



**BZX Information Circular 11-118**  
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**Date:** October 11, 2011

**Re:** UBS AG Monthly 2X Leveraged ISE Cloud Computing TR Index ETN

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. and 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.

**Security ("Notes")**

**Symbol**

UBS AG Monthly 2X Leveraged ISE Cloud Computing TR Index ETN      LSKY

**Commencement of Trading on the Exchange:** October 12, 2011

**Issuer/Trust:** UBS AG

**Issuer Website:** [www.ubs.com/etracs](http://www.ubs.com/etracs)

**Primary Listing Exchange:** NYSE Arca

**Primary Exchange Circular:** RB-11-122 (October 5, 2011)

**Registration Statement:** No. 333-156695

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 2X Leveraged Exchange Traded Notes ("ETNs" or "Notes") linked to the ISE Cloud Computing TR Index (the "Index"). The maturity date is October 4, 2041. The Notes were priced at \$25 each.

The Notes provide a monthly compounded two times leveraged exposure to the performance of the Index, reduced by (i) the Accrued Tracking Fee based on a rate of 0.60% per annum and (ii) the Accrued Financing Charges (as described below). Investing in the Notes involves significant risks. Investors may lose some or all of their principal at maturity or call, upon acceleration or upon early redemption if the leveraged return of the Index is not sufficient to offset the negative effect of the Accrued Fees, less the Redemption Fee, if applicable. In addition, the Notes 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, performance of the Index. Investors will receive a cash payment at maturity, upon exercise by the Issuer of its call right or upon early acceleration, based on the leveraged performance of the Index less the Accrued Fees. Investors will receive a cash payment upon early redemption based on the leveraged performance of the Index less the Accrued Fees and the Redemption Fee. Payment at maturity or call, upon acceleration or upon early redemption is 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.

For each ETN, unless earlier redeemed, called or accelerated, investors will receive at maturity a cash payment equal to (a) the product of (i) the Current Principal Amount times (ii) the Index Factor as of the Final Valuation Date, minus (b) the Accrued Fees as of the Final Valuation Date. This cash payment is referred to as the "Cash Settlement Amount." If the amount so calculated is less than zero, the payment at maturity will be zero.

As of any date of determination, an amount per ETN equal to the product of (i) 0.60% per annum and (ii) the Current Indicative Value as of the immediately preceding Trading Day.

The Redemption Fee, as of any date of determination, is the product of (a) 0.125% times (b) the Current Principal Amount as of the Valuation Date.

If, at any time, the indicative value for the Notes on any Trading Day (1) equals \$5.00 or less or (2) decreases 60% in value from the closing indicative value on the previous Monthly Valuation Date (each such day, an "Acceleration Date"), all issued and outstanding Securities will be automatically accelerated and mandatorily redeemed by UBS for a cash payment equal to the Acceleration Amount. The "Acceleration Amount" will be a cash payment per Security on the Acceleration Settlement Date equal to (a) the product of (i) the Current Principal Amount times (ii) the Index Factor as of the Acceleration Date minus (b) the Accrued Fees as of the Acceleration Date. The "Acceleration Settlement Date" will be the third Trading Day following the Acceleration Date.

For the period from the Initial Settlement Date to October 31, 2011 (such period, the "Initial Calendar Month"), the Current Principal Amount will equal \$25.00 per Security. For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

New Current Principal Amount = previous Current Principal Amount  $\times$  Index Factor on the applicable Monthly Valuation Date – Accrued Tracking Fee on the applicable Monthly Valuation Date – Accrued Financing Charges on the applicable Monthly Valuation Date

The Accrued Fees equal: Accrued Tracking Fee plus Accrued Financing Charges

Index Factor:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio, on any Monthly Valuation Date, any Valuation Date, or the Final Valuation Date, as applicable:

$$\frac{\text{Index Closing Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

Please see the prospectus for the Notes for more details regarding the calculations and details.

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.