



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: ETRACS Monthly Pay 2xLeveraged Dow Jones International Real Estate ETN due March 19, 2042**

### **Background Information on the Notes**

As more fully explained in the [Product Supplement](#) to the [Registration Statement](#) (Nos. 333-178960 and 333-178960-05) for UBS AG Exchange Traded Access Securities (“ETRACS”) ETNs, UBS AG (London Branch) (the “Issuer” or “UBS”) is offering and selling separate series of ETRACS (together, the “Notes” or “ETNs”) including the ETNs listed above.

### **Description of the Notes**

The ETRACS Monthly Pay 2xLeveraged Dow Jones International Real Estate ETN due March 19, 2041 (the “Notes” or “ETNs”) are a series of Monthly Pay 2xLeveraged Exchange Traded Access Securities (ETRACS) linked to the Dow Jones Global ex-U.S. Select Real Estate Securities Index<sup>SM</sup> (the “Index”).

The ETNs are senior unsecured debt securities issued by UBS AG (UBS). The ETNs provide a monthly compounded two times leveraged long exposure to the performance of the Index, reduced by the Accrued Fees (as described in the [Pricing Supplement](#)). Because the ETNs are two times leveraged with respect to the Index, the ETNs may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the Index. The ETNs 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 UBS of its Call Right (as described in the Product Supplement) 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.

The Index is a float-adjusted, market capitalization 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) traded globally, excluding in the United States. The Index is a price return index (i.e., the reinvestment of dividends is not reflected in the Index). As of February 29, 2012, the Index was comprised of 127 Index Constituent Securities.

For a more complete description of the ETNs and the payment at maturity, the Index, early repurchase provisions, early repurchase mechanics, valuation, fees and risk factors, consult the Product Supplement.

### **Payment at Maturity**

Investors will receive a cash payment at maturity, upon acceleration or upon exercise by UBS of its Call Right 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 UBS. In addition, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the ETNs prior to maturity, call, acceleration or early redemption.

### **Closing Indicative Value**

As discussed in the [Pricing Supplement](#), the closing levels for the Index Constituent Securities on their primary markets are adjusted by the Index Calculation Agent to reflect their U.S. dollar value in calculating the Index Closing Level. Similarly, any non-U.S. dollar currencies in which the cash distributions on the Index Constituent Securities are paid will be converted into U.S. dollars in calculating the Coupon Amount. The interbank market in foreign currencies is a global, around-the-clock market. Therefore, the hours of trading for the ETNs, if any trading market develops, will not conform to the hours during which the currencies in which the Index Constituent Securities or the cash distributions thereon are denominated or in which the Index Constituent Securities. Significant price and rate movements may take place in the underlying foreign currency exchange markets that will not be reflected immediately in the price of the ETNs. The possibility of these movements should be taken into account in

### **Principal Risks**

Investment in the ETNs will involve significant risks. **Investors may lose some or all of their principal at maturity, early redemption, acceleration or upon exercise by UBS 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.**

Significant risks include concentration risk; credit risk of Issuer; risks associated with foreign currency exchange rates; risks associated with foreign securities markets; risks associated with the tax treatment of the ETNs; and risks associated with the Index Sponsor.

The ETNs are not secured debt and are significantly riskier than ordinary unsecured debt securities. Unlike ordinary debt securities, the return on the ETNs is linked to the performance of the Index. The ETNs are two times leveraged with respect to the Index and, as a result, will benefit from two times any beneficial, but will be exposed to two times any adverse, monthly compounded performance of the Index. As described in the [Pricing Supplement](#), the trading price of the ETNs may vary considerably before the Maturity Date, due to events that are difficult to predict and beyond the Issuer's control. Investing in the ETNs is not equivalent to investing directly in the Index Constituent Securities or the Index itself.

Additional risks are described in the [Pricing Supplement](#) for the ETNs.

### **Exchange Rules Applicable to Trading in the Notes**

The ETNs are considered equity securities, thus rendering trading in the ETNs subject to the Exchanges' existing rules governing the trading of equity securities.

### **Trading Hours**

Trading in the securities on EDGA and EDGX Exchanges (the "Exchanges") is on a UTP basis and is subject to the Exchanges equity trading rules. The securities will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the securities during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

The Exchanges will halt trading in the securities in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the securities and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the securities if the primary market de-lists the securities.

### **Suitability**

Trading in the securities on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. In addition,

Members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds Members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the [Fund's website](#). The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

### **No-Action Relief Under Federal Securities Regulations**

The Securities and Exchange Commission has issued no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 (the “Exchange Act”), regarding trading in Barclays Index-Linked Securities (File No. TP 06-71) (SEC Letter dated May 30, 2006) for securities with structures similar to that of the securities described herein (the “No-Action Letter”). As what follows is only a summary of the relief outlined in the Letter, the Exchange also advises interested members to consult the No-Action Letter, for more complete information regarding the matters covered therein.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits a “distribution participant” and the issuer or selling security holder, in connection with a distribution of securities, from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities, and affiliated purchasers of such persons.

The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 101 of Regulation M against persons who may be deemed to be participating in a distribution of the notes to bid for or purchase the notes during their participation in such distribution.

Rule 102 of Regulation M prohibits issuers, selling security holders, or any affiliated purchaser of such person from bidding for, purchasing, or attempting to induce any person to bid for or purchase a covered security during the applicable restricted period in connection with a distribution of securities effected by or on behalf of an issuer or selling security holder. Rule 100 of Regulation M defines “distribution” to mean any offering of securities that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods.

The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 102 of Regulation M against Barclays and its affiliated purchasers who bid for or purchase or redeem notes during the continuous offering of the notes.

#### **Section 11(d)(1) of the Exchange Act; Exchange Act Rule 11d1-2**

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he or she participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Section 11(d)(1) of the Exchange Act against broker-dealers who treat the notes, for purposes of Rule 11d1-2, as “securities issued by a registered . . . open-end investment company as defined in the Investment Company Act” and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the notes that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the ETNs’ [Product Supplement](#) and [Pricing Supplement](#) of the Registration Statement, SAI, Prospectus and the ETNs’ [website](#) for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
RWXL	ETRACS Monthly Pay 2xLeveraged Dow Jones International Real Estate ETN due March 19, 2042	90268A667