



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: UBS AG Exchange Traded Securities (E-TRACS) Daily Long-Short VIX ETN due November 30, 2040**

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

As more fully explained in the Registration Statement No. 333-156695 for UBS AG Exchange Traded Access Securities (“E-TRACS”) ETNs, the Securities are linked to the performance of an index, as described below. The purpose of this Information Circular is to outline various rules and policies that will be applicable to trading the Securities. For a more complete description of the Securities and the payment at maturity, the Index, early repurchase provisions, early repurchase mechanics, valuation, fees and risk factors, consult the Registration Statement.

### **Description of the Security**

The UBS AG Exchange Traded Access Securities (E-TRACS) Daily Long-Short VIX ETN (the “Securities”) are senior unsecured debt securities issued by UBS AG (UBS) that are linked to the performance of the S&P 500<sup>®</sup> VIX Futures Term-Structure Index ER (the “Index”). The Index is a composite index that measures the return from taking a long position in the S&P 500<sup>®</sup> VIX Medium-Term Futures<sup>™</sup> Index Excess Return with 100% weight, and taking a short, or inverse, position in the S&P 500<sup>®</sup> VIX Short-Term Futures<sup>™</sup> Index Excess Return with 50% weight, and rebalancing the weights of the long and short positions daily. The performance of the Index is reduced by the Fee Amount of 0.85% per annum, and increased by the Financing Payment. Investing in the Securities involves significant risks.

### **Description of Index**

The return on the Securities is linked to the S&P 500<sup>®</sup> VIX Futures Term-Structure Index ER, which measures the return from taking a 100% long position in the Medium-Term Index, and taking a 50% short, or inverse, position in the Short-Term Index. The weights of the long and short positions are rebalanced daily. Each Sub-Index seeks to provide investors with exposure to one or more maturities of futures contracts on the VIX Index, which reflect implied volatility of the S&P 500<sup>®</sup> Index at various points along the volatility forward curve. Each Sub-Index is intended to reflect the returns that are potentially available through an unleveraged investment in the futures contract or contracts on the VIX index. The Short-Term Index targets a constant weighted average futures maturity of one month. The Medium-Term Index targets a constant weighted average futures maturity of five months.

## **Principal Risks**

Investment in the Securities will involve significant risks. The Securities are not secured debt and are riskier than ordinary unsecured debt securities. Unlike ordinary debt securities, the return on the Securities is linked to the level of the Index, which, in turn, measures the return from taking a 100% long position in the Medium-Term Index and taking a 50% short, or inverse, position in the Short-Term Index, rebalanced daily. As described in more detail in the Prospectus, the trading price of the Securities may vary considerably before the Maturity Date, due to events that are difficult to predict and beyond the issuer's control. Investing in the Securities is not equivalent to investing directly in the Index, futures contracts on the VIX Index or the Sub-Indices. Additional risks are described in the Prospectus for the ETNs.

## **Early Redemption**

Investors may elect to require UBS to redeem the Securities, in whole or in part, on any Redemption Date prior to the Maturity Date commencing on December 13, 2010 through and including November 23, 2040, subject to the minimum redemption amount of 50,000 Securities and to the compliance with the procedures. As of any Valuation Date, an amount per Security equals the product of (i) 0.125% and (ii) the Current Principal Amount as of such Valuation Date.

## **Indicative Value**

As determined by the Security Calculation Agent as of any date of determination, the Indicative Value is an amount per Security, equal to the product of (i) the Principal Amount and (ii) a fraction, the numerator of which is equal to the Index Closing Level as of such date and the denominator of which is equal to the Initial Index Level.

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

The Notes are considered equity securities, thus rendering trading in the Notes subject to the Exchange's existing rules governing the trading of equity securities.

## **Prospectus Delivery**

Members are advised to consult the "Supplemental Distribution Plan" in the Prospectus regarding prospectus delivery requirements.

## **Trading Hours**

Trading in the shares on EDGA and EDGX Exchanges (the "Exchanges") is on a UTP basis and is subject to the Exchanges equity trading rules. The shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the shares 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 Shares of a Trust 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 Shares 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 Shares of a Trust if the primary market de-lists the Shares.

## **Suitability**

Trading in the Shares on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the Shares 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.

## **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 Letters, the Exchange also advises interested members to consult the Letters, available at [www.sec.gov](http://www.sec.gov), 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 Letters state 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 Letters state 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 Letters state 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 Trust’s Registration Statement, SAI, Prospectus and the Fund’s website for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>Cusip</b>
XVIX	UBS AG E-TRACS Daily Long-Short VIX ETN	902641596