



**BZX Information Circular 13-076**  
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**Date:** September 24, 2013

**Re:** UBS Ag

Pursuant to Rule 14.1(j)(2) of the Rules of BATS Exchange, Inc. and 14.1(c)(2) of the Rules of BATS Y-Exchange, Inc. (the "Exchange"), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange's Rules.

<u>Security ("Notes")</u>	<u>Symbol</u>
ETRACS Diversified High Income ETNs	DVHI

**Commencement of Trading on the Exchange:** September 25, 2013

**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 this new product on the Exchange, as well as to provide certain characteristics and features of the Notes.

**Background Information on the Notes**

UBS AG (the "Issuer") has issued Exchange Traded Notes ("ETNs" or "Notes") due September 18, 2043 that are linked to the performance of the NYSE Diversified High Income Index (the "Index"). The ETNs are denominated in USD, and pay a USD-denominated variable monthly coupon linked to the cash distributions, if any, on the Index constituents, less investor fees and any withholding taxes.

The Notes are senior, unsecured, unsubordinated debt securities that provide investors with exposure to potential price appreciation in the NYSE Diversified High Income Index, subject to an Accrued Tracking Fee. The Accrued Tracking Fee is based on the Monthly Tracking Fee, which is equal to the product of 0.07% (equivalent to 0.84% per annum) and the Current Indicative Value (as described below). Investing in the Notes involves significant risks. Investors may lose some or all of their principal at maturity, early redemption or upon exercise by UBS of its call right if the level of the Index declines or does not increase by an amount sufficient to offset the Accrued Tracking Fee or Adjusted Tracking Fee Shortfall and the Redemption Fee, if applicable. The Notes may pay a monthly coupon during their term. Investors will receive a cash payment at maturity or upon exercise by UBS of its call right, based on the performance of the Index less the Accrued Tracking Fee, as described in the Prospectus Supplement. Investors will receive a cash payment upon early redemption based on the performance of the Index less the Accrued Tracking Fee and the Redemption Fee.

The Index measures the performance of a broad, diversified basket of publicly-traded securities that typically pay high dividends or distributions. The Index constituents must satisfy certain dividend or distribution yield and frequency criteria, liquidity criteria and other eligibility requirements. The Index currently includes 15 business development companies ("BDCs") (comprising 15% of the Index), 25 master limited partnerships ("MLPs") (comprising 15% of the Index), 15 U.S. mortgage real estate investment trusts ("Mortgage REITs") (comprising 7.5% of the Index), 20 U.S. real estate investment

trusts, excluding Mortgage REITs (“REITs”) (comprising 7.5% of the Index), 50 U.S. equities (comprising 7.5% of the Index) and 13 exchange-traded funds (“ETFs”) (comprising 47.5% of the Index). Four of the ETFs invest in international equities (the “Foreign Equity ETFs”) (comprising 7.5% of the Index), three of the ETFs invest in U.S. investment grade and high yield municipal bonds (the “Municipal Bond ETFs”) (comprising 10% of the Index), one ETF invests in high yield corporate bonds (the “Corporate Bond ETF”) (comprising 10% of the Index), one ETF invests in emerging market sovereign bonds (the “Emerging Market Bond ETF”, together with the Municipal Bond ETFs and the Corporate Bond ETF, the “Bond ETFs”) (comprising 10% of the Index) and four of the ETFs invest in preferred stocks (the “Preferred Stock ETFs”) (comprising 10% of the Index).

The Notes do not guarantee any return of principal at maturity. Instead, at maturity, investors will receive a cash payment equal to (a) the product of (i) the Principal Amount and (ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period plus (b) the final Coupon Amount minus (c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, plus (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any. This cash payment is the “Cash Settlement Amount.” If the amount calculated above is less than zero, the payment at maturity will be zero. An Investor may lose some or all of its investment at maturity. Because the Accrued Tracking Fee (including any Tracking Fee Shortfall) reduces the final payment, the level of the Index, as measured by the Final Index Level, will need to increase from the Initial Index Level by an amount at least equal to the percentage of the principal amount represented by the Accrued Tracking Fee, less any Coupon Amounts and/or any Stub Reference Distribution Amount, in order for an investor to receive an aggregate amount over the term of the Securities equal to at least the principal amount of the Securities. If the increase in the level of the Index, as measured by the Final Index Level compared to the Initial Index Level, is insufficient to offset the negative effect of the Accrued Tracking Fee or if the Final Index Level is less than the Initial Index Level, the investor will lose some or all of his or her investment at maturity.

The ETN is subject to an Accrued Tracking Fee. The Accrued Tracking Fee is based on the Monthly Tracking Fee, which is equal to the product of 0.07% (equivalent to 0.84% per annum) and the Current Indicative Value.

The Intraday Indicative Value for the ETNs will be disseminated by market data vendors under the symbol DVHI.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.

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

Trading in the Notes on BATS is subject to BATS equity trading rules.

### **Trading Hours**

The Notes will trade on BATS between 8:00 a.m. and 5:00 p.m. ET.

Please note that trading in the Notes during the Exchange’s Pre-Opening and After Hours Trading Sessions may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Pre-Opening and After Hours Trading Sessions, (2) lower liquidity in the Pre-Opening and After Hours Trading Sessions may impact pricing, (3) higher volatility in the Pre-Opening and After Hours Trading Sessions may impact pricing, (4) wider spreads may occur in the Pre-Opening and After Hours Trading Sessions, and (5) because the indicative value is not calculated or

widely disseminated during the Pre-Opening or After Hours Trading 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 BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. Members should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

### **Trading Halts**

BATS will halt trading in the shares of a security in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the shares of a security if the primary market de-lists the security.

**This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security's website for relevant information.**

Please contact Membership Services at 913.815.7002 with any inquiries regarding this Information Circular.