest payments, redemption risk, call risk, and tax risk. The ETNs are riskier than ordinary unsecured debt securities.

Risks associated with the HOMX ETNs include, but are not limited to: non-guaranteed return of principal risk, market risk, equity security risk, homebuilding industry risk, credit worthiness of the Issuer, trading market for the securities may not develop, no interest payments, redemption risk, call risk, tax risk, and leverage risk. The ETNs are riskier than ordinary unsecured debt securities

For a more complete description of the securities and the payment at maturity, valuation, fees and risk factors, consult the ETNs' Prospectus Supplement.

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. Exchange 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.