

**SUPPLEMENTARY PROSPECTUS DATED 31 AUGUST 2011 TO
THE BASE PROSPECTUS DATED 22 SEPTEMBER 2010 OF UBS AG**

**for the issue of UBS ETC Notes (the “Notes”) linked to the various UBS Bloomberg Constant
Maturity Commodity Index (“CMCI”) Indices**

This supplementary prospectus (the “**Supplementary Prospectus**”) constitutes a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and Article 16 of Directive 2003/71/EC (the “**Prospectus Directive**”) and should be read in conjunction with the Base Prospectus (the “**Base Prospectus**”) of UBS AG acting through its London Branch as Issuer (the “**Issuer**”) dated 22 September 2010 and the supplementary prospectus of the Issuer dated 4 April 2011 (the “**First Supplement**”). Terms used in this document, unless otherwise stated, bear the same meanings as in the Base Prospectus. The purpose of this Supplementary Prospectus is to incorporate by reference the published annual report of the Issuer for the year ended 31 December 2010 and the reports and accounts of the Issuer for the periods ending 31 March 2011 and 30 June 2011 and to reflect recent developments in relation to the publication of the annual and quarterly reports and accounts, the Issuer’s board of directors and legal and arbitration proceedings in which the Issuer is currently involved.

This Supplementary Prospectus has been filed with the Financial Services Authority the (“**FSA**”) and made available to the public in accordance with Rule PR 3.2 of the Prospectus Rules and Articles 14 and 16 of the Prospectus Directive. This document has been approved as a supplementary prospectus by the FSA under section 87A of the FSMA and Articles 13 and 16 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge and belief of the Issuer, who has taken all reasonable care to ensure that such is the case, the information contained in this Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplementary Prospectus or any statement incorporated by reference into the Base Prospectus and (b) any other statement in or incorporated by reference into the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplementary Prospectus, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus or the First Supplement which is capable of affecting the assessment of the Notes issued under the Base Prospectus and the First Supplement since the publication of the Base Prospectus or the First Supplement.

Any person who has agreed with an Offeror to buy or subscribe for Notes prior to publication of this Supplementary Prospectus may, in accordance with section 87Q(4) of the FSMA, withdraw his acceptance before the end of two working days beginning with the first working day after the day of publication of this Supplementary Prospectus. Accordingly any such person wishing to exercise the statutory withdrawal rights contained in section 87Q of FSMA must do so by lodging a written notice of withdrawal with the appropriate Offeror during normal business hours (or by any other means as may be agreed with the appropriate Offer) so as to be received no later than 2 September 2011. Notice of withdrawal which is deposited or received after such date will not constitute a valid withdrawal.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in this document by reference and are available as set out below and at the registered office of the Issuer in like manner as the other documents specified under the heading “Documents incorporated by reference” on page 17 of the Base Prospectus:

the published annual report of the Issuer in the English language for the year ended 31 December 2010, which is available on the Issuer’s website at: <http://www.ubs.com/1/e/investors/annualreporting2010.html>;

the published reports and accounts of the Issuer in the English language for the quarter ended 31 March 2011, which are available on the Issuer’s website at: http://www.ubs.com/1/e/investors/quarterly_reporting.html; and

the published reports and accounts of the Issuer in the English language for the quarter ended 30 June 2011, which are available on the Issuer’s website at: http://www.ubs.com/1/e/investors/quarterly_reporting.html.

(The references to the UBS website are for information purposes only; the UBS website does not form part of the Supplementary Prospectus).

No documents referred to in any of the above documents are themselves incorporated into this Supplementary Prospectus and accordingly, other than the documents specifically identified above, no other documents (including the contents of any websites referred to in this Supplementary Prospectus) form part of this Supplementary Prospectus for the purposes of the Prospectus Directive or the Prospectus Rules.

SIGNIFICANT NEW INFORMATION

Published annual report and first and second quarter accounts

Since the date of the Base Prospectus, the Issuer has published its annual report for the year ended 31 December 2010 and the reports and accounts in the English language for the quarters ended 31 March 2011 and 30 June 2011, which are incorporated by reference herein as specified under the heading “Documents incorporated by reference” above.

Board of Directors

Since the date of the Base Prospectus, UBS has announced that Axel Weber, former President of the German Bundesbank, will be nominated for election to the BoD of UBS AG at the Annual General Meeting on 3 May 2012. Subject to his election, he will be appointed as non-independent Vice Chairman and is then expected to become Chairman of the Board in 2013.

Legal and Arbitration Proceedings

Since the date of the Base Prospectus, there have been developments in respect of certain potentially significant proceedings in which the Issuer is involved. The section in the Base Prospectus entitled “Legal and Arbitration Proceedings” beginning on page 54 is hereby updated and supplemented as follows:

Further to the information set out at paragraph 6.1(a) on page 54 of the Base Prospectus, on 4 May 2011, UBS announced a settlement with the SEC, DOJ, the US Internal Revenue Service (IRS), and a group of state Attorneys General under which UBS would pay a total of USD 140.3 million to resolve the regulatory, antitrust and securities law issues. The class action litigations remain pending; however, approximately USD 63 million of the regulatory settlement will be made available to potential claimants through a settlement fund, and payments made through the fund should reduce the total monetary amount at issue in the class action.

Further to the information set out at paragraph 6.1(b) on page 54 of the Base Prospectus, a claim against UBS alleging consequential damages from the illiquidity of auction rate securities, in which the claimant

was awarded a judgment of approximately USD 80 million by an arbitration panel was thereafter settled. UBS is the subject of other pending arbitration and litigation claims by clients and issuers relating to auction rate securities.

Further to the information set out at paragraph 6.1(e) on page 55 of the Base Prospectus, UBS has been named as a defendant relating to its role as underwriter and issuer of US residential mortgage-backed securities RMBS in a large number of lawsuits relating to approximately USD 39 billion in original face amount of RMBS underwritten or issued by UBS. Most of the lawsuits are in their early stages. Many have not advanced beyond the motion to dismiss phase; others are in varying stages of discovery. Of the original face amount of RMBS at issue in these cases, approximately USD 4.8 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans. The remaining USD 34 billion of RMBS to which these cases relate was issued by third-parties in securitizations in which UBS acted as underwriter. In connection with certain of these lawsuits, UBS has indemnification rights against solvent third party issuers or originators for any loss or liability incurred by UBS. Additionally, UBS is named as a defendant in three lawsuits brought by insurers of RMBS seeking recovery of insurance paid to RMBS investors. These insurers allege that UBS and other RMBS underwriters aided and abetted misrepresentations and fraud by RMBS issuers, and claim equitable and contractual subrogation rights.

As of the end of the second quarter of 2011, UBS's balance sheet reflects provision of USD 87.5 million based on its best estimate of the loss arising from loan repurchase demands received from 2006 through 2011 to which UBS has agreed, or which remain unresolved, and for certain anticipated loan repurchase demands of which UBS has been informed. A counterparty has advised UBS that it intends to make loan repurchase demands that are currently estimated to amount to at least USD 900 million in original principal balance but it is not yet clear when or to what extent these demands will be made. UBS also cannot reliably estimate when or to what extent the provision will be utilised in connection with actual loan repurchases or payments for liquidated loans, because both the submission of loan repurchase demands and the timing of resolution of such demands are uncertain.

UBS has also been contacted by certain government-sponsored enterprises requesting that UBS repurchase USD 2 billion of securities issued in UBS-sponsored RMBS offerings.

UBS also has contractual obligations to repurchase US residential mortgage loans as to which its representations made at the time of transfer prove to have been materially inaccurate. Contested loan repurchase demands relating to loans with an initial principal balance of USD 30 million are the subject of litigation that has now been resolved.

Further to the information set out at paragraph 6.1(f) on page 56 of the Base Prospectus, in March 2011, the court dismissed the ERISA complaint. The plaintiffs have sought leave to file an amended complaint.

Further to the information set out at paragraph 6.1(g) on page 56 of the Base Prospectus, UBS (Luxembourg) SA and certain other UBS subsidiaries are also responding to inquiries by Luxembourg investigating authorities, without however being named as parties in those investigations. In addition, UBS has filed motions requesting that complaints in the US be moved from the Bankruptcy Court to the Federal District Court.

Further to the information set out at paragraph 6.1(h) on page 57 of the Base Prospectus, civil proceedings filed by the City of Milan against UBS Limited, UBS Italia SIM Spa and three other international banks are currently stayed following a petition filed by the four banks to the Italian basis Court of Cassation challenging the jurisdiction of the Italian courts.

Further to the information set out at paragraph 6.1(i) on page 57 of the Base Prospectus, KWL has recently informed UBS that in light of a recent decision of the European Court of Justice (ECJ) in another case not involving UBS, it does not intend to proceed with the jurisdictional appeal in the English courts. The civil dispute will now proceed before the English court with UBS's two claims now consolidated together and amended to include a claim for payment from KWL of the net principal sum outstanding plus interest. Upon and as a consequence of KWL withdrawing its appeal on jurisdiction in England (and the same ECJ ruling referred to above), it is expected that the Leipzig court will discuss

KWL's civil claim against UBS and one of the other banks in the German courts and that no civil claim will proceed against either of them in Germany. The proceedings by KWL against the third bank will now proceed before the German courts following a preliminary order by the Leipzig court that has jurisdiction to hear this case.

In addition to the legal and arbitration proceedings set out above, in the Base Prospectus and in the First Supplement, UBS is also involved in the following proceedings:

Several government agencies, including the SEC, the US Commodity Futures Trading Commission, the DOJ and the FSA are conducting investigations regarding submissions to the British Bankers' Association, which sets LIBOR rates. UBS understands that the investigations focus on whether there were improper attempts by UBS (among others), either acting on its own or together with others, to manipulate LIBOR rates at certain times. In addition, UBS has received an order to provide information to the Japan Financial Services Agency, concerning similar matters. UBS has recently been informed that UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, in connection with potential antitrust or competition law violations related to these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in connection with the matters UBS reported to those authorities, subject to UBS' continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims against UBS. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint-and-several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of UBS' cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS. A number of putative class actions have been filed in federal courts in the US against UBS and numerous other banks on behalf of certain parties who transacted in LIBOR-based derivatives. The complaints allege manipulation, through various means, of the US dollar LIBOR rate and prices of US dollar LIBOR-based derivatives in various markets. Claims for damages are asserted under various legal theories, including violations of the US Commodity Exchange Act and antitrust laws.

From March 2007 through September 2008, UBS sold approximately USD 1 billion face amount of structured notes issued by Lehman Brothers Holdings Inc. ("Lehman"), a majority of which were referred to as "principal protection notes," reflecting the fact that while the notes' return was in some manner linked to market indices or other measures, some or all of the investor's principal was an unconditional obligation of Lehman as issuer of the notes. UBS has been named along with other defendants in a putative class action alleging materially misleading statements and omissions in the prospectuses relating to these notes and asserting claims under US securities laws. UBS has also been named in numerous individual civil suits and customer arbitrations (some of which have resulted in settlements or adverse judgments), was named in a proceeding brought by the New Hampshire Bureau of Securities, and is responding to investigations by other state regulators relating to the sale of these notes to UBS's customers. In April 2011, UBS entered into a settlement with FINRA related to the sale of these notes, pursuant to which UBS agreed to pay a USD 2.5 million fine and approximately USD 8.25million in restitution and interest to a limited number of investors in the US.

The date of this Supplementary Prospectus is 31 August 2011.