



# Investors Exchange Product Information Circular 2016 - 0001

**Date:** January 11, 2017

**Re:** UBS ETRACS – ProShares Daily 3X Crude 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. 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 Notes.

## Securities

## SYMBOL

ProShares Daily 3x Long Crude ETN linked to the  
Bloomberg WTI Crude Oil Subindex ER due January 4, 2047

WTIU

ProShares Daily 3x Inverse Crude ETN linked to the  
Bloomberg WTI Crude Oil Subindex ER due January 4, 2047

WTID

**Issuer/Trust:** UBS AG

**Primary Listing Exchange:** NYSE Arca

## Information on the Securities

UBS AG (the “Issuer”) has issued Exchange Traded Notes (“ETNs” or “Notes” or “Securities”) due May 16, 2036 that are linked to the Bloomberg WTI Crude Oil Subindex ER (the “Index”). The ETNs do not guarantee any return of principal. Investors should be willing to lose up to 100% of their investment if the Index declines.

The Issuer is offering and selling two separate series of exchange traded notes (each, a “series of Securities” and collectively, the “Securities”). The Securities are Series B senior unsecured debt securities that provide either positive (in the case of the 3X Long Securities) or negative (in the case of the 3X Inverse Securities) leveraged exposure to the performance of the Index, reduced by the Annual Tracking Fee (as described below). Investing in the Securities involves significant risks. The performance of the Index, and, as a result, the return on each series of the Securities is dependent upon the price of West Texas Intermediate crude oil futures contracts.

The return on the 3X Long Securities is three times leveraged. Because the return is leveraged, if the Index level increases on any day the 3X Long Securities will increase by three times the daily performance of the Index (before taking into account the Annual Tracking Fee, Redemption Fee Amount and creation fee, as applicable). However, if the Index level decreases on any day, the 3X Long Securities will decrease by three times the daily performance of the Index (before taking into account the Annual Tracking Fee, Redemption Fee Amount and creation fee, as applicable). Conversely, the 3X Inverse Securities provide a three times leveraged inverse exposure to changes in the level of the Index. Thus, if the Index level decreases on any day, the 3X Inverse Securities will increase by three times the daily performance of the Index (before taking into account the Annual Tracking Fee, Redemption Fee Amount and creation fee, as applicable). However, if the Index level increases on any day, the 3X Inverse Securities will decrease by three times the daily performance of



the Index (before taking into account the Annual Tracking Fee, Redemption Fee Amount and creation fee, as applicable).

The Securities will not pay any coupon or interest during their term. Investors will receive a cash payment at maturity, acceleration or upon exercise by UBS of its call right, based on the applicable performance of the Index less the Annual Tracking Fee, as described herein. Investors will receive a cash payment upon early redemption based on the applicable performance of the Index less the Annual Tracking Fee, the Redemption Fee Amount and creation fee, as described herein.

Each series of Securities is subject to an Annual Tracking Fee. On the Initial Trade Date, the Annual Tracking Fee is equal to zero. On each subsequent calendar day, the Annual Tracking Fee for the 3X Long Securities equals the product of (i) 1.45% divided by 365 times (ii) the Current Principal Amount for such Securities on the previous calendar day. On each subsequent calendar day, the Annual Tracking Fee for the 3X Inverse Securities equals the product of (i) 1.85% divided by 365 times (ii) the Current Principal Amount for such Securities on the previous calendar day. For the purpose of calculating the Annual Tracking Fee, if such previous calendar day was not an Index Business Day, the Current Principal Amount will be calculated based on the Current Principal Amount for such series of Securities on the immediately preceding Index Business Day.

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 Supplement, 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. These risks include, but are not limited to, uncertain principal repayment risk, commodity market risk, limited or lack of portfolio diversification risk, and the risk that a trading market for the ETNs may not exist. 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 Notes on IEX is subject to IEX's equity trading rules.

### **Trading Hours**

The Notes will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Notes



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 Notes 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. 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.