



**Product Notice 2020-0138**

Date: September 18, 2020

Re: ETRACS Monthly Pay 2xLeveraged S&P Dividend ETN and ETRACS Monthly Pay 2xLeveraged

Dow Jones Selected Dividend Index ETN Due May 22, 2042

MEMX LLC (“MEMX or the “Exchange”) was approved by the Securities and Exchange Commission as a registered national securities exchange on May 4, 2020. MEMX intends to commence trading and other operations in September of 2020. This Product Notice is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on MEMX as UTP Derivative Securities pursuant to MEMX Rule 14.1.

**Security (the “Notes” or the “ETNs”)**

**Symbol**

ETRACS Monthly Pay 2xLeveraged S&P Dividend ETN

SDYL

Issuer/Trust: UBS AG

Primary Listing Exchange: NYSE Arca

The purpose of this Product Notice is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange’s unlisted trading privileges, 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”) linked to various indexes, as described below. Each ETN was priced at \$25 per security. The maturity date for both ETNs is May 22, 2042.

SDYL is linked to the S&P High Yield Dividend Aristocrats Index (the “S&P Index”). The S&P Index is designed to measure the performance of the 60 highest dividend yielding S&P Composite 1500 Index constituents, which have followed a managed-dividends policy of consistently increasing dividends every year for at least 25 consecutive years. The Notes are senior unsecured debt securities and provide a monthly compounded two times leveraged long exposure to the performance of the S&P Index, reduced by the Accrued Fees. Because the Notes are two times leveraged with respect to the S&P Index, the Notes may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the S&P Index. The Notes may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the S&P Index Constituent Securities. But if the S&P Index Constituent Securities do not make any cash distributions, investors will not receive a monthly coupon. Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its Call Right based on the monthly compounded leveraged performance of the S&P Index less the Accrued Fees, calculated as described in the accompanying product supplement. Investors will receive

a cash payment upon early redemption based on the monthly compounded leveraged performance of the S&P Index less the Accrued Fees and the Redemption Fee, calculated as described in the accompanying product supplement. Payment at maturity or call, upon acceleration or upon early redemption will be 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 ETNs prior to maturity, call, acceleration or early redemption. Investing in the ETNs involves significant risks. Investors may lose some or all of your principal at maturity, early redemption, acceleration or upon exercise by the Issuer of its call right if the monthly compounded leveraged return of the S&P Index is not sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable. Investors may not receive any monthly coupon payment during the term of the Notes.

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 underlying 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 underlying index, the time remaining to maturity, the dividend yield of the stocks comprising the underlying index, and the credit ratings of the Issuer.

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

Trading in the Shares on MEMX is subject to MEMX trading rules.

#### **Trading Hours**

The Shares will trade on MEMX between 7:00 a.m. and 8:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market 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, higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets 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 MEMX Rule 3.7 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

#### **Trading Halts**

IES will halt trading in the shares of a security in accordance with MEMX Rules. The grounds for a halt under MEMX Rules 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, MEMX will stop trading the shares of a security if the primary market delists the security.

**This Product Notice is not a statutory prospectus. Members should consult the Prospectus for a security and the security's website for relevant information.**

Please contact MEMX Regulation at [regulation@memx.com](mailto:regulation@memx.com) with any inquiries regarding this Product Notice.