



## Information Circular: UBS AG

---

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

**From:** NASDAQ / BX / PHLX Listing Qualifications Department

**Date:** December 3, 2014

---

### Exchange-Traded Notes

**Symbol**      **CUSIP #**

UBS AG S&P 500 VEQTOR Switch ETN due December 2, 2044      VQTS      90274D705

### Information on the Notes

UBS AG (the "Issuer") has issued Exchange Traded Access Securities ("ETNs" or "Notes" or "Securities") due December 2, 2044 that are linked to the performance of the S&P 500 VEQTOR Switch Total Return Index (the "Index"). 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.

The Index is a composite index designed for investors that seek to simulate a dynamic portfolio that allocates between U.S. equities and volatility futures based on realized volatility in the U.S. large market capitalization ("U.S. Large Cap") equity market. The allocation to the equity component is dynamically adjusted exposure to the S&P 500 Total Return Index (the "S&P 500 Index") with a target equity component volatility of 10%. To the extent the realized volatility of the S&P 500 Index calculated as described under "S&P 500 VEQTOR Switch Total Return Index — Calculation of the Index" 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"), representing volatility, and reduces its exposure to the S&P 500 Index such that the equity component of the Index maintains its 10% volatility target.

The S&P 500 Index is intended to provide a broad performance benchmark for the U.S. equity markets.

The Futures Index is a composite index that seeks to simulate a dynamic portfolio that allocates between cash and VIX futures with the aim of capturing VIX futures roll yields and volatility drops ("short") and VIX futures upside when volatility spikes ("long"). The VIX futures component of the Futures Index switches between a long and 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 to mitigate volatility, with the balance of the Futures Index representing cash.

The long or short position in the Futures Index is determined by the curvature of the VIX futures term structure, which is determined as described in the prospectus for the Notes. If the term structure is concave, the Futures Index takes a short position in VIX one-month

futures, represented by allocation to the S&P 500 VIX Short-Term Futures Inverse Daily Spread Adjusted Index (the "Inverse Spread Index"). If the term structure is convex, the Futures Index takes a long position in VIX one-month futures, represented by allocation to the S&P 500 VIX Short-Term Futures Spread Adjusted Index (the "Spread Index" and, together with the Inverse Spread Index, the "Sub-Indices" and each a "Sub-Index").

Historically, the Futures Index has taken a short position in VIX futures for the majority of the time since the S&P 500 VIX futures curve has more often been concave.

The performance of the Index is reduced by the Fee Amount of 0.95% per annum (as described below).

Investing in the Securities involves significant risks. Investors may lose some or all of their principal at maturity, early redemption, acceleration, or upon exercise by UBS of its call right if the Index level declines or does not increase by an amount sufficient to offset the combined negative effect of the Fee Amount and the Redemption Fee Amount, if applicable.

The Securities are linked to the performance of the Index and, as a result, will benefit from any positive, but will also be exposed to any negative, performance of the Index. Payment at maturity, upon early redemption, call or acceleration is subject to the credit worthiness of UBS. In addition, the actual or perceived creditworthiness of UBS will affect the market value, if any, of the Securities prior to maturity, early redemption, call or acceleration. The principal terms of the Securities are as follows:

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.**

---

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