

# Royal Bank of Canada Trigger Step Performance Securities

## Linked to the S&P 500® Index due on or about March 29, 2018

### Investment Description

Trigger Step Performance Securities are unconditional, unsecured and unsubordinated debt securities issued by Royal Bank of Canada with returns linked to the performance of the S&P 500® Index (the "Index") (each, a "Security" and collectively, the "Securities"). If the Index Return is zero or positive, Royal Bank of Canada will repay the principal amount at maturity plus pay a return equal to the product of (i) your principal amount multiplied by (ii) the greater of (a) the Step Return and (b) the Index Return. The Step Return will be set on the Trade Date, and is expected to be between 19% and 24%. If the Index Return is negative, and the Index Ending Level is greater than or equal to the Trigger Level, Royal Bank of Canada will repay the full principal amount at maturity. If the Index Return is negative and the Index Ending Level is less than the Trigger Level, Royal Bank of Canada will pay you less than the full principal amount at maturity if anything, resulting in a loss on your initial investment that is proportionate to the negative performance of the Index over the term of the Securities, and you may lose up to 100% of your initial investment. **Investing in the Securities involves significant risks. The Securities do not pay dividends or interest. You may lose some or all of your principal amount. The Securities will not be listed on any exchange. The contingent repayment of principal applies only if you hold the Securities to maturity. Any payment on the Securities, including any repayment of principal, is subject to the creditworthiness of Royal Bank of Canada. If Royal Bank of Canada were to default on its payment obligations, you may not receive any amounts owed to you under the Securities and you could lose your entire investment.**

### Features

- ❑ **Participation in Positive Index Returns with Step Return Feature:** — If the Index Return is zero or positive, Royal Bank of Canada will repay the principal amount of the Securities at maturity and pay a return equal to the greater of the Index Return and the Step Return of between 19% and 24% (to be determined on the Trade Date). If the Index Return is negative, investors may be exposed to the decline in the Index at maturity.
- ❑ **Contingent Repayment of Principal at Maturity:** — If the Index Return is negative, but the Index Ending Level is greater than or equal to the Trigger Level, Royal Bank of Canada will repay the principal amount at maturity. However, if the Index Ending Level is less than the Trigger Level, investors will be exposed to the full downside performance of the Index and Royal Bank of Canada will pay less than the full principal amount at maturity, resulting in a loss of the principal amount that is proportionate to the percentage decline in the Index. Accordingly, you may lose some or all of the principal amount of the Securities. The contingent repayment of principal applies only if you hold the Securities to maturity. Any payment on the Securities, including any repayment of principal, is subject to the creditworthiness of Royal Bank of Canada.

### Key Dates<sup>1</sup>

Trade Date <sup>1</sup>	March 26, 2014
Settlement Date <sup>1</sup>	March 31, 2014
Final Valuation Date <sup>2</sup>	March 23, 2018
Maturity Date <sup>2</sup>	March 29, 2018

<sup>1</sup> Expected. In the event that we make any change to the expected Trade Date and Settlement Date, the Final Valuation Date and Maturity Date will be changed so that the stated term of the Securities remains approximately the same.

<sup>2</sup> Subject to postponement in the event of a market disruption event and as described under "General Terms of the Securities — Payment at Maturity" in the accompanying product prospectus supplement no. UBS-EI-STEPS.

**NOTICE TO INVESTORS: THE SECURITIES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE ISSUER IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL PRINCIPAL AMOUNT OF THE SECURITIES AT MATURITY, AND THE SECURITIES MAY HAVE DOWNSIDE MARKET RISK SIMILAR TO THE INDEX. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING A DEBT OBLIGATION OF ROYAL BANK OF CANADA. YOU SHOULD NOT PURCHASE THE SECURITIES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE SECURITIES.**

**YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER "KEY RISKS" BEGINNING ON PAGE 5 OF THIS FREE WRITING PROSPECTUS AND UNDER "RISK FACTORS" BEGINNING ON PAGE PS-3 OF THE ACCOMPANYING PRODUCT PROSPECTUS SUPPLEMENT NO. UBS-EI-STEPS BEFORE PURCHASING ANY SECURITIES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR SECURITIES. YOU COULD LOSE SOME OR ALL OF THE PRINCIPAL AMOUNT OF THE SECURITIES.**

### Security Offering

We are offering Trigger Step Performance Securities Linked to the S&P 500® Index. The return on the principal amount will depend upon the performance of the Index. The Securities are offered at a minimum investment of 100 Securities at the Price to Public described below. The Index Starting Level, Step Return and Trigger Level for the Securities will be determined on the Trade Date.

Underlying Index	Step Return	Index Starting Level	Trigger Level	CUSIP	ISIN
S&P 500® Index (SPX)	19.00% to 24.00%	•	80% of the Index Starting Level	78010Y711	US78010Y7114

**See "Additional Information About Royal Bank of Canada and the Securities" in this free writing prospectus. The Securities will have the terms specified in the prospectus dated July 23, 2013, the prospectus supplement dated July 23, 2013, product prospectus supplement no. UBS-EI-STEPS dated December 3, 2013 and this free writing prospectus.**

*Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Securities or passed upon the accuracy or the adequacy of this free writing prospectus or the accompanying prospectus, prospectus supplement and product prospectus supplement no. UBS-EI-STEPS. Any representation to the contrary is a criminal offense.*

Offering of Securities	Price to Public <sup>(1)</sup>		Fees and Commissions <sup>(1)</sup>		Proceeds to Us	
	Total	Per Security	Total	Per Security	Total	Per Security
Securities Linked to the S&P 500® Index	•	\$10.00	•	\$0.30	•	\$9.70

<sup>(1)</sup> UBS Financial Services Inc., which we refer to as UBS, will receive a commission that will depend on market conditions on the Trade Date. In no event will the commission received by UBS exceed \$0.30 per \$10 principal amount of the Securities.

The initial estimated value of the Securities as of the date of this document is \$9.5715 per \$10 in principal amount, which is less than the price to public. The pricing supplement relating to the Securities will set forth our estimate of the initial value of the Securities as of the pricing date, which will not be less than \$9.3715 per \$10 in principal amount. The actual value of the Securities at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value under "Key Risks" beginning on page 5, "Supplemental Plan of Distribution (Conflicts of Interest)" on page 12 and "Structuring the Securities" on page 12 of this free writing prospectus.

*The Securities will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States government agency or instrumentality.*

## Additional Information About Royal Bank of Canada and the Securities

Royal Bank of Canada has filed a registration statement (including a prospectus) with the Securities and Exchange Commission, or SEC, for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that Royal Bank of Canada has filed with the SEC for more complete information about Royal Bank of Canada and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, Royal Bank of Canada, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement, product prospectus supplement no. UBS-EI-STEPS and this free writing prospectus if you so request by calling toll-free 866-609-6009.

You may revoke your offer to purchase the Securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the Securities prior to their issuance. In the event of any changes to the terms of the Securities, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

You should read this free writing prospectus together with the prospectus dated July 23, 2013, as supplemented by the prospectus supplement dated July 23 2013, relating to our senior global medium-term notes. Series F, of which these Securities are a part, and the more detailed information contained in product prospectus supplement no. UBS-EI-STEPS dated December 3, 2013. **This free writing prospectus, together with the documents listed below, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.** You should carefully consider, among other things, the matters set forth in "Risk Factors" in the accompanying product prospectus supplement no. UBS-EI-STEPS, as the Securities involve risks not associated with conventional debt securities.

If the terms of the prospectus, prospectus supplement and product prospectus supplement no. UBS-EI-STEPS are inconsistent with the terms discussed herein, the terms discussed in this free writing prospectus will control.

**You may access these on the SEC website at [www.sec.gov](http://www.sec.gov) as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):**

- ◆ Product prospectus supplement no. UBS-EI-STEPS dated December 3, 2013:  
<http://www.sec.gov/Archives/edgar/data/1000275/000121465913006850/o122130424b5.htm>
- ◆ Prospectus supplement dated July 23, 2013:  
<http://www.sec.gov/Archives/edgar/data/1000275/000121465913004045/j716130424b3.htm>
- ◆ Prospectus dated July 23, 2013:  
<http://www.sec.gov/Archives/edgar/data/1000275/000121465913004043/f722130424b3.htm>

As used in this free writing prospectus, the "Company," "we," "us" or "our" refers to Royal Bank of Canada.

## Investor Suitability

### The Securities may be suitable for you if, among other considerations:

- ◆ You fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment.
- ◆ You can tolerate the loss of all or a substantial portion of the principal amount of the Securities and are willing to make an investment that may have similar downside market risk as a hypothetical investment in the Index.
- ◆ You believe the level of the Index will appreciate over the term of the Securities.
- ◆ You would be willing to invest in the Securities if the Step Return was set equal to the bottom of the range indicated on the cover page of this free writing prospectus (the actual Step Return will be determined on the Trade Date).
- ◆ You can tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Index.
- ◆ You do not seek current income from your investment and are willing to forgo dividends paid on the Index stocks.
- ◆ You are willing to hold the Securities to maturity, and accept that there may be little or no secondary market for the Securities.
- ◆ You are willing to assume the credit risk of Royal Bank of Canada for all payments under the Securities, and understand that if Royal Bank of Canada defaults on its obligations, you may not receive any amounts due to you, including any repayment of principal.

### The Securities may not be suitable for you if, among other considerations:

- ◆ You do not fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment.
- ◆ You require an investment designed to provide a full return of principal at maturity.
- ◆ You cannot tolerate the loss of all or a substantial portion of the principal amount of the Securities, and you are not willing to make an investment that may have similar downside market risk as a hypothetical investment in the Index.
- ◆ You believe that the level of the Index will decline over the term of the Securities.
- ◆ You would be unwilling to invest in the Securities if the Step Return was set equal to the bottom of the range indicated on the cover page of this free writing prospectus (the actual Step Return will be determined on the Trade Date).
- ◆ You cannot tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Index.
- ◆ You seek current income from this investment or prefer to receive the dividends paid on the Index stocks.
- ◆ You are unable or unwilling to hold the Securities to maturity, or you seek an investment for which there will be an active secondary market.
- ◆ You are not willing to assume the credit risk of Royal Bank of Canada for all payments under the Securities, including any repayment of principal.

**The suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting, and other advisers have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review carefully the "Key Risks" beginning on page 5 of this free writing prospectus and "Risk Factors" in the accompanying product prospectus supplement no. UBS-EI-STEPS for risks related to an investment in the Securities.**

## Indicative Terms of the Securities<sup>1</sup>

Issuer:	Royal Bank of Canada
Issue Price:	\$10 per Security (subject to a minimum purchase of 100 Securities).
Principal Amount:	\$10 per Security. The payment at maturity will be based on the principal amount.
Term <sup>2</sup> :	Approximately four years
Index:	S&P 500® Index
Step Return:	19.00% to 24.00% (to be determined on the Trade Date)
Payment at Maturity (per \$10 Security):	<p><b>If the Index Return is zero or positive,</b> Royal Bank of Canada will pay you :</p> $\$10 + (\$10 \times \text{the greater of (i) Index Return and (ii) Step Return})$ <p><b>If the Index Return is negative and the Index Ending Level is greater than or equal to the Trigger Level,</b> Royal Bank of Canada will pay you:</p> $\$10$ <p><b>If the Index Ending Level is less than the Trigger Level,</b> Royal Bank of Canada will pay you:</p> $\$10 + (\$10 \times \text{Index Return})$ <p><i>In this scenario, you will lose some or all of the principal amount of the Securities in an amount proportionate to the negative Index Return.</i></p>
Index Return:	$\frac{\text{Index Ending Level} - \text{Index Starting Level}}{\text{Index Starting Level}}$
Index Starting Level:	The Index Closing Level on the Trade Date.
Index Ending Level:	The Index Closing Level on the Final Valuation Date.
Trigger Level	80% of the Index Starting Level

## Investment Timeline

Trade Date:

The Step Return is set. The Index Starting Level and Trigger Level are determined.



Maturity Date:

The Index Ending Level and Index Return are determined.

If the Index Return is zero or positive, Royal Bank of Canada will pay you a cash payment per \$10.00 Security that provides you with your principal amount plus a return equal to the greater of the Index Return and the Step Return, calculated as follows:

$$\$10 + (\$10 \times \text{the greater of (i) Index Return and (ii) Step Return})$$

If the Index Return is negative and the Index Ending Level is greater than or equal to the Trigger Level, Royal Bank of Canada will pay you a cash payment of \$10.00 per \$10.00 Security.

If the Index Ending Level is less than the Trigger Level, Royal Bank of Canada will pay you a cash payment that is less than the principal amount of \$10.00 per Security, resulting in a loss of principal that is proportionate to the percentage decline in the Index, and equal to:

$$\$10.00 + (\$10.00 \times \text{Index Return})$$

***In this scenario, you will lose some or all of the principal amount of the Securities, in an amount proportionate to the negative Index Return.***

**INVESTING IN THE SECURITIES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF THE PRINCIPAL AMOUNT. ANY PAYMENT ON THE SECURITIES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF ROYAL BANK OF CANADA. IF ROYAL BANK OF CANADA WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS, YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE SECURITIES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.**

<sup>1</sup> Terms used in this free writing prospectus, but not defined herein, shall have the meanings ascribed to them in the product prospectus supplement.

<sup>2</sup> In the event we make any change to the expected Trade Date and Settlement Date, the Final Valuation Date and Maturity Date will be changed to ensure that the stated term of the Securities remains approximately the same.

## Key Risks

An investment in the Securities involves significant risks. Investing in the Securities is not equivalent to investing directly in any of the component securities of the Index. These risks are explained in more detail in the “Risk Factors” section of the accompanying product prospectus supplement no. UBS-EI-STEPS. We also urge you to consult your investment, legal, tax, accounting and other advisors before investing in the Securities.

### Risks Relating to the Securities Generally

- ◆ **Your Investment in the Securities May Result in a Loss of Principal:** The Securities differ from ordinary debt securities in that Royal Bank of Canada is not necessarily obligated to repay the full principal amount of the Securities at maturity. The return on the Securities at maturity is linked to the performance of the Index and will depend on whether, and the extent to which, the Index Return is positive or negative. If the Index Ending Level is less than the Trigger Level, you will be fully exposed to any negative Index Return and Royal Bank of Canada will pay you less than your principal amount at maturity, resulting in a loss of principal of your Securities that is proportionate to the percentage decline in the Index. **Accordingly, you could lose the entire principal amount of the Securities.**
- ◆ **The Contingent Repayment of Principal Applies Only if You Hold the Securities to Maturity:** The contingent repayment of principal is only available at maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss, even if the level of the Index is above the Trigger Level.
- ◆ **The Step Return Applies Only at Maturity:** You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, the price you receive will likely not reflect the full effect of the Step Return and the return you realize may be less than the Step Return or the Index Return, even if the level of the Index has increased. You can receive the full benefit of the Step Return only if you hold your Securities to maturity.
- ◆ **No Interest Payments:** Royal Bank of Canada will not pay any interest with respect to the Securities.
- ◆ **Credit Risk of Royal Bank of Canada:** The Securities are unsubordinated, unsecured debt obligations of the issuer, Royal Bank of Canada, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal at maturity, depends on the ability of Royal Bank of Canada to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of Royal Bank of Canada may affect the market value of the Securities and, in the event Royal Bank of Canada were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire initial investment.
- ◆ **Your Return on the Securities May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity:** The return that you will receive on the Securities, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you could earn if you bought a conventional senior interest bearing debt security of Royal Bank of Canada with the same maturity date or if you were able to invest directly in the Index or the securities included in the Index. Your investment may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money.
- ◆ **Lack of Liquidity:** The Securities will not be listed on any securities exchange. RBC Capital Markets, LLC, which we refer to as RBCCM, intends to offer to purchase the Securities in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Securities easily. Because other dealers are not likely to make a secondary market for the Securities, the price at which you may be able to trade your Securities is likely to depend on the price, if any, at which RBCCM is willing to buy the Securities.
- ◆ **No Dividend Payments or Voting Rights:** Investing in the Securities is not equivalent to investing directly in any of the component securities of the Index. As a holder of the Securities, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of the equity securities underlying the Index would have.
- ◆ **The Initial Estimated Value of the Securities Will Be Less than the Price to the Public.** The initial estimated value that is set forth on the cover page of this document, and that will be set forth in the final pricing supplement for the Securities, will be less than the public offering price you pay for the Securities, does not represent a minimum price at which we, RBCCM or any of our other affiliates would be willing to purchase the Securities in any secondary market (if any exists) at any time. If you attempt to sell the Securities prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the level of the Index, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount, and our estimated profit and the costs relating to our hedging of the Securities. These factors, together with various credit, market and economic factors over the term of the Securities, are expected to reduce the price at which you may be able to sell the Securities in any secondary market and will affect the value of the Securities in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Securities prior to maturity may be less than the price to public, as any such sale price would not be expected to include the underwriting discount and our estimated profit and the costs relating to our hedging of the Securities. In addition, any price at which you may sell the Securities is likely to reflect customary bid-ask spreads for similar trades. In addition to bid-ask spreads, the value of the Securities determined for any secondary market price is expected to be based on a secondary market rate rather than the internal borrowing rate used to price the Securities and determine the initial estimated value. As a result, the secondary price will be less than if the internal borrowing rate was used. The Securities are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Securities to maturity.
- ◆ **Our Initial Estimated Value of the Securities Is an Estimate Only, Calculated as of the Time the Terms of the Securities Are Set —** The initial estimated value of the Securities is based on the value of our obligation to make the payments on the Securities, together with the mid-market value of the derivative embedded in the terms of the Securities. See “Structuring the Securities” below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Securities. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Securities or similar securities at a price that is significantly different than we do.

The value of the Securities at any time after the pricing date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Securities in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Securities.

- ◆ **Potential Conflicts:** We and our affiliates play a variety of roles in connection with the issuance of the Securities, including hedging our obligations under the Securities. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the Securities.
- ◆ **Potentially Inconsistent Research, Opinions or Recommendations by RBCCM, UBS or Their Affiliates:** RBCCM, UBS or their affiliates may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding the Securities, and which may be revised at any time. Any such research, opinions or recommendations could affect the value of the Index or the equity securities included in the Index, and therefore, the market value of the Securities.
- ◆ **Changes Affecting the Index:** The policies of the index sponsor (S&P Dow Jones Indices LLC) concerning additions, deletions and substitutions of the stocks included in the Index and the manner in which the index sponsor takes account of certain changes affecting those stocks included in the Index may adversely affect the level of the Index. The policies of the index sponsor with respect to the calculation of the Index could also adversely affect the level of the Index. The index sponsor may discontinue or suspend calculation or dissemination of the Index and has no obligation to consider your interests in the Securities when taking any action regarding the Index. Any such actions could have an adverse effect on the value of the Securities.
- ◆ **Uncertain Tax Treatment:** Significant aspects of the tax treatment of an investment in the Securities are uncertain. You should consult your tax adviser about your tax situation.
- ◆ **Potential Royal Bank of Canada and UBS Impact on Price:** Trading or other transactions by Royal Bank of Canada, UBS and our respective affiliates in the equity securities included in the Index or in futures, options, exchange-traded funds or other derivative products on the equity securities included in the Index may adversely affect the market value of the equity securities underlying the Index, the level of the Index and therefore, the market value of the Securities.
- ◆ **Many Economic and Market Factors Will Impact the Value of the Securities:** In addition to the level of the Index on any day, the value of the Securities will be affected by a number of economic and market factors that may either offset or magnify each other, including:
  - ◆ the actual or expected volatility of the Index;
  - ◆ the time remaining to maturity of the Securities;
  - ◆ the dividend rate on the equity securities included in the Index;
  - ◆ interest and yield rates in the market generally, as well as in each of the markets of the equity securities included in the Index;
  - ◆ a variety of economic, financial, political, regulatory or judicial events; and
  - ◆ our creditworthiness, including actual or anticipated downgrades in our credit ratings.



## Hypothetical Examples and Return Table at Maturity

The following table and hypothetical examples below illustrate the payment at maturity per \$10.00 Security for a hypothetical range of Index Returns from -100.00% to +100.00% and assume a hypothetical Index Starting Level of 1,000, a hypothetical Trigger Level of 800, and a hypothetical Step Return of 21.50%. The actual Index Starting Level, Trigger Level and Step Return will be set on the Trade Date. The hypothetical Payment at Maturity examples set forth below are for illustrative purposes only and may not be the actual returns applicable to a purchaser of the Securities. The actual payment at maturity will be determined based on the Index Ending Level on the Final Valuation Date. You should consider carefully whether the Securities are suitable to your investment goals. The numbers appearing in the table below have been rounded for ease of analysis.

**Example 1 – On the Final Valuation Date, the Index closes 30% above the Index Starting Level.** Because the Index Return is positive and the Index Return of 30% is *greater* than the hypothetical Step Return of 21.50%, Royal Bank of Canada will pay you a payment of \$13.00 at maturity, calculated as follows:

$$\$10 + (\$10 \times \text{the greater of (i) 30\% and (ii) 21.50\%}) = \$10 + \$3.00 = \$13.00$$

**Example 2 – On the Final Valuation Date, the Index closes 20% above the Index Starting Level.** Because the Index Return is positive and the Index Return of 20% is *less* than the hypothetical Step Return of 21.50%, Royal Bank of Canada will pay you a payment of \$12.15 at maturity, calculated as follows:

$$\$10 + (\$10 \times \text{the greater of (i) 20\% and (ii) 21.50\%}) = \$10 + \$2.15 = \$12.15$$

**Example 3 – On the Final Valuation Date, the Index closes 10% below the Index Starting Level.** Because the Index Return is negative, but the Index Ending Level is greater than the Trigger Level, Royal Bank of Canada will pay you at maturity the principal amount of \$10 principal amount Security.

**Example 4 – On the Final Valuation Date, the Index closes 40% below the Index Starting Level.** Because the Index Return is negative and the Index Ending Level is less than the Trigger Level, Royal Bank of Canada will pay you at maturity a cash payment of \$6 per \$10 principal amount Security (a 40% loss on the principal amount), calculated as follows:

$$\$10 + (\$10 \times -40\%) = \$10 - \$4 = \$6$$

Hypothetical Index Ending Level	Hypothetical Index Return <sup>1</sup>	Hypothetical Payment at Maturity (\$)	Hypothetical Total Return on Securities (%) <sup>2</sup>
2,000.00	100.00%	\$20.00	100.00%
1,750.00	75.00%	\$17.50	75.00%
1,500.00	50.00%	\$15.00	50.00%
1,400.00	40.00%	\$14.00	40.00%
1,300.00	30.00%	\$13.00	30.00%
1,215.00	21.50%	\$12.15	21.50%
1,200.00	20.00%	\$12.15	21.50%
1,140.00	14.00%	\$12.15	21.50%
1,100.00	10.00%	\$12.15	21.50%
1,050.00	5.00%	\$12.15	21.50%
1,020.00	2.00%	\$12.15	21.50%
1,000.00	0.00%	\$12.15	21.50%
950.00	-5.00%	\$10.00	0.00%
900.00	-10.00%	\$10.00	0.00%
800.00	-20.00%	\$10.00	0.00%
799.99	-20.01%	\$7.99	-20.01%
750.00	-25.00%	\$7.50	-25.00%
700.00	-30.00%	\$7.00	-30.00%
600.00	-40.00%	\$6.00	-40.00%
500.00	-50.00%	\$5.00	-50.00%
250.00	-75.00%	\$2.50	-75.00%
0.00	-100.00%	\$0.00	-100.00%

<sup>1</sup> The Index Return excludes any cash dividend payments.

<sup>2</sup> The "total return" is the number, expressed as a percentage, that results from comparing the payment at maturity per \$10 principal amount Security to the purchase price of \$10 per Security.

## What Are the Tax Consequences of the Securities?

### U.S. Federal Income Tax Consequences

Set forth below, together with the discussion of U.S. federal income tax in the accompanying product prospectus supplement, prospectus supplement, and prospectus, is a summary of the material U.S. federal income tax consequences relating to an investment in the Securities. The following summary is not complete and is qualified in its entirety by the discussion under the sections entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in the accompanying product prospectus supplement, the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement, and the section entitled “Tax Consequences” in the accompanying prospectus, which you should carefully review prior to investing in the Securities.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a note with terms described herein as a pre-paid cash-settled derivative contract in respect of the Index for U.S. federal income tax purposes, and the terms of the Securities require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the Securities for all tax purposes in accordance with such characterization. If the Securities are so treated, a holder should generally recognize capital gain or loss upon the sale or maturity of the Securities in an amount equal to the difference between the amount a holder receives at such time and the holder’s tax basis in the Securities. Alternative tax treatments are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. In addition, the Internal Revenue Service has released a notice that may affect the taxation of holders of the Securities. According to the notice, the Internal Revenue Service and the Treasury Department are actively considering whether the holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the special “constructive ownership rules” of Section 1260 of the Internal Revenue Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations.

Individual holders that own “specified foreign financial assets” may be required to include certain information with respect to such assets with their U.S. federal income tax return. You are urged to consult your own tax advisor regarding such requirements with respect to the Securities.

A “dividend equivalent” payment is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under proposed Treasury Department regulations, certain payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends, with respect to certain equity-linked instruments, whether explicitly stated or implicitly taken into account in computing one or more of the terms of such instruments, including the securities, may be treated as dividend equivalents. If enacted in their current form, the regulations will impose a withholding tax on payments or deemed payments made on the securities on or after January 1, 2016 that are treated as dividend equivalents. In that case, we (or the applicable paying agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

Please see the discussion under the section entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” on page PS-28 in the accompanying product prospectus supplement for a further discussion of the U.S. federal income tax consequences of an investment in the Securities.

### Canadian Federal Income Tax Consequences

For a discussion of the material Canadian federal income tax consequences relating to an investment in the Securities, please see the section entitled “Tax Consequences — Canadian Taxation” in the accompanying prospectus, which you should carefully review prior to investing in the Securities.



## The S&P 500® Index

We have derived all information contained in this free writing prospectus regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, from publicly available sources. The information reflects the policies of, and is subject to change by, the Index sponsor. The Index sponsor, which owns the copyright and all other rights to the Index, has no obligation to continue to publish, and may discontinue publication of, the Index. The consequences of the Index sponsor discontinuing publication of the Index are discussed under the heading “General Terms of the Securities — Discontinuation of the Index; Alteration of Method of Calculation” on page PS-23 of the product prospectus supplement UBS-El-STEPS. None of us, UBS or RBCCM accepts any responsibility for the calculation, maintenance or publication of the Index or any successor index.

The Index is intended to provide an indication of the pattern of common stock price movement in the large capitalization segment of the U.S. equity market. The calculation of the level of the Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of December 31, 2013, 391 companies included in the Index traded on the New York Stock Exchange, and 109 companies included in the Index traded on The NASDAQ Stock Market. On December 31, 2013, the average market capitalization of the companies included in the Index was \$34.99 billion. As of that date, the largest component of the Index had a market capitalization of \$504.85 billion, and the smallest component of the Index had a market capitalization of \$3.35 billion.

The index sponsor chooses companies for inclusion in the Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of its Stock Guide Database of over 10,000 companies, which the index sponsor uses as an assumed model for the composition of the total market. Relevant criteria employed by the index sponsor include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock generally is responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company. Ten main groups of companies comprise the Index, with the approximate percentage of the market capitalization of the Index included in each group as of February 27, 2014 indicated in parentheses: Consumer Discretionary (12.5%); Consumer Staples (9.4%); Energy (10.0%); Financials (15.8%); Health Care (13.7%); Industrials (10.7%); Information Technology (18.8%); Materials (3.5%); Telecommunication Services (2.5%); and Utilities (3.0%). S&P from time to time, in its sole discretion, may add companies to, or delete companies from, the Index to achieve the objectives stated above.

The index sponsor calculates the Index by reference to the prices of the constituent stocks of the Index without taking account of the value of dividends paid on those stocks. As a result, the return on the Securities will not reflect the return you would realize if you actually owned the Index constituent stocks and received the dividends paid on those stocks.

### Computation of the Index

While the index sponsor currently employs the following methodology to calculate the Index, no assurance can be given that the index sponsor will not modify or change this methodology in a manner that may affect the Payment at Maturity.

Historically, the market value of any component stock of the Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, the index sponsor began shifting the Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the Index to full float adjustment on September 16, 2005. The index sponsor's criteria for selecting stocks for the Index did not change with the shift to float adjustment. However, the adjustment affects each company's weight in the Index.

Under float adjustment, the share counts used in calculating the Index reflect only those shares that are available to investors, not all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by “block owners,” were removed from the float for purposes of calculating the Index. Generally, these “control holders” will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, ESOPs, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depository banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile, such as depository shares and Canadian exchangeable shares are normally part of the float unless those shares form a control block. If a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor (“IWF”) is calculated by dividing the available float shares by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company's officers and directors hold 3% of the company's shares, and no other control group holds 5% of the company's shares, the index sponsor would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company's officers and directors hold 3% of the company's shares and another control group holds 20% of the company's shares, the index sponsor would assign an IWF of 0.77, reflecting the fact that 23% of the company's outstanding shares are considered to be held for control. For companies with multiple classes of stock, the index sponsor calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

The Index is calculated using a base-weighted aggregate methodology. The level of the Index reflects the total market value of all 500 component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941- 43 = 10. In practice, the daily calculation of the Index is computed by dividing the total market value of the component stocks by the “index divisor.” By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the Index, it serves as a link to the original base period level of the Index. The index divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index, which is index maintenance.

## Index Maintenance

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends, require changes in the common shares outstanding and the stock prices of the companies in the Index, and do not require index divisor adjustments.

To prevent the level of the Index from changing due to corporate actions, corporate actions which affect the total market value of the Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the Index remains constant and does not reflect the corporate actions of individual companies in the Index. Index divisor adjustments are made after the close of trading and after the calculation of the Index closing level.

Changes in a company's shares outstanding of 5.00% or more due to mergers, acquisitions, public offerings, tender offers, Dutch auctions, or exchange offers are made as soon as reasonably possible. All other changes of 5.00% or more (due to, for example, company stock repurchases, private placements, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participation units, at the market offerings, or other recapitalizations) are made weekly and are announced on Wednesdays for implementation after the close of trading on the following Wednesday. Changes of less than 5.00% due to a company's acquisition of another company in the Index are made as soon as reasonably possible. All other changes of less than 5.00% are accumulated and made quarterly on the third Friday of March, June, September, and December, and are usually announced two to five days prior.

Changes in IWFs of more than five percentage points caused by corporate actions (such as merger and acquisition activity, restructurings, or spinoffs) will be made as soon as reasonably possible. Other changes in IWFs will be made annually when IWFs are reviewed.

## License Agreement

S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks have been licensed for use by S&P Dow Jones Indices LLC. "Standard & Poor's®", "S&P 500®" and "S&P®" are trademarks of S&P. These trademarks have been sublicensed for certain purposes by us. The Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by us.

The Securities are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or any of their respective affiliates (collectively, "S&P Dow Jones Indices"). S&P Dow Jones Indices make no representation or warranty, express or implied, to the holders of the Securities or any member of the public regarding the advisability of investing in Securities generally or in the Securities particularly or the ability of the Index to track general market performance. S&P Dow Jones Indices' only relationship to us with respect to the Index is the licensing of the Index and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its third party licensors. The Index is determined, composed and calculated by S&P Dow Jones Indices without regard to us or the Securities. S&P Dow Jones Indices have no obligation to take our needs or the needs of holders of the Securities into consideration in determining, composing or calculating the Index. S&P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the Securities or the timing of the issuance or sale of the Securities or in the determination or calculation of the equation by which the Securities are to be converted into cash. S&P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the Securities. There is no assurance that investment products based on the Index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC and its subsidiaries are not investment advisors. Inclusion of a security or futures contract within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security or futures contract, nor is it considered to be investment advice. Notwithstanding the foregoing, CME Group Inc. and its affiliates may independently issue and/or sponsor financial products unrelated to the Securities currently being issued by us, but which may be similar to and competitive with the Securities. In addition, CME Group Inc. and its affiliates may trade financial products which are linked to the performance of the Index. It is possible that this trading activity will affect the value of the Securities.

S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY US, HOLDERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND US, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

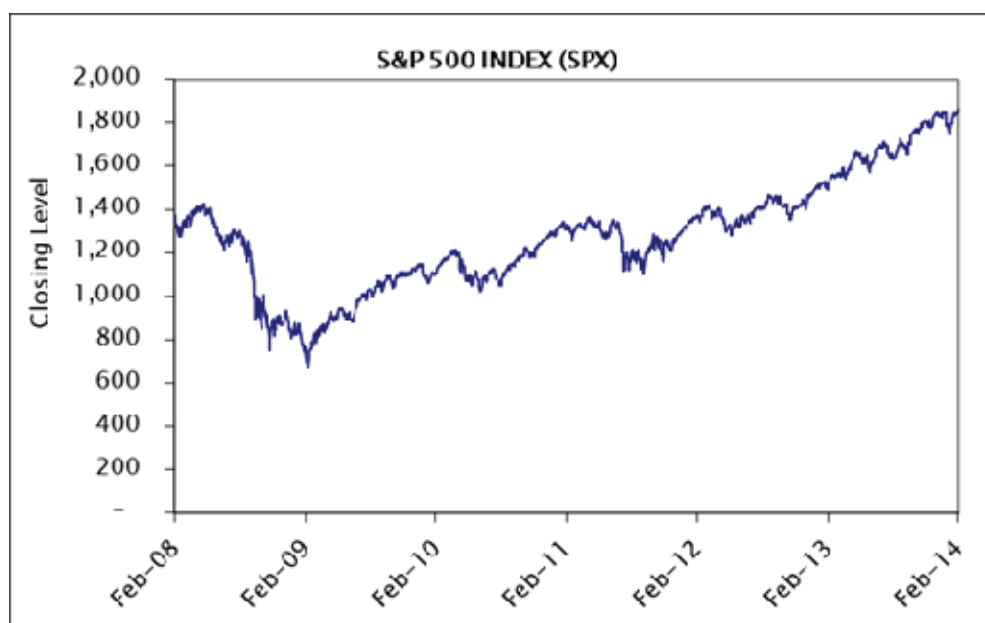
## Historical Information

The following table sets forth the quarterly high, low and period-end closing levels of the Index, as reported by Bloomberg Financial Markets. The closing level of the Index on February 27, 2014 was 1,854.29. **The historical values of the Index should not be taken as an indication of future performance. We cannot give you assurance that the performance of the Index will result in the return of any of your initial investment.**

Quarter Begin	Quarter End	Quarterly Closing High	Quarterly Closing Low	Quarterly Period-End Close
1/1/2008	3/31/2008	1,447.16	1,273.37	1,322.70
4/1/2008	6/30/2008	1,426.63	1,278.38	1,280.00
7/1/2008	9/30/2008	1,305.32	1,106.39	1,166.36
10/1/2008	12/31/2008	1,161.06	752.44	890.64
1/1/2009	3/31/2009	934.70	676.53	797.87
4/1/2009	6/30/2009	946.21	811.08	919.32
7/1/2009	9/30/2009	1,071.66	879.13	1,057.08
10/1/2009	12/31/2009	1,127.78	1,025.21	1,126.42
1/1/2010	3/31/2010	1,174.17	1,056.74	1,169.43
4/1/2010	6/30/2010	1,217.28	1,030.71	1,030.71
7/1/2010	9/30/2010	1,148.67	1,022.58	1,141.20
10/1/2010	12/31/2010	1,259.78	1,137.03	1,257.88
1/1/2011	3/31/2011	1,343.01	1,256.88	1,325.83
4/1/2011	6/30/2011	1,363.61	1,265.42	1,320.64
7/1/2011	9/30/2011	1,353.22	1,119.46	1,131.42
10/1/2011	12/31/2011	1,285.09	1,099.23	1,257.60
1/1/2012	3/31/2012	1,416.51	1,277.06	1,408.47
4/1/2012	6/30/2012	1,419.04	1,278.04	1,362.16
7/1/2012	9/30/2012	1,465.77	1,334.76	1,440.67
10/1/2012	12/31/2012	1,461.40	1,353.33	1,402.43
1/1/2013	3/31/2013	1,569.19	1,457.15	1,569.19
4/1/2013	6/30/2013	1,669.16	1,541.61	1,606.28
7/1/2013	9/30/2013	1,725.52	1,614.08	1,681.55
10/1/2013	12/31/2013	1,848.36	1,655.45	1,848.36
1/1/2014	2/27/2014	1,854.29	1,741.89	1,854.29

\* As of the date of this free writing prospectus, available information for the first calendar quarter of 2014 includes data for the period from January 1, 2014 through February 27, 2014. Accordingly, the "Quarterly Closing High," "Quarterly Closing Low" and "Quarterly Period-End Close" data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2014.

The graph below illustrates the performance of the Index from February 27, 2008 to February 27, 2014, assuming an Index Starting Level of 1,854.29, which was the closing level of the Index on February 27, 2014 (the actual Index Starting Level will be determined on the Trade Date).



HISTORIC PERFORMANCE IS NOT AN INDICATION OF FUTURE PERFORMANCE

Source: Bloomberg L.P. We have not independently verified the accuracy or completeness of information obtained from Bloomberg Financial Markets.

## Supplemental Plan of Distribution (Conflicts of Interest)

We have agreed to indemnify UBS and RBCCM against liabilities under the Securities Act of 1933, as amended, or to contribute payments that UBS and RBCCM may be required to make relating to these liabilities as described in the prospectus supplement and the prospectus. We will agree that UBS may sell all or a part of the Securities that it will purchase from us to investors at the price to public listed on the cover hereof, or its affiliates at the price indicated on the cover of the pricing supplement, the document that will be filed under Rule 424(b)(2) containing the final pricing terms of the Securities.

The price to the public for all purchases of Securities is \$10.00 per Security. UBS may allow a concession not in excess of the underwriting discount set forth on the cover of the pricing supplement to its affiliates for distribution of the Securities.

Subject to regulatory constraints and market conditions, RBCCM intends to offer to purchase the Securities in the secondary market, but it is not required to do so.

We or our affiliates may enter into swap agreements or related hedge transactions with one of our other affiliates or unaffiliated counterparties in connection with the sale of the Securities and RBCCM and/or an affiliate may earn additional income as a result of payments pursuant to the swap or related hedge transactions. See “Use of Proceeds and Hedging” beginning on page PS-14 of the accompanying product prospectus supplement no. UBS EI-STEPS.

The value of the Securities shown on your account statement may be based on RBCCM’s estimate of the value of the Securities if RBCCM or another of our affiliates were to make a market in the Securities (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Securities in light of then prevailing market conditions, our creditworthiness and transaction costs. If so specified in the pricing supplement related to the Securities, for a period of approximately twelve months after the issue date of the Securities the value of the Securities that may be shown on your account statement may be higher than RBCCM’s estimated value of the Securities at that time. This is because the estimated value of the Securities will not include the underwriting discount and our hedging costs and profits; however, the value of the Securities shown on your account statement during that period may be a higher amount, potentially reflecting the addition of the underwriting discount and our estimated costs and profits from hedging the Securities. Any such excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Securities, it expects to do so at prices that reflect their estimated value. This period may be reduced at RBCCM’s discretion based on a variety of factors, including but not limited to, the amount of the Securities that we repurchase and our negotiated arrangements from time to time with UBS.

For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated July 23, 2013.

## Structuring the Securities

The Securities are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our structured notes, the economic terms of the Securities reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Securities at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than a secondary market rate is a factor that is likely to result in a higher initial estimated value of the Securities at the time their terms are set than if a secondary market rate was used. Unlike the estimated value included on the cover of this document or in the final pricing supplement relating to the Securities, any value of the Securities determined for purposes of a secondary market transaction may be based on a different borrowing rate, which may result in a lower value for the Securities than if our initial internal borrowing rate were used.

In order to satisfy our payment obligations under the Securities, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, and the tenor of the Securities. The economic terms of the Securities and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Securities to you. The initial offering price of the Securities also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Securities on the pricing date being less than their public offering price. See “Key Risks—The Initial Estimated Value of the Securities Will Be Less than the Price to the Public” above.

## Terms Incorporated in Master Note

The terms appearing above under the caption “Indicative Terms of the Securities” and the provisions in the accompanying product prospectus supplement no. UBS-EI-STEPS dated December 3, 2013 under the caption “General Terms of the Securities”, are incorporated into the master note issued to DTC, the registered holder of the Securities.