CURRENCYSHARES CANADIAN DOLLAR TRUST
Form 10-Q
September 11, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2012

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-32910

CurrencyShares® Canadian Dollar Trust

Sponsored by Guggenheim Specialized Products, LLC,

d/b/a Guggenheim Investments

(Exact name of registrant as specified in its charter)

New York	**No. 06-6551776**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

805 King Farm Boulevard, Suite 600

Rockville, Maryland 20850

(Address of principal executive offices) (Zip Code)

(301) 296-5100

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (d232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Table of Contents

CURRENCYSHARES® CANADIAN DOLLAR TRUST

INDEX

Caption	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Statements of Financial Condition at July 31, 2012 and October 31, 2011	2
Statements of Income and Comprehensive Income for the three months ended July 31, 2012, the three months ended July 31, 2011, the nine months ended July 31, 2012 and the nine months ended July 31, 2011	3
Statements of Changes in Shareholders Equity for the nine months ended July 31, 2012 and the year ended October 31, 2011	4
Statements of Cash Flows for the nine months ended July 31, 2012 and the nine months ended July 31, 2011	5
Notes to Financial Statements	6
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Quantitative and Qualitative Disclosures about Market Risk	14
Items 4. Controls and Procedures	14
Part II OTHER INFORMATION	
Item 1. Legal Proceedings	15
Item 1A. Risk Factors	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 3. Defaults Upon Senior Securities	15
Item 4. (Removed and Reserved)	15
Item 5. Other Information	15
Item 6. Exhibits	16
SIGNATURES	17

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CurrencyShares® Canadian Dollar Trust

Statements of Financial Condition

	July 31, 2012 (Unaudited)	October 31, 2011
Assets		
Current Assets:		
Canadian Dollar deposits, interest bearing	$ 515,883,758	$ 635,713,440
Canadian Dollar deposits, non-interest bearing		
Receivable from accrued interest	236,069	360,153
Total Current Assets	$ 516,119,827	$ 636,073,593
Liabilities, Redeemable Capital Shares and Shareholders Equity		
Current Liabilities:		
Canadian Dollar deposits, non-interest bearing, overdrawn	$ 1,063	$ 9,945
Accrued Sponsor s fee	177,939	232,454
Total Current Liabilities	179,002	242,399
Commitments and Contingent Liabilities (note 8)		
Redeemable Capital Shares, at redemption value, no par value, 26,500,000 authorized 5,200,000 and 6,350,000 issued and outstanding, respectively	515,940,825	635,831,194
Shareholders Equity:		
Retained Earnings		
Cumulative Translation Adjustment		
Total Liabilities, Redeemable Capital Shares and Shareholders Equity	$ 516,119,827	$ 636,073,593

See Notes to Financial Statements.

Table of Contents

CurrencyShares® Canadian Dollar Trust

Statements of Income and Comprehensive Income

(Unaudited)

	Three months ended July 31, 2012	Three months ended July 31, 2011	Nine months ended July 31, 2012	Nine months ended July 31, 2011
Income				
Interest Income	$ 768,957	$ 1,311,627	$ 2,305,833	$ 2,907,142
Total Income	768,957	1,311,627	2,305,833	2,907,142
Expenses				
Sponsor s fee	(538,238)	(906,721)	(1,701,507)	(2,155,628)
Total Expenses	(538,238)	(906,721)	(1,701,507)	(2,155,628)
Net Income	$ 230,719	$ 404,906	$ 604,326	$ 751,514
Other Comprehensive Income:				
Currency translation adjustment	3,499	5,665	8,554	11,311
Total Comprehensive Income	$ 234,218	$ 410,571	$ 612,880	$ 762,825
Basic and Diluted Earnings per Share	$ 0.04	$ 0.05	$ 0.10	$ 0.11
Weighted-average Shares Outstanding	5,448,913	8,848,370	5,756,569	7,154,945
Cash Dividends per Share	$ 0.04	$ 0.04	$ 0.11	$ 0.09

See Notes to Financial Statements.

Table of Contents

CurrencyShares® Canadian Dollar Trust

Statements of Changes in Shareholders Equity

	Nine months ended July 31, 2012 (Unaudited)	Year ended October 31, 2011
Retained Earnings, Beginning of Period	$	$
Net Income	604,326	1,126,346
Distributions Paid	(655,057)	(1,055,793)
Adjustment of redeemable capital shares to redemption value	50,731	(70,553)
Retained Earnings, End of Period	$	$
Cumulative Translation Adjustment, Beginning of Period	$	$
Currency translation adjustment	8,554	14,311
Adjustment of redeemable capital shares to redemption value	(8,554)	(14,311)
Cumulative Translation Adjustment, End of Period	$	$

See Notes to Financial Statements.

Table of Contents

CurrencyShares® Canadian Dollar Trust

Statements of Cash Flows

(Unaudited)

	Nine months ended July 31, 2012	Nine months ended July 31, 2011
Cash flows from operating activities		
Cash received for accrued income	$ 2,426,804	$ 2,662,377
Cash paid for expenses	(1,753,315)	(2,035,981)
Net cash provided by operating activities	673,489	626,396
Cash flows from financing activities		
Cash received to purchase redeemable shares	4,917,875	643,041,542
Cash paid to redeem redeemable shares	(118,035,488)	(308,865,348)
Cash paid for distributions	(655,057)	(648,924)
Net cash (used in)/provided by financing activities	(113,772,670)	333,527,270
Adjustment to period cash flows due to currency movement	(6,721,619)	47,767,002
(Decrease)/Increase in cash	(119,820,800)	381,920,668
Cash at beginning of period	635,703,495	571,642,324
Cash at end of period	$ 515,882,695	$ 953,562,992
Reconciliation of net income to net cash provided by operating activities		
Net Income	$ 604,326	$ 751,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Receivable from accrued interest	(236,069)	(501,856)
Prior period receivable from accrued interest	360,153	242,867
Currency translation adjustment	(406)	2,604
Accrued sponsor fee	177,939	329,013
Prior period accrued sponsor fee	(232,454)	(197,746)
Net cash provided by operating activities	$ 673,489	$ 626,396

See Notes to Financial Statements.

Table of Contents

CurrencyShares® Canadian Dollar Trust

Notes to Financial Statements

(Unaudited)

1. Organization and Description of the Trust

The CurrencyShares® Canadian Dollar Trust (the Trust) was formed under the laws of the State of New York on June 8, 2006 when Guggenheim Specialized Products, LLC (formerly known as Rydex Specialized Products LLC) d/b/a Guggenheim Investments (the Sponsor) deposited 100 Canadian Dollars in the Trust s primary deposit account held by JPMorgan Chase Bank, N.A., London Branch (the Depository). The Sponsor is a Delaware limited liability company whose sole member is Security Investors, LLC (also d/b/a Guggenheim Investments). The Sponsor is responsible for, among other things, overseeing the performance of The Bank of New York Mellon (the Trustee) and the Trust s principal service providers, including the preparation of financial statements. The Trustee is responsible for the day-to-day administration of the Trust.

The investment objective of the Trust is for the Trust s shares (the Shares) to reflect the price of the Canadian Dollar plus accrued interest less the Trust s expenses and liabilities. The Shares are intended to provide investors with a simple, cost-effective means of gaining investment benefits similar to those of holding Canadian Dollars. The Trust s assets primarily consist of Canadian Dollars on demand deposit in two deposit accounts maintained by the Depository: a primary deposit account which may earn interest and a secondary deposit account which does not earn interest. The secondary deposit account is used to account for any interest that may be received and paid out on creations and redemptions of blocks of 50,000 Shares (Baskets). The secondary account is also used to account for interest earned, if any, on the primary deposit account, pay Trust expenses and distribute any excess interest to holders of Shares (Shareholders) on a monthly basis.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q. In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust s financial statements included in the Form 10-K as filed on December 23, 2011.

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets, liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period and the evaluation of subsequent events through the issuance of the financial statements. Actual results could differ from those estimates.

B. Foreign Currency Translation

The Trustee calculates the Trust s net asset value (NAV) each business day, as described in Note 4. Canadian Dollar deposits (cash) are translated for NAV calculation purposes at the Closing Spot Rate, which is the USD/Canadian Dollar exchange rate as determined by The World Markets Company PLC, a State Street business, at 4:00 PM (London fixing) on each day that NYSE Arca is open for regular trading.

The functional currency of the Trust is the Canadian Dollar in accordance with generally accepted accounting standards. For financial statement reporting purposes, the U.S. Dollar is the reporting currency. As a result, the financial records of the Trust are translated from Canadian Dollars to USD. The Closing Spot Rate on the last day of the period is used for translation in the statements of financial condition. The average Closing Spot Rate for the period is used for translation in the statements of income and comprehensive income and the statements of cash flows. Any currency translation adjustment is included in comprehensive income.

6

Table of Contents

C. Federal Income Taxes

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Interest, gains and losses are passed through to the Shareholders.

Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro-rata share of the assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro-rata portion of the Trust s income, if any, and as if they directly incurred their respective pro-rata portion of the Trust s expenses. The acquisition of Shares by a U.S. Shareholder as part of a creation of a Basket will not be a taxable event to the Shareholder.

The Sponsor s fee accrues daily and is payable monthly. For U.S. federal income tax purposes, an accrual-basis U.S. Shareholder generally will be required to take into account as an expense its allocable portion of the USD-equivalent of the amount of the Sponsor s fee that is accrued on each day, with such USD-equivalent being determined by the currency exchange rate that is in effect on the respective day. To the extent that the currency exchange rate on the date of payment of the accrued amount of the Sponsor s fee differs from the currency exchange rate in effect on the day of accrual, the U.S. Shareholder will recognize a currency gain or loss for U.S. federal income tax purposes.

The Trust does not expect to generate taxable income except for interest income (if any) and gain (if any) upon the sale of Canadian Dollars. A non-U.S. Shareholder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the sale or other disposition of Shares, or upon the sale of Canadian Dollars by the Trust, unless: (1) the non-U.S. Shareholder is an individual and is present in the United States for 183 days or more during the taxable year of the sale or other disposition, and the gain is treated as being from United States sources; or (2) the gain is effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

A non-U.S. Shareholder s portion of any interest income earned by the Trust generally will not be subject to U.S. federal income tax unless the Shares owned by such non-U.S. Shareholder are effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

D. Revenue Recognition

Interest on the primary deposit account, if any, accrues daily as earned and is received on a monthly basis.

E. Dividends

To the extent that the interest earned by the Trust exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trust will distribute, as a dividend (herein referred to as dividends or distributions), the excess interest earned in Canadian Dollars effective on the first business day of the subsequent month. The Trustee will direct that the excess Canadian Dollars be converted into USD at a prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own). An income distribution of $0.01095 per share with an ex-dividend date of August 1, 2012 was paid on August 8, 2012.

3. Canadian Dollar Deposits

Canadian Dollar principal deposits are held in a Canadian Dollar-denominated, interest-bearing demand account. For the nine months ended July 31, 2012, there were Canadian Dollar principal deposits of 4,971,830 and Canadian Dollar principal redemptions of 119,323,913, resulting in an ending Canadian Dollar principal balance of 517,070,291. This equates to 515,883,758 USD. For the year ended October 31, 2011, there were Canadian Dollar principal deposits of 765,661,775 and Canadian Dollar principal redemptions of 715,943,476 resulting in an ending Canadian Dollar principal balance of 631,422,374. This equates to 635,713,440 USD.

Net interest, if any, associated with creation and redemption activity is held in a Canadian Dollar-denominated non-interest bearing account, and any balance is distributed in full as part of the monthly income distributions, if any.

Table of Contents

4. Redeemable Capital Shares

Shares are classified as redeemable for financial statement purposes, since they are subject to redemption. Shares are issued and redeemed continuously in Baskets in exchange for Canadian Dollars. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. Only Authorized Participants (as defined below) may place orders to create and redeem Baskets. An Authorized Participant is a Depository Trust Company (DTC) participant that is a broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of DTC and which has entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption process. Authorized Participants may redeem their Shares at any time in Baskets.

Due to expected continuing creations and redemptions of Baskets and the three-day period for settlement of each creation or redemption, the Trust reflects Shares created as a receivable. Shares redeemed are reflected as a liability on the trade date. Outstanding Shares are reflected at a redemption value, which is the NAV per Share at the period end date. Adjustments to redeemable capital Shares at redemption value are recorded against retained earnings or, in the absence of retained earnings, by charges against the cumulative translation adjustment.

Activity in redeemable capital Shares is as follows:

	Nine months ended July 31, 2012 (Unaudited)		Year ended October 31, 2011	
	Shares	U.S. Dollar Amount	Shares	U.S. Dollar Amount
Opening balance	6,350,000	$ 635,831,194	5,850,000	$ 571,687,445
Shares issued	50,000	4,917,875	7,700,000	775,887,155
Shares redeemed	(1,200,000)	(118,035,488)	(7,200,000)	(725,504,395)
Adjustment to period Shares due to currency movement and other		(6,772,756)		13,760,989
Ending balance	5,200,000	$ 515,940,825	6,350,000	$ 635,831,194

The Trustee calculates the Trust s NAV each business day. To calculate the NAV, the Trustee subtracts the Sponsor s accrued fee through the previous day from the Canadian Dollars held by the Trust (including all unpaid interest accrued, if any, through the preceding day) and calculates the value of the Canadian Dollars in USD based upon the Closing Spot Rate. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate will be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation. If the Trustee and the Sponsor determine that the most recent Closing Spot Rate is not an appropriate basis for valuation of the Trust s Canadian Dollars, they will determine an alternative basis for the valuation. The Trustee also determines the NAV per Share, which equals the NAV of the Trust, divided by the number of outstanding Shares. Shares deliverable under a purchase order are considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order are not considered outstanding for this purpose.

Table of Contents

5. Sponsor s Fee

The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the Canadian Dollars in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day) and is paid monthly.

The Sponsor assumes and pays the following administrative and marketing expenses incurred by the Trust: the Trustee s monthly fee, NYSE Arca listing fees, SEC registration fees, typical maintenance and transaction fees of the Depository, printing and mailing costs, audit fees and expenses, up to $100,000 per year in legal fees and expenses, and applicable license fees.

In certain exceptional cases the Trust will pay for some expenses in addition to the Sponsor s fee. These exceptions include expenses not assumed by the Sponsor (i.e., expenses other than those identified in the preceding paragraph), taxes and governmental charges, expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or the interests of Shareholders, indemnification of the Sponsor under the Depositary Trust Agreement, and legal expenses in excess of $100,000 per year.

6. Related Parties

The Sponsor is a related party of the Trust. The Sponsor oversees the performance of the Trustee and the Trust s principal service providers, including the preparation of financial statements, but does not exercise day-to-day oversight over the Trustee or the Trust s service providers.

7. Concentration Risk

All of the Trust s assets are Canadian Dollars, which creates a concentration risk associated with fluctuations in the price of the Canadian Dollar. Accordingly, a decline in the Canadian Dollar to USD exchange rate will have an adverse effect on the value of the Shares. Factors that may have the effect of causing a decline in the price of the Canadian Dollar include national debt levels and trade deficits, domestic and foreign inflation rates, domestic and foreign interest rates, investment and trading activities of institutions and global or regional political, economic or financial events and situations. Substantial sales of Canadian Dollars by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold Canadian Dollars as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust s Canadian Dollars are held by the Depository. Accordingly, a risk associated with the concentration of the Trust s assets in accounts held by a single financial institution exists and increases the potential for loss by the Trust and the Trust s beneficiaries in the event that the Depository becomes insolvent.

8. Commitments and Contingencies

Under the Trust s organizational documents, the Sponsor is indemnified against any liability or expense it incurs without negligence, bad faith or willful misconduct on its part. The Trust s maximum exposure under this arrangement is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipate, expect, intend, plan, believe, seek, outlook and estimate and other similar Forward-looking statements are based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. Various factors may cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include fluctuations in the price of the Canadian Dollar, as the value of the Shares relates directly to the value of the Canadian Dollars held by the Trust and price fluctuations could materially adversely affect an investment in the Shares. Readers are urged to review the Risk Factors section contained in the Trust s most recent annual report on Form 10-K for a description of other risks and uncertainties that may affect an investment in the Shares.

Neither Guggenheim Specialized Products, LLC d/b/a Guggenheim Investments (the Sponsor), nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements contained in this report. The forward-looking statements are made as of the date of this report, and will not be revised or updated to reflect actual results or changes in the Sponsor s expectations or predictions.

Trust Overview

The CurrencyShares® Canadian Dollar Trust (the Trust) is a grantor trust that was formed on June 8, 2006. The Trust issues shares (the Shares) in blocks of 50,000 (a Basket) in exchange for deposits of Canadian Dollars and distributes Canadian Dollars in connection with the redemption of Baskets. The Shares commenced trading on the New York Stock Exchange (NYSE) under the ticker symbol FXC on June 26, 2006. The primary listing of the Shares was transferred to NYSE Arca on October 30, 2007.

The Trust is a passive investment vehicle. The Trust does not have any officers, directors or employees. The investment objective of the Trust is for the Shares to reflect the price of the Canadian Dollar plus accrued interest, if any, less the expenses of the Trust s operations. The Trust does not engage in any activities designed to obtain profit from, or ameliorate losses caused by, changes in the price of the Canadian Dollar.

Definition of Net Asset Value

The Trustee calculates, and the Sponsor publishes, the Trust s Net Asset Value (NAV) each business day. To calculate the NAV, the Trustee adds to the amount of Canadian Dollars in the Trust at the end of the preceding day accrued but unpaid interest, if any, Canadian Dollars receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor s fee, Canadian Dollars payable under pending redemption orders and other Trust expenses and liabilities, if any. Prior to November 13, 2008, the NAV was expressed in U.S. Dollars (USD) based on the Noon Buying Rate, which is the Canadian Dollar/USD exchange rate as determined by the Federal Reserve Bank of New York at 12:00 PM (New York time). As of November 13, 2008, the NAV is expressed in USD based on the Canadian Dollar/USD exchange rate as determined by The World Markets Company PLC, a State Street business, at 4:00 PM (London fixing) (the Closing Spot Rate) on each day that NYSE Arca is open for regular trading. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate is used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation.

The Trustee also determines the NAV per Share, which equals the NAV of the Trust, divided by the number of outstanding Shares. The NAV of the Trust and the NAV per Share are published by the Sponsor on each day that NYSE Arca is open for regular trading and are posted on the Trust s website, www.currencyshares.com.

Table of Contents

Movements in the Price of the Canadian Dollar

The investment objective of the Trust is for the Shares to reflect the price of the Canadian Dollar plus accrued interest, less the expenses of the Trust s operations. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding Canadian Dollars. Each outstanding Share represents a proportional interest in the Canadian Dollars held by the Trust. The following chart provides recent trends on the price of the Canadian Dollar. The chart illustrates movements in the price of the Canadian Dollar in USD and is based on the Noon Buying Rate (prior to November 13, 2008) and the Closing Spot Rate (as of an after November 13, 2008).

Table of Contents

NAV per Share; Valuation of the Canadian Dollar

The following chart illustrates the movement in the price of the Shares based on (1) NAV per Share, (2) the bid and ask midpoint offered on the NYSE (prior to October 30, 2007) and NYSE Arca (on or after October 30, 2007) and (3) the Noon Buying Rate (prior to November 13, 2008) and the Closing Spot Rate (as of and after November 13, 2008), expressed as a multiple of 100 Canadian Dollars:

Liquidity

The Sponsor is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to the Trust s liquidity needs. The Trust s Depository, JPMorgan Chase Bank, N.A., London Branch, maintains two deposit accounts for the Trust, a primary deposit account is expected to earn interest and a secondary deposit account which does not earn interest. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The interest rate in effect as of July 31, 2012 was an annual nominal rate of 0.48%. The following chart provides the daily rate paid by the Depository since the Shares began trading:

Table of Contents

In exchange for a fee, the Sponsor bears most of the expense incurred by the Trust. As a result, the only ordinary expense of the Trust during the periods covered by this report was the Sponsor s fee. Each month the Depository deposits into the secondary deposit account accrued but unpaid interest, if any, and the Trustee, withdraws Canadian Dollars from the secondary deposit account to pay the accrued Sponsor s fee for the previous month plus other Trust expenses, if any. When the interest deposited, if any, exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trustee converts the excess into USD at a prevailing market rate and distributes the USD as promptly as practicable to Shareholders on a pro rata basis (in accordance with the number of Shares that they own). Distributions paid during the current reporting period follow (annualized yield reflects the estimated annual yield an investor would receive if a monthly distribution stayed the same for the entire year going forward, and is calculated by annualizing the monthly distribution and dividing by the Trust NAV for the dates listed below):

FXC Distribution History

Date	Value	NAV	Yield	Annualized Yield
7/2/2012	$ 0.01462	$ 97.55	0.01%	0.18%
6/1/2012	$ 0.01619	$ 96.02	0.02%	0.20%
5/1/2012	$ 0.00782	$ 100.66	0.01%	0.09%

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Sponsor s management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period covered by this report.

In addition to the description below, please refer to Note 2 to the financial statements for further discussion of our accounting policies.

Table of Contents

The functional currency of the Trust is the Canadian Dollar in accordance with ASC 830, Foreign Currency Translation.

Results of Operations

As of October 31, 2011, the number of Canadian Dollars owned by the Trust was 631,422,374, resulting in a redeemable capital share value of $635,831,194. During the nine months ended July 31, 2012, an additional 50,000 Shares were created in exchange for 4,971,830 Canadian Dollars and 1,200,000 Shares were redeemed in exchange for 119,323,913 Canadian Dollars. As of July 31, 2012, the number of Canadian Dollars owned by the Trust was 517,070,291, resulting in a redeemable capital Share value of $515,940,825.

A decline in the Trust s redeemable capital Share value from $635,831,194 at October 31, 2011 to $515,940,825 at July 31, 2012 was primarily the result of a decrease in the Shares outstanding from 6,350,000 at October 31, 2011 to 5,200,000 at July 31, 2012 coupled with a decrease in the Closing Spot Rate from 1.0068 at October 31, 2011 to 0.9977 at July 31, 2012.

Interest income decreased from $1,311,627 for the three months ended July 31, 2011 to $768,957 for the three months ended July 31, 2012, and decreased from $2,907,142 for the nine months ended July 31, 2011 to $2,305,833 for the nine months ended July 31, 2012, attributable primarily to a decrease in the weighted-average Canadian Dollars in the Trust.

The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the Canadian Dollars in the Trust. Due primarily to a decrease in the weighted-average Canadian Dollars in the Trust, the Sponsor s fee decreased from $906,721 for the three months ended July 31, 2011 to $538,238 for the three months ended July 31, 2012, and decreased from $2,155,628 for the nine months ended July 31, 2011 to $1,701,507 for the nine months ended July 31, 2012. The only expense of the Trust during the three months and nine months ended July 31, 2012 was the Sponsor s fee.

The Trust s net income for the three months ended July 31, 2012 was $230,719 due to interest income of $768,957 exceeding the Sponsor s fee of $538,238. The Trust s net income for the nine months ended July 31, 2012 was $604,326 due to interest income of $2,305,833 exceeding the Sponsor s fee of $1,701,507.

Cash dividends per Share remained unchanged at $0.04 for the three months ended July 31, 2011 and the three months ended July 31, 2012. Cash dividends per Share increased from $0.09 for the nine months ended July 31, 2011 to $0.11 per Share for nine months ended July 31, 2012. This increase in cash dividends per Share was primarily the result of a slight increase in the annual nominal interest rate paid by the Depository, as set forth in the chart above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Except as described above with respect to the USD/Canadian Dollar exchange rate and the nominal annual interest rate paid by the Depository on Canadian Dollars held by the Trust, the Trust is not subject to market risk. The Trust does not hold securities and does not invest in derivative instruments.

Item 4. Controls and Procedures

The Trust maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to ensure that material information relating to the Trust is recorded, processed and disclosed on a timely basis. The Trust s disclosure controls and procedures are designed by or under the supervision of the Sponsor s chief executive officer and chief financial officer, who exercise oversight over the Trust as the Trust has no officers. The chief executive officer and chief financial officer of the Sponsor have evaluated the effectiveness of the Trust s disclosure controls and procedures as of July 31, 2012. Based on that evaluation, the chief executive officer and chief financial officer of the Sponsor have concluded that the disclosure controls and procedures of the Trust were effective as of the end of the period covered by this report.

Table of Contents

There were no changes in the Trust s internal control over financial reporting that occurred during the Trust s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Risk Factors section of the Trust s Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 23, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) Not applicable.

(c) During the quarter ended July 31, 2012, 11 Baskets (550,000 Shares registered pursuant to Section 12 of the Securities Exchange Act of 1934) were redeemed by the Trust, as follows:

Period		Total Number of Registered Shares Redeemed	Average Price Per Share
05/01/2012	05/31/2012	250,000	$ 97.57
06/01/2012	06/30/2012	150,000	$ 96.67
07/01/2012	07/31/2012	150,000	$ 98.08

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CURRENCYSHARES®
CANADIAN DOLLAR TRUST
By Guggenheim Specialized Products, LLC,
Sponsor of the CurrencyShares®
Canadian Dollar Trust

Date: September 10, 2012

By: /s/ JOSEPH ARRUDA
Joseph Arruda
Chief Financial Officer
(principal financial officer)