



BZX Information Circular 14-124
BYX Information Circular 14-124

EDGA Regulatory Information Circular 14-123
EDGX Regulatory Information Circular 14-123

Date: December 3, 2014

Re: ETRACS S&P 500 VEQTOR Switch Index ETN

Pursuant to the Rules of BATS Exchange, Inc. (“BZX”), BATS Y-Exchange, Inc. (“BYX”), EDGA Exchange, Inc. (“EDGA”) and EDGX Exchange, Inc. (“EDGX”, each such exchange referred to hereafter as “BATS” or the “Exchange” and together with BZX, BYX and EDGA, the “Exchange”), 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 Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange’s Rules.

<u>Securities (the “Fund”)</u>	<u>Symbol</u>
ETRACS S&P 500 VEQTOR Switch Index ETN due December 2, 2044	VQTS

Commencement of Trading on the Exchange: December 4, 2014

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

Background Information on the Notes

As more fully explained in the Prospectus Supplement dated December 2, 2014, for the UBS AG Exchange Traded Access Securities (E-TRACS) S&P 500 VEQTOR Switch ETN due December 2, 20144 (the “ETNs”) (File No. 333-178960), the return of the ETNs is linked to the daily return of the S&P 500 VEQTOR Switch Index (the “Index”). The ETNs do not guarantee any return of principal at maturity. The investor may receive periodic interest payments under the circumstances described in the prospectus supplement and a cash payment at maturity or upon early redemption based on the performance of the Index. The ETNs are senior unsecured obligations of UBS AG (the “Issuer”), which mature on December 4, 2044.

The Index seeks to simulate a dynamic portfolio that allocates between equity and volatility based on realized volatility in the broad equity market. The allocation to the equity component is adjusted to gain exposure to the S&P 500 Index (the “S&P 500”) with a target equity component volatility of 10%. When the realized volatility of the S&P 500 exceeds the 10% target, the Index shifts a portion of its allocation to the S&P 500 VIX Futures Long/Short Switch Index (the “Futures Index”). When the realized volatility is less than or equal to the 10% target, the Index is 100% allocated to the S&P 500. The Futures Index allocates between cash and VIX futures with the aim of capturing VIX futures roll yield when volatility drops and VIX futures upside when volatility spikes. The VIX futures component of the Futures Index

switches between a long and a short S&P 500 VIX futures position with a constant one-month maturity. The Futures Index has a constant scale factor of 1/3 on the VIX futures position, which means that only one-third of the Index allocation to the Futures Index will represent futures, with the remaining two-thirds representing cash. The long or short position is determined by the curvature of the VIX futures term structure with the Futures Index taking a long position when it is convex and a short position when it is concave. The underlying VIX futures position in the Futures Index is modeled in two sub-indices, the S&P 500 VIX Short-Term Futures Inverse Daily Spread Adjusted Index and the S&P 500 VIX Short-Term Futures Spread Adjusted Index.

The intraday and closing value of the Index will be disseminated on Bloomberg under the symbol SPVQSTR<index>.

The ETNs are subject to early redemption and a call. Investors can offer their ETNs for early redemption on each trading day during the term of the ETNs by delivering a redemption notice. The minimum redemption amount will be equal to 50,000 ETNs. The Issuer has the right to call the ETNs in whole on any trading day during the term of the ETNs by providing at least ten calendar days' notice to the holders of the ETNs. Accordingly, an investor should not expect to be able to hold the ETNs to maturity.

If, at any time, the indicative value of the ETNs (i) equals \$5.00 or less or (ii) decreases in value at least 60% as compared to the closing indicative value on the previous trading day, all issued and outstanding ETNs will be automatically accelerated and mandatorily redeemed by the Issuer.

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. The initial offering price and stated principal amount of each ETN is \$25.00. Any future issuances of ETNs may be issued at a price that is higher or lower than the stated principal amount, based on the indicative value of the ETNs at that time.

The Intraday Indicative Value for the ETNs will be disseminated by market data vendors under the symbol VQTS.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 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, Investment Risk, Equity Securities Risk, Index Risk, Volatility Risk, Credit Risk, Futures Risk, Interest Rate Risk, Redemption Risk, Call Risk, Liquidity Risk, Premium/Discount Risk, Economic Risk, and Tax 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 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. The Notes will trade on EDGA and EDGX between 8:00 a.m. and 8:00 p.m. ET.

Please note that trading in the Notes during the Exchange's Pre-Opening and After Hours/Post Closing Trading 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 Market 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 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

The Exchange will halt trading in the shares of a security in accordance with Exchange 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 BZX and BYX Membership Services at 913.815.7002 or EDGA and EDGX Member Services at 201.942.8220 with any inquiries regarding this Information Circular.