



## INFORMATION CIRCULAR: UBS AG

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**TO:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**FROM:** Nasdaq / BX / PHLX Listing Qualifications Department

**DATE:** July 14, 2016

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### EXCHANGE-TRADED PRODUCT

	SYMBOL	CUSIP #
UBS AG VelocityShares VIX Tail Risk ETN linked to the S&P 500 VIX Futures Tail Risk Index due 7/18/2046	BSWN	90274D168
UBS AG VelocityShares VIX Variable Long/Short ETN linked to the S&P 500 VIX Futures Variable Long/Short Index due 7/18/2046	LSVX	90274D176
UBS AG VelocityShares VIX Short Volatility Hedged ETN linked to the S&P 500 VIX Futures Short Volatility Hedged Index Short Term due 7/18/2046	XIVH	90274D150

### INFORMATION ON THE SECURITIES

UBS AG (the “Issuer”) is offering and selling three separate series of exchange traded notes (each, a “series of Securities” and collectively, the “Securities”, or “ETNs”, or “Notes”) The Securities do not pay any interest during their term. Each series of Securities tracks the performance of a different underlying index (each, an “Index” and collectively, the “Indices”). Each Index is designed to provide exposure to a different dynamic short-term volatility strategy by pairing both leveraged long and unleveraged short positions in first and second month VIX futures contracts. Each Index has a target allocation between long and short exposures to VIX futures contracts as described herein. Each Index measures the performance of 13 separate sub-portfolios that are rebalanced quarterly on a rolling basis, and the leveraged long and unleveraged short positions within each sub-portfolio are rebalanced daily. The ETNs do not guarantee any return of principal. Investors should be willing to lose up to 100% of their investment if the Index declines.

#### **UBS AG VelocityShares VIX Tail Risk ETN linked to the S&P 500 VIX Futures Tail Risk Index due 7/18/2046**

The UBS AG VelocityShares VIX Tail Risk ETN linked to the S&P 500 VIX Futures Tail Risk Index due 7/18/2046 (“Tail Risk Securities”) are linked to the total return version of the S&P 500 VIX Futures Tail Risk Index TR – Short Term (“Tail Risk Index”). Each of the 13 sub-portfolios has a target exposure of a 45% two times leveraged long position and a 55% unleveraged short position in the Short-Term Futures Index, which is intended to result in a net long position in VIX futures.

The Tail Risk Securities are intended to provide net long exposure to VIX futures, which exposure is more likely to increase in value when volatility increases and more likely to decrease in value when volatility declines, partially mitigated through the short exposure to VIX futures. As described herein, however, the actual exposure of the Tail Risk Securities may deviate significantly from the intended target exposure, resulting in a net short exposure to VIX futures, and there is no guarantee that the Securities will have a net VIX futures exposure that benefits investors. The actual exposure of the Securities may result in a loss of some or all of your investment.

**UBS AG VelocityShares VIX Variable Long/Short ETN linked to the S&P 500 VIX Futures Variable Long/Short Index due 7/18/2046**

The UBS AG VelocityShares VIX Variable Long/Short ETN linked to the S&P 500 VIX Futures Variable Long/Short Index due 7/18/2046 (“Variable Long/Short Securities”) are linked to the total return version of the S&P 500 VIX Futures Variable Long/Short Index TR – Short Term (the “Variable Long/Short Index”). Each of the 13 sub-portfolios of the Variable Long/Short Index has a target exposure of a 33.33% two times leveraged long position and a 66.67% unleveraged short position in the S&P 500 VIX Short-Term Futures Index (the “Short-Term Futures Index”).

The Variable Long/Short Securities are intended to provide a net long or net short exposure to VIX futures, depending on conditions in the market, with the goal of having a net long exposure during periods of high volatility and a net short exposure during periods of low volatility. As described herein, however, the actual exposure of the Variable Long/Short Securities to VIX futures contracts may differ from what is intended and there is no guarantee that the Securities will have a net VIX futures exposure that benefits investors. The actual exposure of the Securities may result in a loss of some or all of your investment.

**UBS AG VelocityShares VIX Short Volatility Hedged ETN linked to the S&P 500 VIX Futures Short Volatility Hedged Index Short Term due 7/18/2046**

The UBS AG VelocityShares VIX Short Volatility Hedged ETN linked to the S&P 500 VIX Futures Short Volatility Hedged Index Short Term due 7/18/2046 (“Short Volatility Hedged Securities”) are linked to the total return version of the S&P 500 VIX Futures Short Volatility Hedged Index TR – Short Term (the “Short Volatility Hedged Index”). Each of the 13 sub-portfolios of the Short Volatility Hedged Index has a target exposure of a 10% two times leveraged long position and a 90% unleveraged short position in the Short-Term Futures Index, which is intended to result in a net short position in VIX futures.

The Short Volatility Hedged Securities are intended to provide net short exposure to VIX futures, which exposure is more likely to decrease in value when volatility increases and more likely to increase in value when volatility declines. The leveraged long position provides a hedge as compared to an outright short position in VIX futures. As described herein, however, the actual exposure of the Short Volatility Hedged Securities may deviate significantly from the intended target exposure, resulting in a net long exposure to VIX futures, and there is no guarantee that the Securities will have a net VIX futures exposure that benefits investors. The actual exposure of the Securities may result in a loss of some or all of your investment.

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.

Trading in the Notes on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading in the Notes on BX is on a UTP basis and is subject to BX equity trading rules. Trading in the Notes on PHLX's PSX system is on a UTP basis and is subject to PHLX rules. The Notes will trade on NASDAQ from 7:00 a.m. until 8:00 p.m. Eastern Time. The Notes will trade on BX from 8:00 a.m. until 7:00 p.m. Eastern Time. The Notes will trade on PSX from 9:00 a.m. until 5:00 p.m. Eastern Time. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Notes during these sessions, when the underlying index's value or similar value may not be disseminated.

NASDAQ will halt trading in the Notes in accordance with NASDAQ Rule 4120. BX will halt trading in the Notes in accordance with BX Equity Rule 4120. PHLX will halt trading in the Notes in accordance with PHLX Rule 3100. The grounds for a halt under each of these rules include a halt by the primary market because the value of the underlying index or a similar value is not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Notes if the primary market delists the Notes.

Trading of the Notes on NASDAQ is subject to the provisions of NASDAQ Rule 2310. Trading of the Notes on BX is subject to the provisions of BX Rule 2310. Members recommending transactions in the Notes to customers should make a determination that the securities are suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the NASDAQ Conduct Rules and BX Conduct Rules.

Members and member organizations recommending transactions in the Notes to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

Nasdaq members, BX members and PHLX members and member organizations should also review NASD 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.

**This Information Circular is not a statutory prospectus. NASDAQ members, BX members and PHLX members and member organizations should consult the registration statement or prospectus for the Notes for additional information.**

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Inquiries regarding this Information Circular should be directed to:

- Will Slattery, Listing Qualifications, at 301.978.8088
- NASDAQ / BX/ PSX Market Sales at 800.846.0477