

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

**CURRENCYSHARES BRITISH POUND STERLING TRUST**

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SIC: **6221** Commodity contracts brokers & dealers

Mailing Address

*C/O RYDEX INVESTMENTS,  
ATTN: TIM MEYER  
9601 BLACKWELL ROAD,  
SUITE 500  
ROCKVILLE MD 20850*

Business Address

*C/O RYDEX INVESTMENTS,  
ATTN: TIM MEYER  
9601 BLACKWELL ROAD,  
SUITE 500  
ROCKVILLE MD 20850  
301-296-5129*

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

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**FORM 10-K**

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

**For the fiscal year ended October 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 001-32906**

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**CurrencyShares<sup>®</sup> British Pound Sterling Trust**  
**Sponsored by Guggenheim Specialized Products, LLC,**  
**d/b/a Guggenheim Investments**

(Exact name of registrant as specified in its charter)

**New York**  
(State or other jurisdiction of  
incorporation or organization)

**No. 03-6118853**  
(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)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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

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

Aggregate market value of 650,000 shares of registrant's common stock held by non-affiliates of the registrant, based on the closing price of a share of the registrant's common stock on April 30, 2012 as reported by NYSE Arca on that date: \$104,552,500.

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### **PART I**

#### **Item 1. Business**

##### **Overview**

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

The investment objective of the Trust is for the Shares to reflect the price of British Pound Sterling plus accrued interest, if any, less the expenses of the Trust’s operations. The Shares are intended to offer investors an opportunity to participate in the market for the British Pound Sterling through an investment in securities. 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 the British Pound Sterling. The Shares are bought and sold on NYSE Arca like any other exchange-listed security. The Shares are backed by the assets of the Trust, which does not hold or use derivative products. Investing in the Shares does not insulate the investor from certain risks, including price volatility. The value of the holdings of the Trust is reported on the Trust’s website, [www.currencyshares.com](http://www.currencyshares.com), each business day.

##### **The Trust**

###### *General*

The Trust holds British Pound Sterling and, from time to time, issues Baskets in exchange for deposits of British Pound Sterling and distributes British Pound Sterling in connection with redemptions of Baskets. The British Pound Sterling held by the Trust will be sold only if needed to pay Trust expenses, in the event the Trust terminates and liquidates its assets or as otherwise required by law or regulation.

###### *The Sponsor*

The Sponsor of the Trust generally oversees the performance of the Trustee and the Trust’s principal service providers, but does not exercise day-to-day oversight over the Trustee or the Trust’s service providers. The Sponsor is Guggenheim Specialized Products, LLC, a Delaware limited liability company. The Sponsor changed its name from Rydex Specialized Products LLC as of March 30, 2012.

The Trust’s only ordinary recurring expense is the Sponsor’s fee. The Sponsor is responsible for payment of the following administrative and marketing expenses of the Trust: the Trustee’s monthly fee, typical maintenance and transaction fees of the Depository, NYSE listing fees, NYSE Arca listing fees, printing and mailing costs, audit fees and expenses, up to \$100,000 per year in legal fees and expenses, and applicable license fees. The Sponsor also paid the costs of the Trust’s organization, including the applicable SEC registration fees. The Sponsor’s fee accrues daily at an annual nominal rate of 0.40% of the British Pound Sterling in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day). The Sponsor was paid \$367,500 for the fiscal year ended October 31, 2012.

###### *The Trustee*

The Bank of New York Mellon, a banking corporation with trust powers organized under the laws of the State of New York, serves as the Trustee. The Trustee is responsible for the day-to-day administration of the Trust, including keeping the Trust’s operational records.

###### *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 British Pounds Sterling in the Trust at the end of the preceding day accrued but unpaid interest, British Pounds Sterling receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor’s fee, British Pounds Sterling 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 British Pound Sterling/USD exchange rate as determined by the Federal Reserve Bank of New York at 12:00 PM (New York time).

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As of November 13, 2008, the NAV is expressed in USD based on the British Pound Sterling/USD 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 is posted on the Trust’s website, [www.currencyshares.com](http://www.currencyshares.com).

### *Depository and Deposit Accounts*

JPMorgan Chase Bank, N.A., London Branch, is the Depository. The Depository maintains two deposit accounts for the Trust, a primary deposit account which is expected to earn interest and a secondary deposit account which does not earn interest (collectively, the “Deposit Accounts”). Interest on the primary deposit account accrues daily and is paid monthly. If the Sponsor believes that the interest rate paid by the Depository is not competitive, the Sponsor’s recourse is to remove the Depository by terminating the Deposit Account Agreement and closing the Deposit Accounts. The Depository is not paid a fee for its services to the Trust. The Depository earns a “spread” or “margin” over the rate of interest it pays to the Trust on the British Pound Sterling deposit balances.

The secondary deposit account is used to account for any interest that may be received and paid out on creations and redemptions of Baskets. The secondary deposit account is also used to account for interest earned on the primary deposit account, if any, pay Trust expenses and distribute any excess interest to Shareholders on a monthly basis. In the event that the interest deposited exceeds the sum of the Sponsor’s fee for the prior month plus other Trust expenses, if any, then the Trustee will direct that the excess 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).

### *Trust Expenses*

In certain exceptional cases the Trust may pay expenses in addition to the Sponsor’s fee. These exceptions include expenses not assumed by the Sponsor, 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 Depository Trust Agreement, and legal expenses in excess of \$100,000 per year.

### *Termination*

The Trust will terminate upon the occurrence of any of the termination events listed in the Depository Trust Agreement and will otherwise terminate on June 8, 2046.

## **The Shares**

### *General*

Each Share represents a proportional interest, based on the total number of Shares outstanding, in the British Pound Sterling owned by the Trust, plus accrued and unpaid interest, if any, less accrued but unpaid expenses (both asset-based and non-asset based) of the Trust. All Shares are of the same class with equal rights and privileges. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Depository Trust Agreement.

### *Limited Rights*

The Shares are not a traditional investment. They are dissimilar from the shares of a corporation operating a business enterprise, with management and a board of directors. Trust Shareholders do not have rights normally associated with owning shares of a business corporation, including, for example, the right to bring “oppression” or “derivative” actions. Shareholders’ have only those rights

explicitly set forth in the Depositary Trust Agreement. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as described herein, any redemption or distribution rights.

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### *Voting and Approvals*

Shareholders have no voting rights under the Depositary Trust Agreement, except in limited circumstances. If the holders of at least 25% of the Shares outstanding determine that the Trustee is in material breach of its obligations under the Depositary Trust Agreement, they may provide written notice to the Trustee (or require the Sponsor to do so) specifying the default and requiring the Trustee to cure such default. If the Trustee fails to cure such breach within 30 days after receipt of the notice, the Sponsor, acting on behalf of the Shareholders, may remove the Trustee. The holders of at least 66-2/3% of the Shares outstanding may vote to remove the Trustee. The Trustee must terminate the Trust at the request of the holders of at least 75% of the outstanding Shares.

### *Creation and Redemption of Shares*

The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of British Pound Sterling represented by the Baskets being created or redeemed. This amount is based on the combined NAV per Share of the number of Shares included in the Baskets being created or redeemed, determined on the day the order to create or redeem Baskets is accepted by the Trustee.

Only Authorized Participants may place orders to create and redeem Baskets. An Authorized Participant is a Depositary Trust Company participant that is a registered broker-dealer or other securities market participant, such as a bank or other financial institution that is not required to register as a broker-dealer to engage in securities transactions.

Before initiating a creation or redemption order, an Authorized Participant must have entered into a Participant Agreement with the Sponsor and the Trustee. The Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of British Pound Sterling required for creations and redemptions. The Participant Agreements may be amended by the Trustee and the Sponsor. Authorized Participants pay a transaction fee of \$500 to the Trustee for each order that they place to create or redeem one or more Baskets. In addition to the \$500 transaction fee paid to the Trustee, Authorized Participants pay a variable fee to the Sponsor for creation orders and redemption orders of two or more Baskets to compensate the Sponsor for costs associated with the registration of Shares. The variable fee paid to the Sponsor by an Authorized Participant will not exceed \$2,000 for each creation or redemption order, as set forth in the Participant Agreement. Authorized Participants who make deposits with the Trust in exchange for Baskets receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

### **Availability of SEC Reports and Other Information**

The Sponsor, on behalf of the Trust, files quarterly and annual reports and other information with the SEC. The reports and other information can be accessed through the Trust's website at [www.currencyshares.com](http://www.currencyshares.com).

### **Item 1A. Risk Factors**

*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this report, including the Trust's financial statements and the related notes.*

**The value of the Shares relates directly to the value of the British Pound Sterling held by the Trust. Fluctuations in the price of the British Pound Sterling could materially and adversely affect the value of the Shares.**

The Shares are designed to reflect the price of the British Pound Sterling, plus accumulated interest, less the Trust's expenses. Factors may affect the price of the British Pound Sterling, including:

Sovereign debt levels and trade deficits;

Domestic and foreign inflation rates and interest rates and investors' expectations concerning those rates;

Currency exchange rates;

Investment and trading activities of mutual funds, hedge funds and currency funds; and

Global or regional political, economic or financial events and situations.

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In addition, the British Pound Sterling may not maintain its long-term value in terms of purchasing power in the future. When the price of the British Pound Sterling declines, the Sponsor expects the price of a Share to decline as well.

**The USD/British Pound Sterling exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the performance of the Shares.**

Foreign exchange rates are influenced by the factors identified immediately above and may also be influenced by: changing supply and demand for a particular currency; monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries); changes in balances of payments and trade; trade restrictions; and currency devaluations and revaluations. Also, governments from time to time intervene in the currency markets, directly and by regulation, in order to influence prices directly. These events and actions are unpredictable. The resulting volatility in the USD/British Pound Sterling exchange rate could materially and adversely affect the performance of the Shares.

**If interest earned by the Trust does not exceed the Trust's expenses, the Trustee will withdraw British Pounds Sterling from the Trust to pay these excess expenses which will reduce the amount of British Pounds Sterling represented by each Share on an ongoing basis and may result in adverse tax consequences for Shareholders.**

Each outstanding Share represents a fractional, undivided interest in the British Pounds Sterling held by the Trust. Recently, the amount of interest earned by the Trust has not exceeded the Trust's expenses; accordingly, the Trustee has been required to withdraw British Pounds Sterling from the Trust to pay these excess expenses. As long as the amount of interest earned does not exceed expenses, the amount of British Pounds Sterling represented by each Share will gradually decline. This is true even if additional Shares are issued in exchange for additional deposits of British Pounds Sterling into the Trust, as the amount of British Pounds Sterling required to create Shares will proportionately reflect the amount of British Pounds Sterling represented by the Shares outstanding at the time of creation. As long as the Trust's expenses are greater than the amount of interest earned, the Shares will only maintain their original price if the price of the British Pound Sterling increases. There is no guarantee that interest earned by the Trust in the future will exceed the Trust's expenses.

Investors should be aware that a gradual decline in the amount of British Pounds Sterling represented by the Shares may occur regardless of whether the trading price of the Shares rises or falls in response to changes in the price of British Pound Sterling. The estimated ordinary operating expenses of the Trust, which accrue daily, are described in "Business - The Trust - Trust Expenses."

The payment of expenses by the Trust will result in a taxable event to Shareholders. To the extent Trust expenses exceed interest paid to the Trust, a gain or loss may be recognized by Shareholders depending on the tax basis of the tendered British Pounds Sterling.

**The interest rate paid by the Depository, if any, may not be the best rate available. If the Sponsor determines that the interest rate is inadequate, then its sole recourse is to remove the Depository and terminate the Deposit Accounts.**

The Depository is committed to endeavor to pay a competitive interest rate on the balance of British Pounds Sterling in the primary deposit account of the Trust, but there is no guarantee of the amount of interest that will be paid, if any, on this account. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The Depository may change the rate at which interest accrues, including reducing the interest rate to zero or below zero, based upon the Depository's belief that Sterling Overnight Index Average (SONIA) does not accurately reflect the market, other market conditions or the Depository's liquidity needs. The Depository notifies the Sponsor of the interest rate applied each business day after the close of such business day. The Sponsor discloses the current interest rate on the Trust's website. If the Sponsor believes that the interest rate paid by the Depository is not adequate, the Sponsor's sole recourse is to remove the Depository and terminate the Deposit Accounts. The Depository is not paid a fee for its services to the Trust; rather, it generates income or loss based on its ability to earn a "spread" or "margin" over the interest it pays to the Trust by using the Trust's British Pounds Sterling to make loans or in other banking operations. For these reasons, you should not expect that the Trust will be paid the best available interest rate at any time or over time.

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**If the Trust incurs expenses in USD, the Trust would be required to sell British Pounds Sterling to pay these expenses. The sale of the Trust's British Pounds Sterling to pay expenses in USD at a time of low British Pound Sterling prices could adversely affect the value of the Shares.**

The Trustee will sell British Pounds Sterling held by the Trust to pay Trust expenses, if any, incurred in USD, irrespective of then-current British Pound Sterling prices. The Trust is not actively managed and no attempt will be made to buy or sell British Pounds Sterling to protect against or to take advantage of fluctuations in the price of the British Pound Sterling. Consequently, if the Trust incurs expenses in USD, the Trust's British Pounds Sterling may be sold at a time when the British Pound Sterling price is low, resulting in a negative effect on the value of the Shares.

**The Deposit Accounts are not entitled to payment at any office of JPMorgan Chase Bank, N.A. located in the United States.**

The federal laws of the United States prohibit banks located in the United States from paying interest on unrestricted demand deposit accounts. Therefore, payments out of the Deposit Accounts will be payable only at the London branch of JPMorgan Chase Bank, N.A., located in England. The Trustee will not be entitled to demand payment of these accounts at any office of JPMorgan Chase Bank, N.A. that is located in the United States. JPMorgan Chase Bank, N.A. will not be required to repay the deposit if its London branch cannot repay the deposit due to an act of war, insurrection or civil strife or an action by a foreign government or instrumentality (whether *de jure* or *de facto*) in England.

**Shareholders do not have the protections associated with ownership of a demand deposit account insured in the United States by the Federal Deposit Insurance Corporation nor the protection provided for bank deposits under English law.**

Neither the Shares nor the Deposit Accounts and the British Pounds Sterling deposited in them are deposits insured against loss by the FDIC, any other federal agency of the United States or the Financial Services Compensation Scheme of England.

**If the Depository becomes insolvent, its assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant. In addition, in the event of the insolvency of the Depository or the U.S. bank of which it is a branch, there may be a delay and costs incurred in recovering the British Pounds Sterling held in the Deposit Accounts.**

British Pounds Sterling deposited in the Deposit Accounts by an Authorized Participant are commingled with British Pounds Sterling deposited by other Authorized Participants and are held by the Depository in either the primary deposit account or the secondary deposit account of the Trust. British Pounds Sterling held in the Deposit Accounts are not segregated from the Depository's other assets. The Trust has no proprietary rights in or to any specific British Pounds Sterling held by the Depository and will be an unsecured creditor of the Depository with respect to the British Pounds Sterling held in the Deposit Accounts in the event of the insolvency of the Depository or the U.S. bank of which it is a branch. In the event the Depository or the U.S. bank of which it is a branch becomes insolvent, the Depository's assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant for the amount of British Pounds Sterling deposited by the Trust or the Authorized Participant and, in such event, the Trust and any Authorized Participant will generally have no right in or to assets other than those of the Depository.

In the case of insolvency of the Depository or JPMorgan Chase Bank, N.A., the U.S. bank of which the Depository is a branch, a liquidator may seek to freeze access to the British Pounds Sterling held in all accounts by the Depository, including the Deposit Accounts. The Trust and the Authorized Participants could incur expenses and delays in connection with asserting their claims. These problems would be exacerbated by the fact that the Deposit Accounts are not held in the U.S. but instead are held at the London branch of a U.S. national bank, where they are subject to English insolvency law. Further, under U.S. law, in the case of the insolvency of JPMorgan Chase Bank, N.A., the claims of creditors in respect of accounts (such as the Trust's Deposit Accounts) that are maintained with an overseas branch of JPMorgan Chase Bank, N.A. will be subordinate to claims of creditors in respect of accounts maintained with JPMorgan Chase Bank, N.A. in the U.S., greatly increasing the risk that the Trust and the Trust's beneficiaries would suffer a loss.

**Shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act of 1940.**

The Investment Company Act is designed to protect investors by preventing: insiders from managing investment companies to their benefit and to the detriment of public investors; the issuance of securities having inequitable or

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discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies without the consent of investors; and investment companies from engaging in excessive leveraging. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

The Trust is not registered as an investment company under the Investment Company Act and is not required to register under that act. Consequently, Shareholders do not have the regulatory protections afforded to investors in registered investment companies.

### **Shareholders do not have the rights enjoyed by investors in certain other financial instruments.**

As interests in a grantor trust, the Shares have none of the statutory rights normally associated with the ownership of shares of a business corporation, including, for example, the right to bring “oppression” or “derivative” actions. Apart from the rights afforded to them by federal and state securities laws, Shareholders have only those rights relative to the Trust, the Trust property and the Shares that are set forth in the Depositary Trust Agreement. In this connection, the Shareholders have limited voting and distribution rights. They do not have the right to elect directors. See “Business - The Shares - Limited Rights” for a description of the limited rights of the Shareholders.

### **The Shares may trade at a price which is at, above, or below the NAV per Share.**

The NAV per Share fluctuates with changes in the market value of the Trust’s assets. The market price of Shares can be expected to fluctuate in accordance with changes in the NAV per Share, but also in response to market supply and demand. As a result, the Shares might trade at prices at, above or below the NAV per Share.

### **The Depository owes no fiduciary duties to the Trust or the Shareholders, is not required to act in their best interest and could resign or be removed by the Sponsor, which would trigger early termination of the Trust.**

The Depository is not a trustee for the Trust or the Shareholders. As stated above, the Depository is not obligated to maximize the interest rate paid to the Trust. In addition, the Depository has no duty to continue to act as the depository of the Trust. The Depository can terminate its role as depository for any reason whatsoever upon 90 days’ notice to the Trust. If directed by the Sponsor, the Trustee must terminate the Depository. Such a termination might result, for example, if the Sponsor determines that the interest rate paid by the Depository is inadequate. In the event that the Depository was to resign or be removed, the Trust will be terminated.

### **Shareholders may incur significant fees upon the termination of the Trust.**

The occurrence of any one of several events would either require the Trust to terminate or permit the Sponsor to terminate the Trust. For example, if the Depository were to resign or be removed, then the Sponsor would be required to terminate the Trust. Shareholders tendering their Shares within 90 days of the Trust’s termination will receive the amount of British Pounds Sterling represented by their Shares. Shareholders may incur significant fees if they choose to convert the British Pounds Sterling they receive to U.S. Dollars.

### **If the United Kingdom adopts the euro as its currency, Shareholders may be unable to sell their Shares and may lose money on their investment. Furthermore, if the United Kingdom adopts the euro as its currency, then the Trust will terminate upon the Council of the European Union adopting an irrevocable conversion rate of British Pound Sterling to euro. If this occurs, Shareholders may lose money on their investment.**

As a member of the European Union, the United Kingdom has the option to adopt the euro as its currency in lieu of the British Pound Sterling. If the United Kingdom adopts the euro as its currency by official act, the value of British Pound Sterling could depreciate, depending on, among other things, the relative value of the British Pound Sterling and the euro, the conversion ratio of British Pound Sterling per euro and the timing of the adoption of the euro. If the British Pound Sterling loses value, the value of the Shares would also depreciate and Shareholders may not be able to sell their Shares. Furthermore, if the United Kingdom adopts the euro as its currency, then the Trust will terminate upon the Council of the European Union adopting an irrevocable conversion rate of British

Pound Sterling to euro. If the Trust terminates, it may liquidate at a time disadvantageous to Shareholders, such as when the price of the British Pound Sterling has declined below the price prevailing when Shareholders purchased their Shares.

**Redemption orders are subject to rejection by the Trustee under certain circumstances.**

The Trustee will reject a redemption order if the order is not in proper form as described in the Participant Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. Any such rejection could adversely affect a redeeming Shareholder. For example, the resulting delay would adversely affect the value

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of the Shareholder' s redemption distribution if the NAV were to decline during the delay. In the Depositary Trust Agreement, the Sponsor and the Trustee disclaim any liability for any loss or damage that may result from any such rejection.

### **Substantial sales of British Pounds Sterling by the official sector could adversely affect an investment in the Shares.**

The official sector consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold British Pounds Sterling as part of their reserve assets. The official sector holds a significant amount of British Pounds Sterling that can be mobilized in the open market. In the event that future economic, political or social conditions or pressures require members of the official sector to sell their British Pounds Sterling simultaneously or in an uncoordinated manner, the demand for British Pounds Sterling might not be sufficient to accommodate the sudden increase in the supply of British Pounds Sterling to the market. Consequently, the price of the British Pound Sterling could decline, which would adversely affect an investment in the Shares.

### **Shareholders that are not Authorized Participants may only purchase or sell their Shares in secondary trading markets.**

Only Authorized Participants may create or redeem Baskets through the Trust. All other investors that desire to purchase or sell Shares must do so through NYSE Arca or in other markets, if any, in which the Shares are traded.

### **The liability of the Sponsor and the Trustee under the Depositary Trust Agreement is limited and, except as set forth in the Depositary Trust Agreement, they are not obligated to prosecute any action, suit or other proceeding in respect of any Trust property.**

The Depositary Trust Agreement provides that neither the Sponsor nor the Trustee assumes any obligation or is subject to any liability under the Trust Agreement to any Shareholder, except that they each agree to perform their respective obligations specifically set forth in the Depositary Trust Agreement without negligence or bad faith. Additionally, neither the Sponsor nor the Trustee is obligated to, although each may in its respective discretion, prosecute any action, suit or other proceeding in respect of any Trust property. The Depositary Trust Agreement does not confer upon Shareholders the right to prosecute any such action, suit or other proceeding.

### **The Depositary Trust Agreement may be amended to the detriment of Shareholders without their consent.**

The Sponsor and the Trustee may amend most provisions (other than those addressing core economic rights) of the Depositary Trust Agreement without the consent of any Shareholder. Such an amendment could impose or increase fees or charges borne by the Shareholders. Any amendment that increases fees or charges (other than taxes and other governmental charges, registration fees or other expenses), or that otherwise prejudices any substantial existing rights of Shareholders, will not become effective until 30 days after written notice is given to Shareholders.

### **The License Agreement with The Bank of New York Mellon may be terminated by The Bank of New York Mellon in the event of a material breach. Termination of the License Agreement might lead to early termination and liquidation of the Trust.**

The Bank of New York Mellon and an affiliate of the Sponsor have entered into a License Agreement granting the Sponsor' s affiliate a license to certain patent applications made by The Bank of New York Mellon covering systems and methods for securitizing a commodity. The Sponsor' s affiliate has sublicensed the license to the Sponsor. The license is limited to a non-exclusive grant for the life of The Bank of New York Mellon' s patents and patent applications. The License Agreement provides that each of the parties may provide notice of intent to terminate the License Agreement in the event the other party commits a material breach. If the License Agreement is terminated and one or more of The Bank of New York Mellon' s patent applications issue as patents, then The Bank of New York Mellon may claim that the operation of the Trust violates its patent or patents and seek an injunction forcing the Trust to cease operation and the Shares to cease trading. In that case, the Trust might be forced to terminate and liquidate, which would adversely affect Shareholders.

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### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

The principal offices of the Sponsor and the Trust are at 805 King Boulevard, Suite 600, Rockville, Maryland 20850, which is leased by an affiliate of the Sponsor. Neither the Sponsor nor the Trust owns or leases any other property.

### **Item 3. Legal Proceedings**

None.

### **Item 4. (Removed and Reserved)**

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### PART II

#### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Following are the high and low sale prices of the Shares as reported by the NYSE Arca for each of the quarters during the fiscal years ended October 31, 2012 and October 31, 2011:

	<u>Fiscal Year Ended October 31, 2012:</u>	
<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>
January 31, 2012	\$159.82	\$151.99
April 30, 2012	\$161.10	\$155.03
July 31, 2012	\$160.77	\$152.19
October 31, 2012	\$160.85	\$153.61

	<u>Fiscal Year Ended October 31, 2011:</u>	
<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>
January 31, 2011	\$162.07	\$152.98
April 30, 2011	\$165.99	\$158.94
July 31, 2011	\$165.50	\$157.88
October 31, 2011	\$164.27	\$152.40

The number of record holders of Shares of the registrant as of November 30, 2012 was approximately 70.

Although the Trust does not purchase Shares directly from its shareholders, the Trust redeemed Baskets from Authorized Participants in the fourth quarter of the fiscal year covered by this report as follows:

	<u>Month</u>	<u>Shares</u>	<u>Average Price</u>
August		–	\$ –
September		50,000	\$ 160.27
October		50,000	\$ 159.08

The Trust did not distribute any cash dividends per Share during the fiscal years ended October 31, 2012 and October 31, 2011.

In the future, 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, the excess interest earned in British Pound Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pound Sterling 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).

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### Item 6. Selected Financial Data

Following are financial highlights for the fiscal years ended October 31, 2012, October 31, 2011, October 31, 2010, October 31, 2009 and October 31, 2008.

	<u>Fiscal Year ended October 31, 2012</u>	<u>Fiscal Year ended October 31, 2011</u>	<u>Fiscal Year ended October 31, 2010</u>	<u>Fiscal Year ended October 31, 2009</u>	<u>Fiscal Year ended October 31, 2008</u>
<b><u>Income</u></b>					
Interest income	<u>\$ 104,673</u>	<u>\$ 192,387</u>	<u>\$ 137,295</u>	<u>\$ 442,286</u>	<u>\$ 5,517,682</u>
Total Income	104,637	192,387	137,295	442,286	5,517,682
<b><u>Expenses</u></b>					
Sponsor' s fee	<u>(367,500 )</u>	<u>(498,370 )</u>	<u>(503,728 )</u>	<u>(518,481 )</u>	<u>(461,145 )</u>
Total Expenses	(367,500 )	(498,370 )	(503,728 )	(518,481 )	(461,145 )
Net (Loss)/Income	<u>\$ (262,827 )</u>	<u>\$ (305,983 )</u>	<u>\$ (366,433 )</u>	<u>\$ (76,195 )</u>	<u>\$ 5,056,537</u>
Other Comprehensive Loss:					
Currency translation					
adjustment	<u>(2,572 )</u>	<u>(5,138 )</u>	<u>(3,975 )</u>	<u>(15,236 )</u>	<u>(143,547 )</u>
Total Comprehensive (Loss)/ Income	<u>\$ (265,399 )</u>	<u>\$ (311,121 )</u>	<u>\$ (370,408 )</u>	<u>\$ (91,431 )</u>	<u>\$ 4,912,990</u>
Basic and Diluted Earnings					
per Share	<u>\$ (0.45 )</u>	<u>\$ (0.39 )</u>	<u>\$ (0.45 )</u>	<u>\$ (0.09 )</u>	<u>\$ 8.58</u>
Weighted-average Shares					
Outstanding	586,612	780,274	811,233	839,315	589,208
Cash Dividends per Share	\$ –	\$ –	\$ –	\$ 0.72	\$ 9.13

As of October 31, 2012, total assets were \$71,763,381, and for the fiscal year ended October 31, 2012, net cash flows were \$(24,370,838).

### Item 7. 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 words. 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 British Pound Sterling, as the value of the Shares relates directly to the value of the British Pounds Sterling 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 in this report 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.

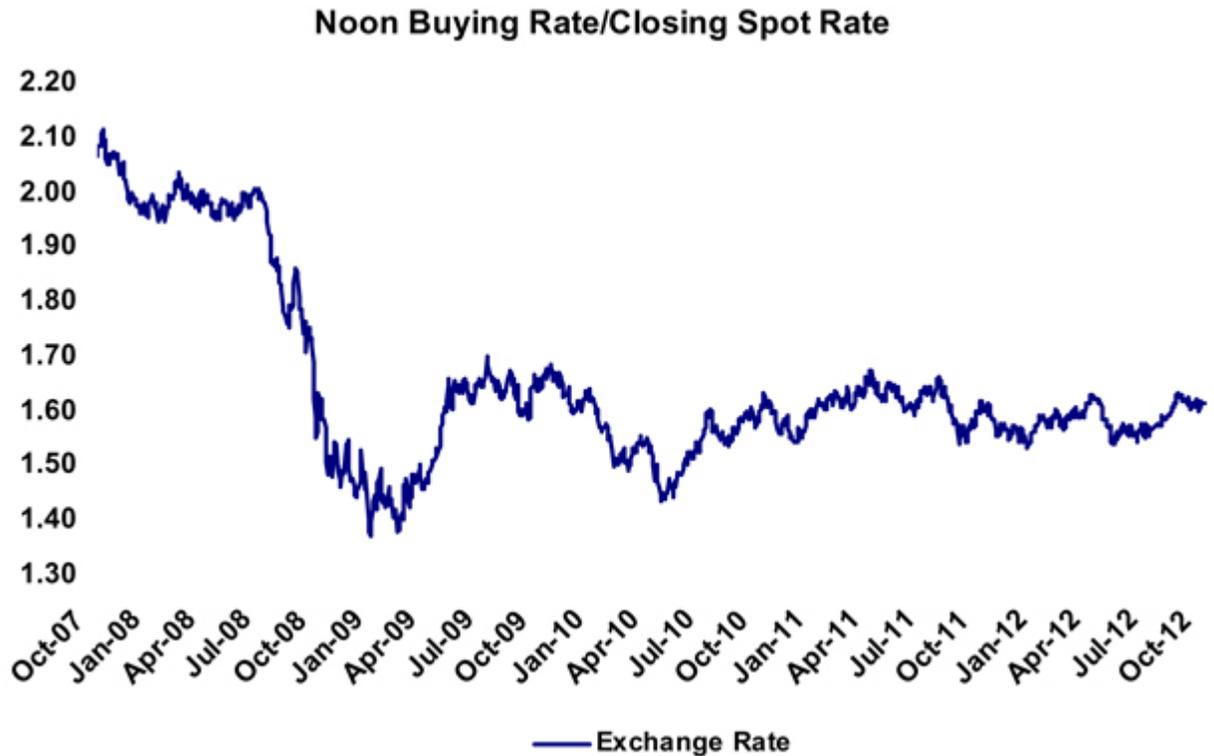


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### **Movements in the Price of British Pound Sterling**

The investment objective of the Trust is for the Shares to reflect the price of the British Pound Sterling 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 British Pounds Sterling. Each outstanding Share represents a proportional interest in the British Pounds Sterling held by the Trust. The following chart provides recent trends on the price of the British Pound Sterling. The chart illustrates movements in the price of British Pound Sterling in USD and is based on the Noon Buying Rate (prior to November 13, 2008) and the Closing Spot Rate (as of and after November 13, 2008).

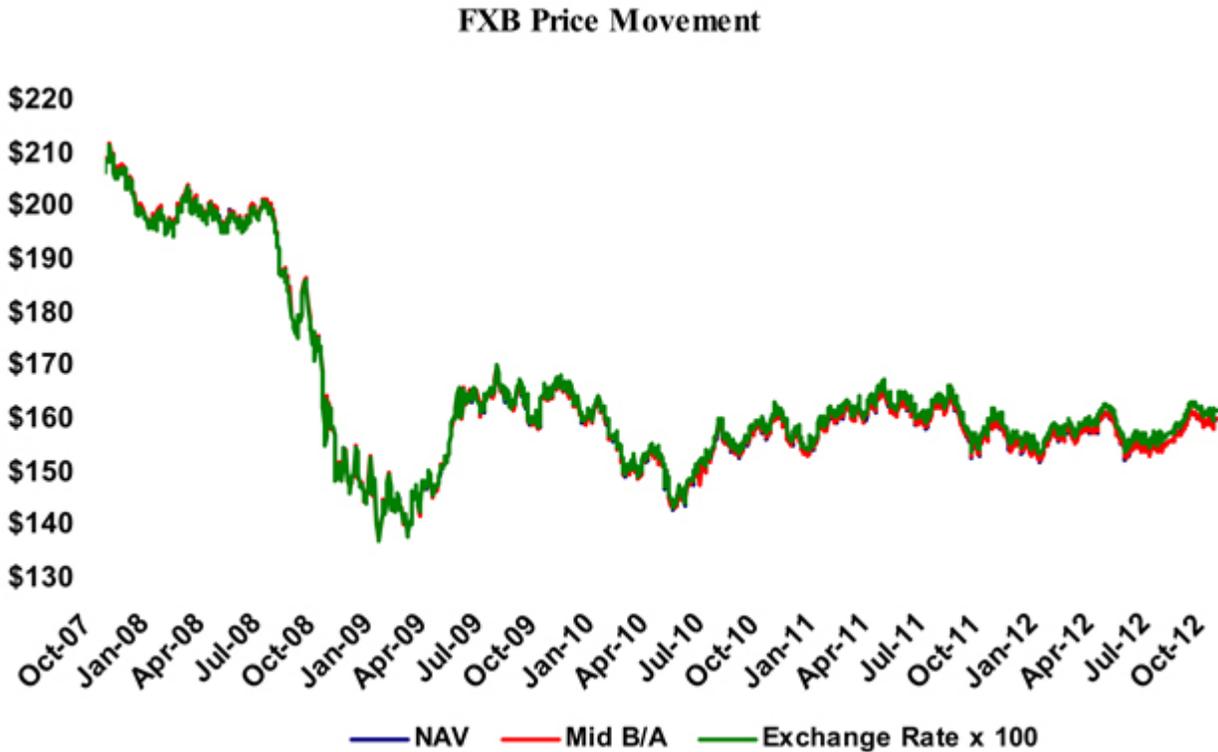


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### NAV per Share; Valuation of British Pound Sterling

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 British Pounds Sterling:

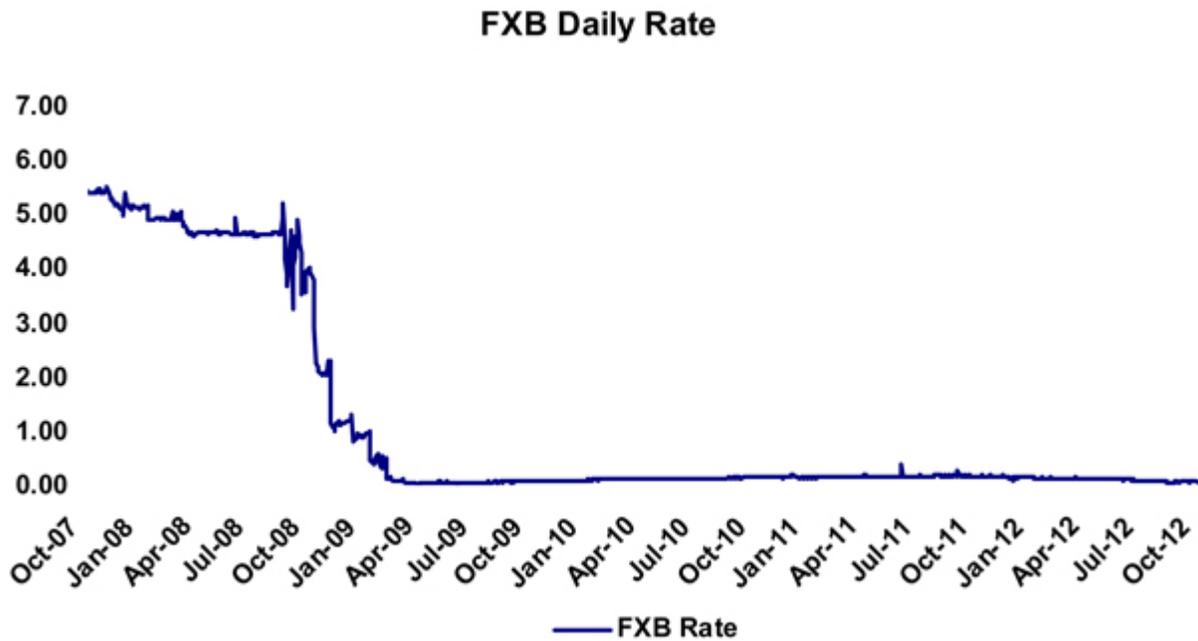


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### Liquidity

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 which 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 October 31, 2012 was an annual nominal rate of 0.04%. The following chart provides the daily rate paid by the Depository since the Shares began trading:



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 British Pounds Sterling 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). The Trust did not make any distributions during the quarter ended October 31, 2012.

### 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 consolidated financial statements for further discussion of our accounting policies.

The functional currency of the Trust is the British Pound Sterling in accordance with ASC 830, Foreign Currency Translation.

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### **Results of Operations**

As of October 31, 2010, the number of British Pounds Sterling owned by the Trust was 69,655,423, resulting in a redeemable capital share value of \$111,336,567. During the year ended October 31, 2011, an additional 750,000 shares were created in exchange for 74,541,458 British Pounds Sterling and 850,000 shares were redeemed in exchange for 84,444,838 British Pounds Sterling. In addition, 195,508 British Pounds Sterling were withdrawn to pay the portion of sponsor fee that exceeded interest earned. As of October 31, 2011, the number of British Pounds Sterling owned by the Trust was 59,556,535, resulting in a redeemable capital share value of \$96,109,435. During the year ended October 31, 2012, an additional 250,000 shares were created in exchange for 24,786,533 British Pounds Sterling, and 400,000 shares were redeemed in exchange for 39,634,561 British Pounds Sterling. In addition, 166,507 British Pounds Sterling were withdrawn to pay the portion of sponsor fee that exceeded interest earned. As of October 31, 2012, the number of British Pounds Sterling owned by the Trust was 44,542,000, resulting in a redeemable capital share value of \$71,759,412.

A decrease in the Trust's redeemable capital share value from \$96,109,435 at October 31, 2011 to \$71,759,412 at October 31, 2012, was primarily the result of a reduction in the number of Shares outstanding from 600,000 at October 31, 2011 to 450,000 at October 31, 2012 coupled with a decrease in the Closing Spot Rate from 1.6141 at October 31, 2011 to 1.6111 at October 31, 2012. A decrease in the Trust's redeemable capital share value from \$111,336,567 at October 31, 2010 to \$96,109,435 at October 31, 2011, was primarily the result of a reduction in the number of Shares outstanding from 700,000 at October 31, 2010 to 600,000 at October 31, 2011. The decrease in the Trust's redeemable capital share value was partially offset by an increase in the Closing Spot Rate from 1.5988 at October 31, 2010 to 1.6141 at October 31, 2011.

Interest income decreased from \$192,387 for the year ended October 31, 2011 to \$104,673 for the year ended October 31, 2012, attributable primarily to a decrease in the weighted-average British Pounds Sterling in the Trust coupled with a decrease in the nominal interest rate paid by the Depository as set forth in the chart above. Interest income increased from \$137,295 for the year ended October 31, 2010 to \$192,387 for the year ended October 31, 2011, attributable primarily to an increase in the annual nominal interest rate paid by the Depository as set forth in the chart above. The increase in interest income was partially offset by a decrease in the weighted-average British Pounds Sterling in the Trust.

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling in the Trust. Due primarily to a decrease in the weighted-average British Pounds Sterling in the Trust, the Sponsor's fee decreased from \$498,370 for the year ended October 31, 2011 to \$367,500 for the year ended October 31, 2012. The only expense of the Trust during the year ended October 31, 2012 was the Sponsor's fee. Due primarily to a decrease in the weighted-average British Pounds Sterling in the Trust, the Sponsor's fee decreased from \$503,728 for the year ended October 31, 2010 to \$498,370 for the year ended October 31, 2011. The only expense of the Trust during the year ended October 31, 2011 was the Sponsor's fee.

The Trust's net loss for the year ended October 31, 2012 was \$262,827 as a result of the Sponsor's fee of \$367,500 exceeding interest income of \$104,673. The Trust's net loss for the year ended October 31, 2011 was \$305,983 due to the Sponsor's fee of \$498,370 exceeding interest income of \$192,387. The Trust's net loss for the year ended October 31, 2010 was \$366,433 as a result of the Sponsor's fee of \$503,728 exceeding interest income of \$137,295.

Cash Dividends were not paid by the Trust in the years ended October 31, 2012, October 31, 2011 and October 31, 2010 as the Trust's interest income did not exceed the Trust's expenses during those periods.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Except as described above with respect to the USD/British Pound Sterling exchange rate and the nominal annual interest rate paid by the Depository on British Pound Sterling 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 8. Financial Statements and Supplementary Data**

See Index to Financial Statements on page F-1 for a list of the financial statements filed with this report.



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### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

The chief executive officer and chief financial officer of the Sponsor have evaluated the effectiveness of the Trust's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of October 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 annual report.

#### **Management's Report on Internal Control over Financial Reporting**

The Sponsor's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The Trust's internal control over financial reporting is based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Trust's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Trust's receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Trust's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The chief executive officer and chief financial officer of the Sponsor have assessed the effectiveness of the Trust's internal control over financial reporting as of October 31, 2012. Their assessment included an evaluation of the design of the Trust's internal control over financial reporting and testing of the operation effectiveness of its internal controls over financial reporting. Based on their assessment and those criteria, the chief executive officer and chief financial officer of the Sponsor believe that the Trust maintained effective internal control over financial reporting as of October 31, 2012.

Effectiveness of the Trust's internal control over financial reporting as of October 31, 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

#### **Changes in Internal Control over Financial Reporting**

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.

### **Item 9B. Other Information**

Not applicable.

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### PART III

#### **Item 10. Directors, Executive Officers and Corporate Governance**

Nikolaos Bonos and Joseph Arruda serve as the Chief Executive Officer and Chief Financial Officer of the Sponsor, respectively. The Sponsor's Board of Managers is composed of Mr. Arruda, Mr. Bonos and Michael Byrum.

Nikolaos Bonos, 49, has been the Chief Executive Officer of the Sponsor since May 2009. Mr. Bonos has been a Manager of the Sponsor since September 2005. Prior to his appointment as Chief Executive Officer, Mr. Bonos served as the Chief Financial Officer of the Sponsor beginning in September 2005. Mr. Bonos has served as Executive Officer of Rydex Fund Services LLC, an affiliate of the Sponsor, from January 2009 to the present and as Senior Vice President of Rydex Fund Services LLC, from December 2003 to August 2006 and Vice President of Accounting of Rydex Fund Services LLC, from 2001 to December 2003. Mr. Bonos holds a Bachelor of Science in Business Administration with a major in Finance from Suffolk University.

Joseph Arruda, 46, has been the Chief Financial Officer of the Sponsor since May 2009. Mr. Arruda has been a Manager of the Sponsor since July 2009. Prior to his appointment as Chief Financial Officer, Mr. Arruda served as Vice President, Fund Accounting, and Administration, of the Sponsor beginning in 2003. From 1997 to 2003, Mr. Arruda served as Vice President, Fund Accounting at State Street Corporation. He holds a Bachelor of Science with a Finance and Accounting concentration from Bridgewater State College.

Michael Byrum, 42, has served as a Manager of the Sponsor since September 2005. Since August 2006, he has served as the Chief Investment Officer, of Rydex Advisors II, LLC (RAII), and Rydex Advisors, LLC (RA), affiliates of the Sponsor, and each of which were merged into Security Investors, LLC, also an affiliate of the Sponsor, as of January 3, 2011. Mr. Byrum served as the Executive Vice President of RAI from December 2002 to May 2004, and as President of RA from May 2004 until January 2011. He has served as Senior Vice President of Security Investors, LLC, since December 1, 2010. Mr. Byrum is a Chartered Financial Analyst and has a Bachelor of Science in Business Administration with a major in Finance from Miami University of Ohio.

#### **Item 11. Executive Compensation**

Not applicable.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

None.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Not applicable.

#### **Item 14. Principal Accountant Fees and Services**

The following fees were paid by the Sponsor and were for services performed by Ernst & Young LLP for the fiscal years ended October 31, 2012 and October 31, 2011:

	<u>2012</u>	<u>2011</u>
Audit Fees	\$23,867	\$28,000
Audit-related fees	0	0
Tax fees	0	0
All other Fees	0	0
	<u>\$23,867</u>	<u>\$28,000</u>

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### PART IV

#### Item 15. Exhibits and Financial Statement Schedules.

##### Financial Statements

See Index to Financial Statements on Page F-1 for a list of the financial statements being filed as a part of this report. Schedules have been omitted since they are either not required, not applicable or the information has otherwise been included.

##### Exhibits

###### Exhibit

<u>No.</u>	<u>Description</u>
3.1	Certificate of Formation of Guggenheim Specialized Products, LLC dated September 14, 2005, incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form S-1 (File number 333-132361) filed by the Trust on March 13, 2006.
3.2	Amendment to Certificate of Formation of Guggenheim Specialized Products, LLC dated March 27, 2012.
3.3	Limited Liability Company Agreement of Guggenheim Specialized Products, LLC, incorporated herein by reference to Exhibit 3.2 to the Registration Statement on Form S-1 (File number 333-132361) filed by the Trust on March 13, 2006.
4.1	Depository Trust Agreement dated as of June 8, 2006 among Guggenheim Specialized Products, LLC, The Bank of New York, all registered owners and beneficial owners of British Pound Sterling Currency Shares issued thereunder and all depositors, incorporated herein by reference to Exhibit 4.1 to the Annual Report on Form 10K/A filed by the Trust on March 10, 2011.
4.2	Amendment to Depository Trust Agreement dated as of November 13, 2008 between Guggenheim Specialized Products, LLC and The Bank of New York Mellon, incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q filed by the Trust on September 9, 2010.
4.3	Amendment to Depository Trust Agreement dated as of March 6, 2012 between Guggenheim Specialized Products, LLC and The Bank of New York Mellon, incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q filed by the Trust on March 12, 2012.
4.4	Participant Agreement dated as of March 25, 2010 among Knight Clearing Services, LLC, The Bank of New York, and Guggenheim Specialized Products, LLC (together with Schedule pursuant to Instruction 2 to Item 601 of Regulation S-K).
4.5	Amendment to Participant Agreements dated as of December 9, 2010 between The Bank of New York Mellon, the trusts set forth on Schedule A thereto and Guggenheim Specialized Products, LLC, incorporated herein by reference to Exhibit 4.4 to the Annual Report on Form 10K/A filed by the Trust on March 10, 2011.
4.6	Amendment to Participant Agreements dated as of January 15, 2011 between The Bank of New York, the trusts set forth on Schedule A thereto and Guggenheim Specialized Products, LLC, incorporated herein by reference to Exhibit 4.5 to the Annual Report on Form 10K/A filed by the Trust on March 10, 2011.
10.1	Deposit Account Agreement dated as of June 8, 2006 between The Bank of New York and the London Branch of JPMorgan Chase Bank, N.A., incorporated herein by reference to Exhibit 10.1 to the Annual Report on Form 10K/A filed by the Trust on March 10, 2011.

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10.2	Amendment to Deposit Account Agreement dated as of November 13, 2008 between The Bank of New York Mellon and the London Branch of JPMorgan Chase Bank, N.A., incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by the Trust on September 9, 2010.
10.3	Sublicense Agreement dated as of June 9, 2006 between PADCO Advisors II, Inc. and Guggenheim Specialized Products, LLC., incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10K/A filed by the Trust on March 10, 2011.
23.1	Consent of Ernst & Young LLP.
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.

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### CurrencyShares® British Pound Sterling Trust Financial Statements as of October 31, 2012

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<a href="#">Statements of Income and Comprehensive Income for the year ended October 31, 2012, the year ended October 31, 2011 and the year ended October 31, 2010</a>	F-5
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### **Report of Independent Registered Public Accounting Firm**

To the Shareholders of CurrencyShares® British Pound Sterling Trust:

We have audited the accompanying statements of financial condition of CurrencyShares® British Pound Sterling Trust (the “Trust”) as of October 31, 2012 and 2011, and the related statements of income and comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended October 31, 2012. These financial statements are the responsibility of the Trust’ s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CurrencyShares® British Pound Sterling Trust at October 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CurrencyShares® British Pound Sterling Trust’ s internal control over financial reporting as of October 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated January 14, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, VA  
January 14, 2013

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### **Report of Independent Registered Public Accounting Firm**

To the Shareholders of CurrencyShares® British Pound Sterling Trust:

We have audited CurrencyShares® British Pound Sterling Trust's (the "Trust") internal control over financial reporting as of October 31, 2012, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Trust's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting appearing under Item 9A. Our responsibility is to express an opinion on the Trust's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CurrencyShares® British Pound Sterling Trust maintained, in all material respects, effective internal control over financial reporting as of October 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of financial condition as of October 31, 2012 and 2011, and the related statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended October 31, 2012 of CurrencyShares® British Pound Sterling Trust and our report dated January 14, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, VA  
January 14, 2013

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CurrencyShares® British Pound Sterling Trust

Statements of Financial Condition

	<u>October 31, 2012</u>	<u>October 31, 2011</u>
<b><u>Assets</u></b>		
Current Assets:		
British Pound Sterling deposits, interest bearing	\$71,759,412	\$96,130,250
British Pound Sterling deposits, non-interest bearing	–	–
Receivable from accrued interest	3,969	15,791
Total Current Assets	<u>\$71,763,381</u>	<u>\$96,146,041</u>
<b><u>Liabilities, Redeemable Capital Shares and Shareholders' Equity</u></b>		
Current Liabilities:		
Accrued Sponsor' s fee	\$24,570	\$36,606
Total Current Liabilities	24,570	36,606
Commitments and Contingent Liabilities (note 9)	–	–
Redeemable Capital Shares, at redemption value, no par value, 13,000,000 authorized - 450,000 and 600,000 issued and outstanding, respectively	71,738,811	96,109,435
Shareholders' Equity:		
Retained Earnings	–	–
Cumulative Translation Adjustment	–	–
Total Liabilities, Redeemable Capital Shares and Shareholders' Equity	<u>\$71,763,381</u>	<u>\$96,146,041</u>

*See Notes to Financial Statements.*

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CurrencyShares® British Pound Sterling Trust

Statements of Income and Comprehensive Income

	Year ended October 31, 2012	Year ended October 31, 2011	Year ended October 31, 2010
<b><u>Income</u></b>			
Interest Income	\$ 104,673	\$ 192,387	\$ 137,295
Total Income	104,673	192,387	137,295
<b><u>Expenses</u></b>			
Sponsor' s fee	(367,500 )	(498,370 )	(503,728 )
Total Expenses	(367,500 )	(498,370 )	(503,728 )
Net Loss	\$ (262,827 )	\$ (305,983 )	\$ (366,433 )
Other Comprehensive Loss:			
Currency translation adjustment	(2,572 )	(5,138 )	(3,975 )
Total Comprehensive Loss	\$ (265,399 )	\$ (311,121 )	\$ (370,408 )
Basic and Diluted Earnings per Share	\$ (0.45 )	\$ (0.39 )	\$ (0.45 )
Weighted-average Shares Outstanding	586,612	780,274	811,233
Cash Dividends per Share	\$ -	\$ -	\$ -

*See Notes to Financial Statements.*

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CurrencyShares® British Pound Sterling Trust

Statements of Changes in Shareholders' Equity

	Year ended October 31, 2012	Year ended October 31, 2011	Year ended October 31, 2010
Retained Earnings, Beginning of Year	\$ –	\$ –	\$ –
Net Loss	(262,827 )	(305,983 )	(366,433 )
Adjustment of redeemable capital shares to redemption value	262,827	305,983	366,433
Retained Earnings, End of Year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>
Cumulative Translation Adjustment, Beginning of Year	\$ –	\$ –	\$ –
Currency translation adjustment	(2,572 )	(5,138 )	(3,975 )
Adjustment of redeemable capital shares to redemption value	2,572	5,138	3,975
Cumulative Translation Adjustment, End of Year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

*See Notes to Financial Statements.*

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### CurrencyShares® British Pound Sterling Trust

#### Statements of Cash Flows

	Year ended October 31, 2012	Year ended October 31, 2011	Year ended October 31, 2010
<b>Cash flows from operating activities</b>			
Cash received for accrued income	\$116,470	\$192,979	\$131,026
Cash paid for expenses	(379,419 )	(506,768 )	(507,345 )
Net cash used in operating activities	(262,949 )	(313,789 )	(376,319 )
<b>Cash flows from financing activities</b>			
Cash received to purchase redeemable shares	39,142,894	119,639,040	232,490,556
Cash paid to redeem redeemable shares	(62,590,899 )	(135,533,965)	(255,726,018)
Net cash used in financing activities	(23,448,005 )	(15,894,925 )	(23,235,462 )
Adjustment to period cash flows due to currency movement	(659,884 )	974,034	(4,850,332 )
Decrease in cash	(24,370,838 )	(15,234,680 )	(28,462,113 )
Cash at beginning of year	96,130,250	111,364,930	139,827,043
Cash at end of year	<u>\$71,759,412</u>	<u>\$96,130,250</u>	<u>\$111,364,930</u>
<b>Reconciliation of net loss to net cash used in operating activities</b>			
Net Loss	\$(262,827 )	\$(305,983 )	\$(366,433 )
Adjustments to reconcile net loss to net cash used in operating activities:			
Receivable from accrued interest	(3,969 )	(15,791 )	(16,264 )
Prior period receivable from accrued interest	15,791	16,264	9,853
Currency translation adjustment	92	(258 )	2,278
Accrued sponsor fee	24,570	36,606	44,627
Prior period accrued sponsor fee	(36,606 )	(44,627 )	(50,380 )
Net cash used in operating activities	<u>\$(262,949 )</u>	<u>\$(313,789 )</u>	<u>\$(376,319 )</u>

*See Notes to Financial Statements.*

**CurrencyShares® British Pound Sterling Trust**

**Notes to Financial Statements**

**1. Organization and Description of the Trust**

The CurrencyShares® British Pound Sterling Trust (the “Trust”) was formed under the laws of the State of New York on June 8, 2006 when Guggenheim Specialized Products, LLC d/b/a “Guggenheim Investments” (the “Sponsor”) deposited 100 British Pounds Sterling 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 British Pound Sterling 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 British Pounds Sterling. The Trust’s assets primarily consist of British Pounds Sterling 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 audited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

**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. As of November 13, 2008, British Pound Sterling deposits (cash) are translated for NAV calculation purposes at the Closing Spot Rate, which is the USD/British Pound Sterling 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 British Pound Sterling 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 British Pounds Sterling 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.

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### **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 British Pounds Sterling. 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 British Pounds Sterling 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 British Pounds Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pounds Sterling be converted into USD at the 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.

## **3. British Pound Sterling Deposits**

British Pound Sterling principal deposits are held in a British Pound Sterling-denominated, interest-bearing demand account. For the year ended October 31, 2012, there were British Pound Sterling principal deposits of 24,786,533 British Pound Sterling principal redemptions of 39,634,561 and British Pound Sterling withdrawals (to pay expenses) of 166,507 resulting in an ending British Pound Sterling principal balance of 44,542,000. This equates to 71,759,412 USD. For the year ended October 31, 2011, there were British Pound Sterling principal deposits of 74,541,458, British Pound Sterling principal redemptions of 84,444,838 and British Pound Sterling withdrawals (to pay expenses) of 195,508 resulting in an ending British Pound Sterling principal balance of 59,556,535. This equates to 96,130,250 USD. For the year ended October 31, 2010, there were British Pound Sterling principal deposits of 149,425,128, British Pound Sterling principal redemptions of 164,358,903 and British Pound Sterling withdrawals (to pay expenses) of 241,866 resulting in an ending British Pound Sterling principal balance of 69,655,423. This equates to 111,364,930 USD.



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

### 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 British Pounds Sterling. 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 DTC participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of the 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:

	Year ended October 31, 2012		Year ended October 31, 2011		Year ended October 31, 2010	
	U.S. Dollar		U.S. Dollar		U.S. Dollar	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Opening balance</b>	600,000	\$96,109,435	700,000	\$111,336,567	850,000	\$139,786,516
Shares issued	250,000	39,142,894	750,000	119,639,040	1,500,000	232,490,556
Shares redeemed	(400,000)	(62,590,899)	(850,000)	(135,533,965)	(1,650,000)	(255,726,018)
Adjustment to period Shares due to currency movement and other	–	(922,619 )	–	667,793	–	(5,214,487 )
<b>Ending balance</b>	<b>450,000</b>	<b>\$71,738,811</b>	<b>600,000</b>	<b>\$96,109,435</b>	<b>700,000</b>	<b>\$111,336,567</b>

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 British Pounds Sterling held by the Trust (including all unpaid interest accrued through the preceding day) and calculates the value of the British Pounds Sterling 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 British Pounds Sterling, 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.

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### 5. Selected Quarterly Information (Unaudited)

Fiscal Period Ended October 31, 2012:

	Three months ended October 31, 2012	Three months ended July 31, 2012	Three months ended April 30, 2012	Three months ended January 31, 2012
<b><u>Income</u></b>				
Interest Income	\$ 13,660	\$ 25,715	\$ 28,519	\$ 36,779
Total Income	13,660	25,715	28,519	36,779
<b><u>Expenses</u></b>				
Sponsor' s fee	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Total Expenses	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Net Loss	\$ (68,420 )	\$ (68,551 )	\$ (65,497 )	\$ (60,359 )
Other Comprehensive (Loss)/Income:				
Currency translation adjustment	(598 )	79	(1,491 )	(562 )
Total Comprehensive Loss	\$ (69,018 )	\$ (68,472 )	\$ (66,988 )	\$ (60,921 )
Basic and Diluted Earnings per Share	\$ (0.13 )	\$ (0.11 )	\$ (0.11 )	\$ (0.10 )
Weighted-average Shares Outstanding	515,217	602,174	606,667	622,826
Cash Dividends per Share	\$ -	\$ -	\$ -	\$ -

Fiscal Period Ended October 31, 2011:

	Three months ended October 31, 2011	Three months ended July 31, 2011	Three months ended April 30, 2011	Three months ended January 31, 2011
<b><u>Income</u></b>				
Interest Income	\$ 45,845	\$ 50,099	\$ 48,497	\$ 47,946
Total Income	45,845	50,099	48,497	47,946
<b><u>Expenses</u></b>				
Sponsor' s fee	(106,124 )	(127,250 )	(131,142 )	(133,854 )
Total Expenses	(106,124 )	(127,250 )	(131,142 )	(133,854 )
Net Loss	\$ (60,279 )	\$ (77,151 )	\$ (82,645 )	\$ (85,908 )
Other Comprehensive Loss:				
Currency translation adjustment	(611 )	(850 )	(2,362 )	(1,315 )
Total Comprehensive Loss	\$ (60,890 )	\$ (78,001 )	\$ (85,007 )	\$ (87,223 )
Basic and Diluted Earnings per Share	\$ (0.09 )	\$ (0.10 )	\$ (0.10 )	\$ (0.10 )
Weighted-average Shares Outstanding	663,587	778,804	832,584	847,826
Cash Dividends per Share	\$ -	\$ -	\$ -	\$ -

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### **6. Sponsor's Fee**

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling 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 Depository Trust Agreement, and legal expenses in excess of \$100,000 per year.

### **7. 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.

### **8. Concentration Risk**

All of the Trust's assets are British Pounds Sterling, which creates a concentration risk associated with fluctuations in the price of the British Pound Sterling. Accordingly, a decline in the British Pound Sterling 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 British Pound Sterling 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 British Pounds Sterling by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold British Pounds Sterling as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust's British Pounds Sterling 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.

### **9. 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.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 in the City of Rockville, State of Maryland, on January 14, 2013.

CURRENCYSHARES®

BRITISH POUND STERLING TRUST

By Guggenheim Specialized Products, LLC  
Sponsor of the CurrencyShares®  
British Pound Sterling Trust

By: /s/ Nikolaos Bonos  
Nikolaos Bonos  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities\* and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Nikolaos Bonos</u> Nikolaos Bonos	Director and Chief Executive Officer (principal executive officer)	January 14, 2013
<u>/s/ Joseph Arruda</u> Joseph Arruda	Director and Chief Financial Officer (principal financial officer and principal accounting officer)	January 14, 2013
<u>/s/ Michael Byrum</u> Michael Byrum	Director	January 14, 2013

\* The registrant is a trust and the persons are signing in their capacities as officers or directors of Guggenheim Specialized Products, LLC, the Sponsor of the registrant.

**STATE OF DELAWARE  
CERTIFICATE OF AMENDMENT**

1. Name of Limited Liability Company: RydexSpecialized Products, LLC

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2. The Certificate of Formation of the limited liability company is hereby amended as follows:

FIRST: The name of the limited liability company is Guggenheim Specialized Products, LLC (the "Company").

3. The Amendment of the Certificate of Formation of the limited liability company shall be effective as of: March 30, 2012

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In WITNESS WHEREOF, the undersigned have executed this Certificate on  
The 27th date of March, A.D. 2012.

By: /s/ Amy J. Lee  
Authorized Person(s)

Name: Amy J. Lee  
Print or Type

## CURRENCYSHARES<sup>SM</sup> BRITISH POUND STERLING TRUST

### PARTICIPANT AGREEMENT

This Participant Agreement (this “Agreement”), dated as of March 25, 2010, is entered into by and between Knight Clearing Services, LLC (with respect to this Agreement, the “Authorized Participant”, and with respect to the Trust Agreement referred to below, an “Authorized Participant”), The Bank of New York, a New York banking corporation, not in its individual capacity but solely as trustee (the “Trustee”) of the CurrencyShares British Pound Sterling Trust (the “Trust”), and Rydex Specialized Products LLC, d/b/a Rydex Investments, as sponsor (the “Sponsor”) of the Trust.

### SUMMARY

The Trustee serves as the trustee of the Trust pursuant to the Depository Trust Agreement dated as of June 8, 2006, among the Sponsor, the Trustee, the registered owners and beneficial owners from time to time of British Pound Shares issued thereunder and all depositors (the “Trust Agreement”). As provided in the Trust Agreement and described in the Prospectus (defined below), units of fractional undivided beneficial interests in and ownership of the Trust (the “Shares”) may be created or redeemed by the Trustee for an Authorized Participant in aggregations of fifty thousand (50,000) Shares (each aggregation, a “Basket”). Baskets are offered only pursuant to the registration statement of the Trust on Form S-1, as amended (Registration No: 333-132361), as declared effective by the Securities and Exchange Commission (“SEC”) and as the same may be amended from time to time thereafter (collectively, the “Registration Statement”) together with the prospectus of the Trust in the form first filed with the SEC pursuant to Rule 424 (the “Prospectus”) adopted under the Securities Act of 1933, as amended (the “1933 Act”). Under the Trust Agreement, the Trustee is authorized to issue Baskets to, and redeem Baskets from, Authorized Participants under the Trust Agreement, only through the facilities of The Depository Trust Company (“DTC”) or a successor depository, and only in exchange for an amount of British Pounds that is transferred between such Authorized Participant and the Trust. Under the Trust Agreement, the Trustee issues Baskets in exchange for British Pounds which are transferred by an Authorized Participant to the London Branch of JPMorgan Chase Bank, N.A. (the “Depository”), and when the Trustee redeems Baskets tendered for redemption by an Authorized Participant in exchange for British Pounds, the British Pounds held in the Trust Account are transferred to the Authorized Participant by the Depository. The foregoing British Pound transfers are also governed by the Deposit Account Agreement the Trust has entered into with the Depository (the “Deposit Account Agreement”). This Agreement sets forth the specific procedures by which an Authorized Participant may create or redeem Baskets.

Because new Shares can be created and issued on an ongoing basis, at any point during the life of the Trust, a “distribution,” as such term is used in the 1933 Act, may be occurring. The Authorized Participant is cautioned that some of its activities may result in its being deemed a participant in a distribution in a manner that would render it a statutory underwriter and subject it to the prospectus-delivery and liability provisions of the 1933 Act. The Authorized Participant should review the “Plan of Distribution” portion of the Prospectus and consult with its own counsel in connection with entering into this Agreement and placing an Order (defined below).

Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Trust Agreement. To the extent there is a conflict between any provision of this Agreement and the provisions of the Trust Agreement, the provisions of the Trust Agreement shall control.

To give effect to the foregoing premises and in consideration of the mutual covenants and agreements set forth below, the parties hereto agree as follows:

**Section 1. Order Placement.** To place orders for the Trustee to create or redeem one or more Baskets, Authorized Participants must follow the procedures for creation and redemption referred to in Section 3 of this Agreement and the procedures described in Attachment A hereto (the “Procedures”), as each may be amended, modified or supplemented from time to time.

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## Section 2. Status, Representations and Warranties of the Parties.

(a) The Authorized Participant represents and warrants and covenants the following on the date hereof and at each time of purchase by the Authorized Participant of a Basket from the Trust (each such time, the "Time of Purchase"), that:

(i) The Authorized Participant is a participant of DTC (as such a participant, a "DTC Participant"). If the Authorized Participant ceases to be a DTC Participant, the Authorized Participant shall give immediate notice to the Trustee of such event, and this Agreement shall terminate immediately as of the date the Authorized Participant ceased to be a DTC Participant.

(ii) Unless Section 2(a)(iii) applies, the Authorized Participant either (A) is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended ("1934 Act"), and is a member in good standing of the National Association of Securities Dealers, Inc. (the "NASD"), or (B) is exempt from being, or otherwise is not required to be, licensed as a broker-dealer or a member of the NASD, and in either case is qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. In connection with the purchase or redemption of Baskets and any related offers or sales of Shares, the Authorized Participant will maintain any such registrations, qualifications and membership in good standing and in full force and effect throughout the term of this Agreement. The Authorized Participant will comply with all applicable federal laws, the laws of the states or other jurisdictions concerned, and the rules and regulations promulgated thereunder, and with the Constitution, By-Laws and Conduct Rules of the NASD (if it is a NASD member), and will not offer or sell Shares in any state or jurisdiction where they may not lawfully be offered and/or sold.

(iii) If the Authorized Participant is offering or selling Shares in jurisdictions outside the several states, territories and possessions of the United States and is not otherwise required to be registered, qualified or a member of the NASD as set forth in Section 2(a)(ii) above, the Authorized Participant will, in connection with such offers and sales, (A) observe the applicable laws of the jurisdiction in which such offer and/or sale is made, (B) comply with the prospectus delivery and other requirements of the 1933 Act, and the regulations promulgated thereunder, and (C) conduct its business in accordance with the NASD Conduct Rules.

(iv) The Authorized Participant is in compliance with the money laundering and related provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, and the regulations promulgated thereunder, if the Authorized Participant is subject to the requirements of the USA PATRIOT Act.

(v) The Authorized Participant has the capability to send and receive communications via authenticated telecommunication facility to and from the Trustee. The Authorized Participant shall confirm such capability to the satisfaction of the Trustee by the end of the Business Day before placing its first order with the Trustee (whether such order is to create or to redeem Baskets).

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(b) The Sponsor represents and warrants that:

(i) on the effective date of the Registration Statement and at each Time of Purchase, the Trust's Registration Statement shall be effective and no stop order of the SEC with respect thereto shall have been issued and no proceedings for such purpose shall have been instituted or, to the Sponsor's knowledge, will then be contemplated by the SEC; the Registration Statement complies in all material respects with the requirements of the 1933 Act, and the Prospectus complied as of its date, and complies at the Time of Purchase, in all material respects with the requirements of the 1933 Act; and the conditions to the use of Form S-1 have been satisfied; the Registration Statement does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, the Prospectus will not, as of its date and at the Time of Purchase, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, as of \_\_\_\_\_ a.m./p.m. on the date of this Agreement (the "Time of Sale"), the documents comprising the Disclosure Package (as defined below) did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Sponsor makes no warranty or representation with respect to any statement contained in the Registration Statement, the Prospectus or the Disclosure Package in reliance upon and in conformity with information concerning the Authorized Participant and furnished in writing by or on behalf of the Authorized Participant to the Sponsor expressly for use therein. The "Disclosure Package" is the Prospectus and any amendments and supplements thereto at the Time of Sale and any free writing prospectus as defined in Rule 405 of the 1933 Act (a "FWP") prepared by, for or on behalf of the Sponsor before the Time of Sale and intended for general distribution;

(ii) the Shares, when issued and delivered against payment of consideration therefor, as provided in this Agreement, will be duly and validly authorized, issued, fully paid and non-assessable and free of statutory and contractual preemptive rights, rights of first refusal and similar rights;

(iii) the Sponsor has been duly organized and, on the effective date of the Registration Statement and at each Time of Purchase, will be validly existing as a limited liability company in good standing under the laws of the State of Delaware, with full power and authority to act as the sponsor of the Trust as described in the Registration Statement and the Prospectus, and has all requisite power and authority to execute and deliver this Agreement; and

(iv) at the time the Sponsor makes an offer of Shares following the filing of the Registration Statement, neither the Trust nor the Sponsor will be an "ineligible issuer" as defined in Rule 405 of the 1933 Act.

### **Section 3. Orders.**

(a) All orders to create or redeem Baskets shall be made in accordance with the terms of the Trust Agreement, the Deposit Account Agreement, this Agreement and the Procedures. Each

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party will comply with such foregoing terms and procedures to the extent applicable to it. The Authorized Participant hereby consents to the use of recorded telephone lines whether or not such use is reflected in the Procedures. The Trustee and Sponsor may issue additional or other procedures from time to time relating to the manner of creating or redeeming Baskets which are not related to the Procedures, and the Authorized Participant will comply with such procedures of which it has received notice in accordance with Section 18(c).

(b) The Authorized Participant acknowledges and agrees that each order to create a Basket (a "Purchase Order") and each order to redeem a Basket (a "Redemption Order", and each Purchase Order and Redemption Order, an "Order") may not be revoked by the Authorized Participant upon its delivery to the Trustee. A form of Purchase Order is attached hereto as Exhibit B and a form of Redemption Order is attached hereto as Exhibit C.

(c) The delivery of the Shares against deposits of British Pounds may be suspended generally, or refused with respect to particular requested deliveries, during any period when the transfer books of the Trustee are closed or if any such action is deemed necessary or advisable by the Trustee or the Sponsor for any reason at any time or from time to time. Except as otherwise provided in the Trust Agreement, the surrender of Shares for purposes of withdrawing British Pounds may not be suspended.

**Section 4. British Pounds Transfers.** Any British Pounds to be transferred in connection with any Order shall be transferred between the Authorized Participant's account and the Trust's deposit accounts established for such transfers pursuant to the Deposit Account Agreement (the "Deposit Accounts") in accordance with the Procedures. The Authorized Participant shall be responsible for all costs and expenses relating to or connected with any transfer of British Pounds between its account and the Deposit Accounts, including any late fees and other charges, if any, for which the Trustee becomes responsible in the event that British Pounds are not transferred from the Authorized Participant's account in accordance with the Procedures.

**Section 5. Fees.** In connection with each Order by an Authorized Participant to create or redeem one or more Baskets, the Trustee shall charge, and the Authorized Participant shall pay to the Trustee, the transaction fee prescribed in the Trust Agreement applicable to such creation or redemption. The initial transaction fee shall be five hundred dollars (\$500). The transaction fee may be waived or otherwise adjusted from time to time as set forth in the Prospectus.

**Section 6. Authorized Persons.** Concurrently with the execution of this Agreement and from time to time thereafter, the Authorized Participant shall deliver to the Trustee notarized and duly certified as appropriate by its secretary or other duly authorized official, a certificate in the form of Exhibit A setting forth the names and signatures of all persons authorized to give instructions relating to activity contemplated hereby or by any other notice, request or instruction given on behalf of the Authorized Participant (each, an "Authorized Person"). The Trustee may accept and rely upon such certificate as conclusive evidence of the facts set forth therein and shall consider such certificate to be in full force and effect until the Trustee receives a superseding certificate bearing a subsequent date. Upon the termination or revocation of authority of any Authorized Person by the Authorized Participant, the Authorized Participant shall give immediate written notice of such fact to the Trustee and such notice shall be effective upon receipt by the Trustee. The Trustee shall issue to each Authorized Person a unique personal identification number (the "PIN") by which such Authorized Person shall be identified and by which instructions issued by the Authorized Participant hereunder shall be authenticated. The PIN shall be kept confidential by the Authorized Participant and shall only be provided to the Authorized Person. If, after issuance, the Authorized Person's PIN is changed, the new PIN shall become effective on a date mutually agreed upon by the Authorized Participant and the Trustee.

**Section 7. Redemption.** The Authorized Participant represents and warrants that it will not obtain an Order Number (as described in the Procedures) from the Trustee for the purpose of redeeming a Basket unless it first ascertains that (i) it owns outright or has full legal authority and legal and beneficial right to tender for redemption the Baskets to be redeemed and to receive the entire proceeds of the redemption, and (ii) such

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Baskets have not been loaned or pledged to another party and are not the subject of a repurchase agreement, securities lending agreement or any other arrangement which would preclude the delivery of such Baskets to the Trustee on the third Business Day following the date of the Redemption Order.

#### **Section 8. Role of Authorized Participant.**

- (a) The Authorized Participant acknowledges that, for all purposes of this Agreement and the Trust Agreement, the Authorized Participant is and shall be deemed to be an independent contractor and has and shall have no authority to act as agent for the Trust, the Sponsor, the Trustee or the Depository, in any matter or in any respect.
- (b) The Authorized Participant will make itself and its employees available, upon request, during normal business hours to consult with the Trustee, the Depository or their designees concerning the performance of the Authorized Participant's responsibilities under this Agreement.
- (c) The Authorized Participant will maintain records of all sales of Shares made by or through it as required by law and will furnish copies of such records to the Sponsor upon the reasonable request of the Sponsor, subject to any privacy or confidentiality obligations it may have to its customers arising under federal or state securities laws or the applicable rules of any self regulatory organization. The Sponsor will not use any information provided by the Authorized Participant pursuant to this paragraph or disclose such information to others except in connection with the performance of its duties and responsibilities hereunder, including making servicing and informational mailings related to the Trust, or except as may be required by applicable law.

#### **Section 9. Indemnification.**

- (a) The Authorized Participant hereby indemnifies and holds harmless the Trustee, the Depository, the Trust, the Sponsor, their respective direct or indirect affiliates (as defined below) and their respective directors, officers, employees and agents (each, an "AP Indemnified Party") from and against any losses, liabilities, damages, costs and expenses (including attorney's fees and the reasonable cost of investigation) incurred by such AP Indemnified Party as a result of or in connection with: (i) any breach by the Authorized Participant of any provision of this Agreement, including any of its representations, warranties or covenants; (ii) any failure on the part of the Authorized Participant to perform any of its other obligations set forth in this Agreement; (iii) any failure by the Authorized Participant to comply with applicable laws and the rules and regulations of any governmental entity or any self-regulatory organization; (iv) any actions of such AP Indemnified Party in reliance upon any instructions issued in accordance with the Procedures reasonably believed by the AP Indemnified Party to be genuine and to have been given by the Authorized Participant; or (v) (A) any representation by the Authorized Participant, its employees or its agents or other representatives about the Shares, any AP Indemnified Party or the Trust that is not consistent with the Trust's Prospectus as then-supplemented made in connection with the offer or the solicitation of an offer to buy or sell Shares and (B) any untrue statement or alleged untrue statement of a material fact (1) contained in any research report, marketing material or sales literature described in Section 13(b) or in any FWP prepared by the Authorized Participant or (2) furnished by the Authorized Participant for use in a FWP prepared by, for or on behalf of the Sponsor, or any alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading to the extent that such statement or omission relates to the Shares, any AP Indemnified Party or the Trust, unless, in either case, such representation, statement or omission was made or included by the Authorized Participant at the written direction of the Sponsor or is based upon any omission or alleged omission by the Sponsor to state a material fact in connection with such representation, statement or omission necessary in order to make such representation, statement or omission not misleading.
- (b) The Sponsor hereby agrees to indemnify and hold harmless the Authorized Participant, its respective subsidiaries, affiliates, directors, officers, employees and agents, and each person, if any, who controls such persons within the meaning of Section 15 of the 1933 Act (each, a

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“Sponsor Indemnified Party”) from and against any losses, liabilities, damages, costs and expenses (including attorneys’ fees and the reasonable cost of investigation) incurred by such Sponsor Indemnified Party as a result of (i) any breach by the Sponsor of any provision of this Agreement that relates to the Sponsor, including its representations, warranties and covenants; (ii) any failure on the part of the Sponsor to perform any other obligation of the Sponsor set forth in this Agreement; (iii) any failure by the Sponsor to comply with applicable laws; or (iv) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or in any amendment thereof, or in the Prospectus, or in any amendment thereof or supplement thereto, or in the Disclosure Package, or in any FWP prepared by, for or on behalf of the Sponsor, or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading, except those statements based on information furnished in writing by or on behalf of the Authorized Participant expressly for use in the Registration Statement, amendment thereof, Prospectus, amendment thereof or supplement thereto, Disclosure Package or FWP.

(c) (i) This Section 9 shall not apply to any AP Indemnified Party or any Sponsor Indemnified Party (each, an “Indemnified Party”) to the extent any such losses, liabilities, damages, costs and expenses are incurred as a result of, or in connection with, any action or failure to act that constitutes gross negligence, bad faith or willful misconduct on the part of the such Indemnified Party. (ii) The term “affiliate” in this Section 9 shall include, with respect to any person, entity or organization, any other person, entity or organization which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, entity or organization.

(d) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under Sections 9(a) or 9(b) or insufficient to hold an indemnified party harmless in respect of any losses, liabilities, damages, costs and expenses referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, damages, costs and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Sponsor and the Trust, on the one hand, and by the Authorized Participant, on the other hand, from the services provided hereunder or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Sponsor and the Trust, on the one hand, and of the Authorized Participant, on the other hand, in connection with, to the extent applicable, the statements or omissions which resulted in such losses, liabilities, damages, costs and expenses, as well as any other relevant equitable considerations. The relative benefits received by the Sponsor and the Trust, on the one hand, and the Authorized Participant, on the other hand, shall be deemed to be in the same respective proportions as the amount of British Pounds transferred to the Trust under this Agreement on the one hand (expressed in dollars) bears to the amount of economic benefit received by the Authorized Participant in connection with this Agreement on the other hand. To the extent applicable, the relative fault of the Sponsor on the one hand and of the Authorized Participant on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Sponsor or by the Authorized Participant and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, liabilities, damages, costs and expenses referred to in this Section 9(d) shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any action, suit or proceeding (each a “Proceeding”) related to such losses, liabilities, damages, costs and expenses.

(e) The Sponsor and the Authorized Participant agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(d) above. The Authorized Participant shall not be required to contribute any amount in

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excess of the amount by which the total price at which the Shares created by the Authorized Participant and distributed to the public were offered to the public exceeds the amount of any damage which the Authorized Participant has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 9 shall remain in full force and effect regardless of any investigation made by or on behalf of the Authorized Participant, its partners, stockholders, members, directors, officers, employees and or any person (including each partner, stockholder, member, director, officer or employee of such person) who controls the Authorized Participant within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, or by or on behalf of the Sponsor, its partners, stockholders, members, directors, officers, employees or any person who controls the Sponsor within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and shall survive any termination of this Agreement. The Sponsor and the Authorized Participant agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Sponsor, against any of the Sponsor's officers or directors, in connection with the issuance and sale of the Shares or in connection with the Registration Statement or the Prospectus.

#### **Section 10. Liability.**

(a) **Limitation of Liability.** None of the Sponsor, the Trustee, the Authorized Participant, and the Depository shall be liable to each other or to any other person, including any party claiming by, through or on behalf of the Authorized Participant, for any losses, liabilities, damages, costs or expenses arising out of any mistake or error in data or other information provided to any of them by each other or any other person or out of any interruption or delay in the electronic means of communications used by them.

(b) **Tax Liability.** The Authorized Participant shall be responsible for the payment of any transfer tax, sales or use tax, stamp tax, recording tax, value added tax and any other similar tax or government charge applicable to the creation or redemption of any Basket made pursuant to this Agreement, regardless of whether or not such tax or charge is imposed directly on the Authorized Participant. To the extent the Trustee, the Sponsor or the Trust is required by law to pay any such tax or charge, the Authorized Participant agrees to promptly indemnify such party for any such payment, together with any applicable penalties, additions to tax or interest thereon.

**Section 11. Acknowledgment.** The Authorized Participant acknowledges receipt of a (i) copy of the Trust Agreement and (ii) the current Prospectus of the Trust, and represents that it has reviewed and understands such documents.

**Section 12. Effectiveness and Termination.** Upon the execution of this Agreement by the parties hereto, this Agreement shall become effective in this form as of the Time of Sale, and may be terminated at any time by any party upon thirty (30) days prior written notice to the other parties unless earlier terminated: (i) in accordance with Section 2(a)(i); (ii) upon notice to the Authorized Participant by the Trustee in the event of a breach by the Authorized Participant of this Agreement or the procedures described or incorporated herein; (iii) immediately in the circumstances described in Section 18(j); or (iv) at such time as the Trust is terminated pursuant to the Trust Agreement.

#### **Section 13. Marketing Materials; Representations Regarding Shares; Identification in Registration Statement.**

(a) The Authorized Participant represents, warrants and covenants that (i), without the written consent of the Sponsor, the Authorized Participant will not (A) make, or permit any of its representatives to make, any representations concerning the Shares or any AP Indemnified Party other than representations contained (1) in the Prospectus of the Trust, as then amended and

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supplemented, (2) in printed information approved by the Sponsor as information supplemental to such Prospectus or (3) in any promotional materials or sales literature furnished to the Authorized Participant by the Sponsor, or (B) issue any FWP pursuant to Rules 164 and 433 of the 1933 Act and (ii) the Authorized Participant will not furnish or cause to be furnished to any person or display or publish any information or material relating to the Shares, any AP Indemnified Person or the Trust that are not consistent with the Prospectus, as then amended and supplemented. Copies of the Prospectus of the Trust, as then amended and supplemented, and any such printed supplemental information will be supplied by the Sponsor to the Authorized Participant in reasonable quantities upon request.

(b) Notwithstanding the foregoing, the Authorized Participant may without the written approval of the Sponsor prepare and circulate in the regular course of its business research reports, marketing material and sales literature, but in no event FWPs, that include information, opinions or recommendations relating to the Shares (i) for public dissemination, provided that such research reports, marketing material or sales literature is prepared in accordance with applicable rules and regulations of the 1933 Act, any applicable state securities laws and NASD rules; or (ii) for internal use by the Authorized Participant. The Authorized Participant will file all such research reports, marketing material and sales literature related to the Shares with the NASD to the extent required by the NASD Conduct Rules.

(c) The Authorized Participant and its affiliates may prepare and circulate in the regular course of their businesses, without having to refer to the Shares or the Prospectus, as then amended and supplemented, data and information relating to the price of British Pounds.

(d) The Authorized Participant hereby agrees that for the term of this Agreement the Sponsor may deliver the Prospectus, and any supplements or amendments thereto or recirculation thereof, to the Authorized Participant in Portable Document Format (“PDF”) via electronic mail in lieu of delivering the Prospectus in paper form. The Authorized Participant may revoke the foregoing agreement at any time by delivering written notice to the Sponsor and, whether or not such agreement is in effect, the Authorized Participant may, at any time, request reasonable quantities of the Prospectus, and any supplements or amendments thereto or recirculation thereof, in paper form from the Sponsor. The Authorized Participant acknowledges that it has the capability to access, view, save and print material provided to it in PDF and that it will incur no appreciable extra costs by receiving the Prospectus in PDF instead of in paper form. The Sponsor will, when requested by the Authorized Participant, make available at no cost the software and technical assistance necessary to allow the Authorized Participant to access, view and print the PDF version of the Prospectus.

(e) For as long as this Agreement is effective, the Authorized Participant agrees to be identified as an authorized participant of the Trust (i) in the section of the Prospectus included within the Registration Statement entitled “Creation and Redemption of Shares” (including identifying the Authorized Participant in such section by a supplement to the Prospectus) and in any other section as may be required by the SEC and (ii) on the Trust’s website. Upon the termination of this Agreement, (i) during the period prior to when the Sponsor qualifies and elects to file on Form S-3, the Sponsor will remove such identification from the Prospectus in the amendment of the Registration Statement next occurring after the date of the termination of this Agreement and, during the period after when the Sponsor qualifies and elects to file on Form S-3, the Sponsor will promptly file a current report on Form 8-K indicating the withdrawal of the Authorized Participant as an authorized participant of the Trust and (ii) the Sponsor will promptly update the Trust’s website to remove any identification of the Authorized Participant as an authorized participant of the Trust.

**Section 14. Title To British Pounds.** The Authorized Participant represents and warrants that upon delivery of the Basket British Pound Amount (as defined in the Trust Agreement) to the Trustee in accordance with the terms of the Trust Agreement and this Agreement, the Trust will acquire good and unencumbered title to the British Pounds which are the subject of such Basket British Pound Amount, free

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and clear of all pledges, security interests, liens, charges, taxes, assessments, encumbrances, equities, claims, options or limitations of any kind or nature, fixed or contingent, and not subject to any adverse claims, including any restriction upon the sale or transfer of all or any part of such British Pounds which is imposed by any agreement or arrangement entered into by the Authorized Participant or any party for which it is acting in connection with a Purchase Order.

**Section 15. Third Party Beneficiaries.** Each AP Indemnified Party, to the extent it is not a party to this Agreement, is a third-party beneficiary of this Agreement (each, a “Third Party Beneficiary”) and may proceed directly against the Authorized Participant (including by bringing proceedings against the Authorized Participant in its own name) to enforce any obligation of the Authorized Participant under this Agreement which directly or indirectly benefits such Third Party Beneficiary.

**Section 16. Force Majeure.** No party to this Agreement shall incur any liability for any delay in performance, or for the non-performance, of any of its obligations under this Agreement by reason of any act of God or war or terrorism, acts and regulations and rules of any governmental or supra national bodies or authorities or regulatory or self-regulatory organization or failure of any such body, authority or organization for any reason, to perform its obligations, or any cause beyond its reasonable control, including, without limitation, any breakdown, malfunction or failure of transmission in connection with or other unavailability of any wire, communication or computer facilities, any transport, port or airport disruption, or any industrial action.

**Section 17. Ambiguous Instructions.** If a Purchase Order Form or a Redemption Order Form otherwise in good form contains order terms that differ from the information provided in the telephone call at the time of issuance of the applicable order number, the Trustee will attempt to contact one of the Authorized Persons of the Authorized Participant to request confirmation of the terms of the Order. If an Authorized Person confirms the terms as they appear in the Order, then the Order will be accepted and processed. If an Authorized Person contradicts the Order terms, the Order will be deemed invalid, and a corrected Order must be received by the Trustee. If the Trustee is not able to contact an Authorized Person, then the Order shall be accepted and processed in accordance with its terms notwithstanding any inconsistency from the terms of the telephone information. In the event that an Order contains terms that are not complete or are illegible, the Order will be deemed invalid and the Trustee will attempt to contact one of the Authorized Persons of the Authorized Participant to request retransmission of the Order.

**Section 18. Miscellaneous.**

(a) Amendment and Modification. This Agreement, the Procedures attached as Attachment A and the Exhibits hereto may be amended, modified or supplemented by the Trustee and the Sponsor, without consent of any Authorized Participant from time to time by the following procedure. After the amendment, modification or supplement has been agreed to, the Trustee will mail a copy of the proposed amendment, modification or supplement to the Authorized Participant. For the purposes of this Agreement, mail will be deemed received by the recipient thereof on the third (3rd) day following the deposit of such mail into the United States postal system. Within ten (10) calendar days after its deemed receipt, the amendment, modification or supplement will become part of this Agreement, the Attachments or the Exhibits, as the case may be, in accordance with its terms. If at any time there is any material amendment, modification or supplement of any Participant Agreement (other than this Agreement), the Trustee will promptly mail a copy of such amendment, modification or supplement to the Authorized Participant.

(b) Waiver of Compliance. Any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but any such written waiver, or the failure to insist upon strict compliance with any obligation, covenant, agreement or condition herein, shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

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(c) Notices. Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given pursuant to this Agreement shall be given in writing and delivered by personal delivery, by postage prepaid registered or certified United States first class mail, return receipt requested, by nationally recognized overnight courier (delivery confirmation received) or by telex, telegram or telephonic facsimile or similar means of same day delivery (transmission confirmation received), with a confirming copy regular mailed, postage prepaid. For avoidance of doubt, notices may not be given or transmitted by electronic mail. Unless otherwise notified in writing, all notices to the Trust shall be given or sent to the Trustee. All notices shall be directed to the address or telephone or facsimile numbers indicated below the signature line of the parties on the signature page hereof.

(d) Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

(e) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other parties, except that any entity into which a party hereto may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion, or consolidation to which such party hereunder shall be a party, or any entity succeeding to all or substantially all of the business of the party, shall be the successor of the party under this Agreement. The party resulting from any such merger, conversion, consolidation or succession shall notify the other parties hereto of the change. Any purported assignment in violation of the provisions hereof shall be null and void. Notwithstanding the foregoing, this Agreement shall be automatically assigned to any successor Trustee or Sponsor at such time such successor qualifies as a successor Trustee or Sponsor under the terms of the Trust Agreement.

(f) Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York conflict of laws principles) as to all matters, including matters of validity, construction, effect, performance and remedies. Each party hereto irrevocably consents to the jurisdiction of the courts of the State of New York and of any federal court located in the Borough of Manhattan in such State in connection with any action, suit or other proceeding arising out of or relating to this Agreement or any action taken or omitted hereunder, and waives any claim of forum non convenient and any objections as to laying of venue. Each party further waives personal service of any summons, complaint or other process and agrees that service thereof may be made by certified or registered mail directed to such party at such party's address for purposes of notices hereunder. Each party hereby waives its right to a trial by jury of any claim arising under or in connection with this Agreement.

(g) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement, and it shall not be necessary in making proof of this Agreement as to any party hereto to produce or account for more than one such counterpart executed and delivered by such party.

(h) Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

(i) Entire Agreement. This Agreement and the Trust Agreement, along with any other agreement or instrument delivered pursuant to this Agreement and the Trust Agreement, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof, provided, however, that the Authorized Participant shall not be deemed by this provision to be a party to the Trust Agreement.

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(j) Severance. If any provision of this Agreement is held by any court or any act, regulation, rule or decision of any other governmental or supra national body or authority or regulatory or self-regulatory organization to be invalid, illegal or unenforceable for any reason, it shall be invalid, illegal or unenforceable only to the extent so held and shall not affect the validity, legality or enforceability of the other provisions of this Agreement and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein, unless the Sponsor determines in its discretion, after consulting with the Trustee, that the provision of this Agreement that was held invalid, illegal or unenforceable does affect the validity, legality or enforceability of one or more other provisions of this Agreement, and that this Agreement should not be continued without the provision that was held invalid, illegal or unenforceable, and in that case, upon the Sponsor' s notification of the Trustee of such a determination, this Agreement shall immediately terminate and the Trustee will so notify the Authorized Participant immediately.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(l) Survival. Sections 9 (Indemnification) and 15 (Third Party Beneficiaries) hereof shall survive the termination of this Agreement.

(m) Other Usages. The following usages shall apply in interpreting this Agreement: (i) references to a governmental or quasigovernmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of such agency, authority or instrumentality; and (ii) "including" means "including, but not limited to."

\* \* \* \* \*

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IN WITNESS WHEREOF, the Authorized Participant, the Sponsor and the Trustee, on behalf of the Trust, have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

THE BANK OF NEW YORK,  
not in its individual capacity,  
but solely as Trustee of the CurrencyShares British  
Pound Sterling Trust

KNIGHT CLEARING SERVICES, LLC

By: /s/ Andrew Pfeifer

Name:

Title Vice President

Address: One Wall Street  
New York, NY 10286

Telephone: (212) 635-6314

Facsimile:

By: /s/ Christopher Pento

Name: Christopher Pento

Title President

Address: 545 Washington Blvd., 2<sup>nd</sup> Fl.  
Jersey City, NJ 07310

Telephone: 201-356-4232

Facsimile: 201-356-4297

RYDEX SPECIALIZED PRODUCTS LLC,  
Sponsor of the CurrencyShares British Pound Sterling  
Trust

/s/ Nick Bonos

Name: Nick Bonos

Title: CEO

Address: 9601 Blackwell Rd., Ste 500  
Rockville, MD 20850

Telephone: 301-296-5125

Facsimile: 301-296-5104



Knight Clearing Services LLC  
545 Washington Boulevard  
Jersey City, New Jersey 07310  
Tel 201.222.9400  
Fax 201.557.6853  
Toll Free 800.544.7508  
www.knight.com

**Exhibit A**

**CURRENCYSHARES<sup>SM</sup> BRITISH POUND STERLING TRUST**

**FORM OF CERTIFIED AUTHORIZED PERSONS OF AUTHORIZED PARTICIPANT**

The following are the names, titles and signatures of all persons (each an “Authorized Person”) authorized to give instructions relating to any activity contemplated by the Participant Agreement or any other notice, request or instruction on behalf of the Authorized Participant pursuant to the CurrencyShares British Pound Trust Participant Agreement.

Authorized Participant: Knight Clearing Services LLC.

Name: Stacey Boss  
Title: Authorized Person

Signature: /s/ Stacey Boss

Name: Eric Malpica  
Title: Authorized Person

Signature: /s/ Eric Malpica

Name: Erma McClain  
Title: Authorized Person

Signature: /s/ Erma McClain

Name: Robert Moseman III  
Title: Authorized Person

Signature: /s/ Robert Moseman III

Name: Sean Siri  
Title: Authorized Person

Signature: /s/ Sean Siri

Name: Wayne Solano  
Title: Authorized Person

Signature: /s/ Wayne Solano

The undersigned, Andrew M. Greenstein, Managing Director, Deputy General Counsel and Secretary of Knight Clearing Services LLC does hereby certify that the persons listed above have been duly elected to the offices set forth beneath their names, that they presently hold such offices, that they have been duly authorized to act as Authorized Persons pursuant to the CurrencyShares British Pound Trust Participant Agreement by and between Knight Clearing Services LLC and the Trustee and the Sponsor of the CurrencyShares British Pound Trust, dated March 25, 2010, and that their signatures set forth above are their own true and genuine signatures.

In Witness Whereof, the undersigned has hereby set his hand and the seal of Knight Clearing Services LLC on the date set forth below.

Knight Clearing Services LLC

By: /s/ Andrew M. Greenstein

Name: Andrew M. Greenstein  
Title: Managing Director, Deputy General  
Counsel & Secretary

Date: April 15, 2010

Subscribed and sworn to before me  
This 15<sup>th</sup> day of April, 2010

/s/ Maria Corona S. Bugarin  
Maria Corona S. Bugarin

Notary Public of New Jersey  
My Comm. Expires Sept. 26, 2013

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**EXHIBIT B**

**CURRENCYSHARES<sup>SM</sup> BRITISH POUND STERLING TRUST**

**PURCHASE ORDER FORM**

THE BANK OF NEW YORK, TRUSTEE

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CONTACT INFORMATION FOR ORDER EXECUTION:

Telephone order number: (718) 315-4970 or 4967  
Fax order number: (718) 315-4881  
Depository Instructions (000-000-0000)/SWIFT [\_\_\_\_\_]

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Participant must complete all items in Part I. The Trustee, in its discretion may reject any order not submitted in complete form.

**I. TO BE COMPLETED BY PARTICIPANT:**

Date: \_\_\_\_\_ Time: \_\_\_\_\_  
Broker Name: \_\_\_\_\_ Firm Name: \_\_\_\_\_  
DTC Participant Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
(One Basket = 50,000 [FXB] Shares)

Number of Baskets Transacted: \_\_\_\_\_

Order # \_\_\_\_\_ Number written out: \_\_\_\_\_

This Purchase Order is subject to the terms and conditions of the Depository Trust Agreement of the CurrencyShares British Pound Sterling Trust as currently in effect and the Participant Agreement between the Authorized Participant, the Trustee and the Sponsor named therein. All representations and warranties of the Authorized Participant set forth in such Depository Trust Agreement and such Participant Agreement are incorporated herein by reference and are true and accurate as of the date hereof.

The undersigned does hereby certify as of the date set forth below that he/she is an Authorized Person under the Participant Agreement and that he/she is authorized to deliver this Purchase Order to the Trustee on behalf of the Authorized Participant. The Authorized Participant enters into this agreement based on an estimated Basket British Pound Amount disseminated the previous business day and recognizes the final Basket British Pound Amount represented will be decreased based on the Trust's daily accrual. At the conclusion of the trading day a final NAV will be disseminated to all Authorized Participants, and the Basket British Pound Amount required for the Purchase Order entered into on this day will be finalized and this Purchase Order will serve as a legally binding contract for settlement in 3 business days.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Person's Signature

**II. TO BE COMPLETED BY TRUSTEE:**

This certifies that the above order has been:

\_\_\_\_\_ Accepted by the Trustee

\_\_\_\_\_ Declined-Reason: \_\_\_\_\_

Final # of BRITISH Pounds \_\_\_\_\_

Final # of [FXB] Shares \_\_\_\_\_

---

Date

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Time

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Authorized Signature of Trustee

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EXHIBIT C

CURRENCYSHARES BRITISH POUND STERLING TRUST

REDEMPTION ORDER FORM

THE BANK OF NEW YORK, TRUSTEE

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CONTACT INFORMATION FOR ORDER EXECUTION:

Telephone order number: (718) 315-4970 or 4967  
Fax order number: (718) 315-4881  
Depository Instructions (000-000-0000)/SWIFT [\_\_\_\_\_]

---

Participant must complete all items in Part I. The Trustee, in its discretion may reject any order not submitted in complete form.

**I. TO BE COMPLETED BY PARTICIPANT:**

Date: \_\_\_\_\_ Time: \_\_\_\_\_  
Broker Name: \_\_\_\_\_ Firm Name: \_\_\_\_\_  
DTC Participant Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
(One Basket = 50,000 [FXB] Shares)

Number of Baskets Surrendered: \_\_\_\_\_

Order # \_\_\_\_\_ Number written out: \_\_\_\_\_

This Redemption Order is subject to the terms and conditions of the Depository Trust Agreement of the CurrencyShares British Pound Sterling Trust as currently in effect and the Participant Agreement between the Authorized Participant, the Trustee and the Sponsor named therein. All representations and warranties of the Authorized Participant set forth in such Depository Trust Agreement and such Participant Agreement are incorporated herein by reference and are true and accurate as of the date hereof.

The undersigned does hereby certify as of the date set forth below that he/she is an Authorized Person under the Participant Agreement and that he/she is authorized to deliver this Redemption Order to the Trustee on behalf of the Authorized Participant. The Authorized Participant enters into this agreement based on an estimated Basket British Pound Amount disseminated the previous business day and recognizes the final Basket British Pound Amount represented will be decreased based on the Trust's daily accrual. At the conclusion of the trading day a final NAV will be disseminated to all Authorized Participants, and the Basket British Pound Amount required for the Redemption Order entered into on this day will be finalized and this Redemption Order will serve as a legally binding contract for settlement in 3 business days.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Person's Signature

**II. TO BE COMPLETED BY TRUSTEE:**

This certifies that the above order has been:

\_\_\_\_\_ Accepted by the Trustee

\_\_\_\_\_ Declined-Reason: \_\_\_\_\_

Final # of British Pounds \_\_\_\_\_

Final # of [FXB] Shares \_\_\_\_\_

---

Date

---

Time

---

Authorized Signature of Trustee

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## ATTACHMENT A

### CREATION AND REDEMPTION OF BRITISH POUND SHARES AND RELATED BRITISH POUNDS TRANSACTIONS

#### Scope of Procedures and Overview

These procedures (the “Procedures”) describe the processes by which one or more Baskets of British Pound Sterling Trust shares (the “Shares”) issuable by The Bank of New York, as trustee (the “Trustee”) of the CurrencyShares British Pound Sterling Trust (the “Trust”), may be purchased or, once Shares have been issued, redeemed by an Authorized Participant. Shares may be created or redeemed only in blocks of 50,000 Shares (each such block, a “Basket”). Because the issuance and redemption of Baskets also involve the transfer of British Pounds between the Authorized Participant and the Trust, certain processes relating to the underlying transfers of British Pounds also are described.

Under these Procedures, Baskets may be issued only in consideration for British Pounds transferred to and held in the Trust’s accounts maintained in London, England by London Branch of JPMorgan Chase Bank, N.A., as depository (the “Depository”). Capitalized terms used in these Procedures without further definition have the meanings assigned to them in the Depository Trust Agreement, dated as of [\_\_\_\_], 2006, between Rydex Specialized Products LLC (the “Sponsor”), the Trustee, the registered owners and beneficial owners from time to time of Shares issued thereunder and all depositors (the “Trust Agreement”), or the Participant Agreement entered into by each Authorized Participant with the Sponsor and the Trustee.

For purposes of these Procedures, a “Business Day” is defined as any day other than (i) a Saturday or Sunday or (ii) a day on which the New York Stock Exchange (the “NYSE”) is not open for regular trading at noon New York City time.

The Prospectus describes the creation and redemption process and the Trust; it will be delivered by the Sponsor to each Authorized Participant prior to its execution of the Participant Agreement. Baskets are issued and redeemed in accordance with the Trust Agreement and the Participant Agreement. Baskets may be issued and redeemed on any Business Day by the Trustee in exchange for British Pounds, which the Trustee receives from Authorized Participants or transfers to Authorized Participants, in each case on behalf of the Trust. Authorized Participants will be required to pay a nonrefundable per order transaction fee of \$500 to the Trustee (the “Transaction Fee”).

#### Authorized Participants and the Trust Transfer British Pounds and Baskets of Shares

Upon acceptance of the Participant Agreement by the Sponsor and the Trustee, the Trustee will assign a personal identification number (a “PIN”) to each person authorized to act for the Authorized Participant (and “Authorized Person”). This will allow the Authorized Participant through its Authorized Person(s) to place Purchase Order(s) or Redemption Order(s) (together, “Orders”) for Baskets.

#### Important Notes:

Any Purchase Order is subject to rejection by the Trustee for the reasons set forth in the Trust Agreement.

All Orders are subject to the provisions of the Participant Agreement relating to unclear or ambiguous instructions.

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## CREATION PROCESS OVERVIEW

The following describes the process by which Baskets are created. In summary, an order to purchase one or more Baskets of Shares is placed by an Authorized Participant with the Trustee by 4:00 p.m. New York City (“NYC”) time on the Business Day that is the Order Date under the Trust Agreement (“CREATION T”), and a Basket is created by 9:30 a.m. NYC time (usually 3:30 p.m. Central European Time (“CET”)) on the third Business Day following CREATION T (“CREATION T+3”). In order for the creation of a Basket to occur, the Authorized Participant must transfer to the Trust British Pounds and the Trustee will transfer to the Authorized Participant’s account at The Depository Trust Company (“DTC”) Shares corresponding to the British Pounds the Participant has transferred to the Trust.

### C1 CREATION T (PURCHASE ORDER TRADE DATE)

C1.1 By the 4:00 p.m. NYC time (the “Order Cut-Off Time”), or by 12:00 p.m. NYC time on the monthly dividend declaration date (the “Early Order Cut-Off Time”), the Authorized Participant submits to the Trustee the Authorized Participant’s order to create one or more Baskets of Shares (a “Purchase Order”) in accordance with the following process.

C1.1.1 By the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable, an Authorized Person of the Authorized Participant calls the Trustee at 718-315-4970 or 4967, notifying the Trustee that the Authorized Participant wishes to place a Purchase Order for the Trustee to create an identified number of Baskets of Shares and requesting that the Trustee provide an order number. The Authorized Person provides a PIN as identification to the Trustee.

C1.1.2 Incoming telephone calls are queued and will be handled in the sequence received. The Trustee will process Purchase Orders if the phone call initiated by the Authorized Person is placed before the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable, even though the remainder of the order process is not completed until after the Order Cut-Off Time or the Early Order Cut-Off Time. Accordingly, do not hang up and redial.

C1.1.3 Purchase Orders initiated after the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable will be rejected.

C1.1.4 During the phone call from the Authorized Person of the Authorized Participant to initiate a Purchase Order, the Trustee will give an order number for the Authorized Participant’s Purchase Order.

C1.1.5 Within 15 minutes after receiving the order number from the Trustee, the Authorized Participant will fax the Purchase Order to the Trustee using the Purchase Order Form included as part of the Participant Agreement.

C1.1.6 The Purchase Order Form provides, among other things, for the number of Baskets that the Authorized Participant is ordering and the condition that the Purchase Order is subject to the Trustee’s receipt of the Transaction Fee by (DTC SPO Charge) prior to delivery of the Baskets on CREATION T+3.

C1.1.7 If the Trustee has not received the Purchase Order Form from the Authorized Participant within 15 minutes after the Authorized Person placed the phone call to the Trustee, the Trustee places a phone call to the Authorized Participant to inquire about the status of the order. If the Authorized Participant does not fax the Purchase Order Form to the Trustee within 15 minutes after the Trustee’s phone call, the Authorized Participant’s order is cancelled, but the Authorized Participant will remain liable to the Trustee for the Transaction Fee.

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C1.2 If the Trustee has received the Authorized Participant's Purchase Order Form on time in accordance with the preceding timing rules, then by 5:00 p.m. NYC time on CREATION T, the Trustee will return to the Participant a copy of the Purchase Order Form submitted, marking it "Affirmed subject to receipt of the Transaction Fee prior to delivery of Baskets on CREATION T+3" and indicating, on a preliminary basis subject to confirmation, the number of British Pounds the Participant must transfer in exchange for the Basket(s).

C1.3 The Participant ensures that by 3:30 p.m. CET (usually 9:30 a.m. NYC time) on CREATION T+3 that sufficient British Pounds are wire transferred to the Depository.

#### C1.4 NOTES FOR AUTHORIZED PARTICIPANT (CREATION T)

C1.4.1 The Authorized Participant must be a participating member of DTC.

C1.4.2 The Authorized Participant must be able to transfer British Pounds via (RTGSplus, EBA EURO1 or TARGET). SWIFT BIC - CHASGB2L.

C1.4.3 The Authorized Participant must have signed and delivered the Participant Agreement to the Trustee. The Trustee will accept an Authorized Participant based on the representations made by the Authorized Participant in the Participant Agreement. The Trustee will not perform other due diligence or investigation of Authorized Participants.

C1.4.4 The Authorized Participant must have in place, before a Purchase Order can be processed, account instructions for British Pounds transfers with its sending financial institution.

C1.4.5 By 3:30 p.m. CET on CREATION T+3, British Pounds in the amount needed to acquire the Shares must be standing to the credit of the Deposit Account in order for the Authorized Participant to receive Shares on CREATION T+3.

C1.4.6 An Authorized Participant may only deliver British Pounds for credit to the Depository in the following ways (RTGSplus, EBA EURO1 or TARGET). SWIFT BIC - CHASGB2L.

C1.4.7 Prior to the delivery of the Baskets by the Trustee on CREATION T+3, the Authorized Participant must accept a DTC SPO Charge for the applicable Transaction Fee from the Trustee. Purchase Orders for which the Trustee has not received the Transaction Fee will be cancelled subject to handling pursuant to supplemental procedures to be issued, but in any event the Authorized Participant will remain obligated to the Trustee for the Transaction Fee.

#### C1.5 NOTES FOR TRUSTEE (CREATION T)

C1.5.1 Based on the Purchase Orders placed with it on CREATION T, the Trustee sends an authenticated electronic message (SWIFT MT210) to the Depository (by T+1) indicating the approximate total amount of British Pounds that the Depository will receive from the Authorized Participant on CREATION T+3.

## C2 CREATION T+1

C2.1 The Purchase Orders and instructions given on CREATION T are all pending with the Trustee.

C2.2 The Depository receives the Trustee's message (SWIFT MT210) about the approximate total amount of British Pounds the Authorized Participant is required to transfer not later than 3:30 p.m. CET on CREATION T+3.

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### C3 CREATION T+2

On CREATION T+2 the Trustee notifies the Authorized Participant of the final amount of British Pounds that must be deposited in the Deposit Account (the “Basket British Pounds Amount”) not later than 3:30 p.m. CET on CREATION T+3 for creation of the Baskets on that day.

### C4 CREATION T+3

C4.1 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), the Depository has received each Authorized Participant’ s wire transfer of the Basket British Pounds Amount in the Deposit Account.

C4.2 As of 3:30 p.m. CET time, the Depository notifies the Trustee that the Basket British Pounds Amount has been transferred into the Deposit Account by an authenticated electronic message (SWIFT MT910).

C4.3 Prior to the delivery of the Baskets on CREATION T+3, the Trustee must have received the Transaction Fee from the Authorized Participant (SPO/DTC Charge).

C4.4 At 11:00 a.m. NYC time, following receipt of the notice from the Depository confirming the transfer of the Basket British Pounds Amount to the Deposit Account, the Trustee authorizes the creation and issuance of the Baskets ordered by each Authorized Participant on CREATION T for which the Trustee has received confirmation from the Depository of receipt of the Basket British Pounds Amount.

C4.5 By 11:00 a.m. NYC time, following receipt of the notice from the Depository confirming the transfer of the Basket British Pounds Amount to the Deposit Account, the Trustee notifies its transfer agent service desk that it has authorized the creation and issuance of Baskets in the number specified, and to increase the number of Shares outstanding accordingly. By 11:00 a.m. NYC time, following receipt of the notice from the Trustee that it has authorized the creation and issuance of Shares in the number specified, the Trustee’ s transfer agent service desk increases the number of Shares outstanding, and notifies the Trustee and the Trustee’ s DTC operations desk that an increased number of Shares is now outstanding and available for release in accordance with the Trustee’ s instructions.

C4.6 By 11:00 a.m. NYC time, following receipt of notice from the Trustee’ s transfer agent service desk that the number of Shares now outstanding has been increased, the Trustee notifies its DTC operations desk to release the increased number of Shares through DTC to the DTC participant accounts of the Authorized Participants scheduled to receive Baskets on CREATION T+3 for whom the Trustee has received confirmation from the Depository that the Basket British Pounds Amount has been received into the Deposit Account.

C4.7 Following the close of business (usually 3:30 p.m. CET time) on CREATION T+3, the Depository makes appropriate entries in its books and records to reflect the creation of Baskets.

C4.8 Following the close of business (usually 3:30 p.m. CET time) on CREATION T+3, the Depository British Pounds system updates account records, recording the movements of British Pounds in the Deposit Account and providing updated balances in the affected accounts as of the close of business (usually 3:30 p.m. CET time) on CREATION T+3.

C4.9 Following the close of business (usually 3:30 p.m. CET time) on CREATION T+3, the Depository British Pounds system automatically generates authenticated electronic messages constituting a statement of the activity affecting the Deposit Account (SWIFT MT940 or SWIFT MT950), (received only by the Trustee).

C4.10 If the Authorized Participant fails to deliver British Pounds by 3:30 p.m. CET on CREATION T+3, (a) the Trustee will apply a late fee equal to four (4) times the creation charge; and (b) the Depository may, in its reasonable discretion, apply a late fee calculated in accordance with standard industry practices pursuant to The European Interbank Compensation Guidelines, as follows:

(Principal Amount) x (\_\_\_\_\_+25bps) x (# calendar days that the funds are late) divided by 360 x 100.

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In the event any such late fees are assessed, the Trustee will coordinate with the Authorized Participant to arrange payment of such fees.

## **REDEMPTION PROCESS OVERVIEW**

The following describes the process by which Baskets are redeemed. In summary, an order to redeem one or more Baskets of Shares is placed by an Authorized Participant with the Trustee by 4:00 p.m. NYC time on the Business Day that is the Order Date under the Trust Agreement (“**REDEMPTION T**”), and a Basket is redeemed by 3:30 p.m. CET (usually 9:30 a.m. NYC time) on the third Business Day following **REDEMPTION T** (“**REDEMPTION T+3**”). In order for the redemption of a Basket to occur, the Authorized Participant must pay a transaction fee and the Trustee will instruct the Depository to transfer to the Authorized Participant British Pounds corresponding to the Shares delivered for redemption.

### **R1 REDEMPTION T (REDEMPTION ORDER TRADE DATE)**

R1.1 By the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable, the Authorized Participant submits to the Trustee the Authorized Participant’s order to redeem one or more Baskets of Shares (a “**Redemption Order**”) in accordance with the following process.

R1.1.1 By the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable, an Authorized Person of the Authorized Participant calls the Trustee at 718-315-4970 or 4967, notifying the Trustee that the Authorized Participant wishes to place a Redemption Order for the Trustee to redeem an identified number of Baskets of Shares and requesting that the Trustee provide an order number. The Authorized Person provides a PIN as identification to the Trustee.

R1.1.2 Incoming telephone calls are queued and will be handled in the sequence received. The Trustee will process the Redemption Order(s) if the phone call initiated by the Authorized Person is placed before the Order Cut-Off Time or the Early Order Cut-Off Time, as applicable, even though the remainder of the order process is not completed until after the Order Cut-Off Time or the Early Order Cut-Off Time. Accordingly, do not hang up and redial.

R1.1.3 Redemption Orders initiated after the Order Cut-Off Time or the Early Order Cut-Off Time are rejected.

R1.1.4 During the phone call from the Authorized Person of the Authorized Participant to initiate a Redemption Order, the Trustee will give an order number for the Authorized Participant’s Redemption Order.

R1.1.5 Within 15 minutes after the phone call initiating the Redemption Order, the Authorized Participant will fax the Redemption Order to the Trustee using the Redemption Order Form included as part of the Participant Agreement.

R1.1.6 The Redemption Order Form provides, among other things, for the number of Baskets that the Authorized Participant is redeeming and the condition that the Redemption Order is subject to Trustee’s receipt of the Transaction Fee by SPO/DTC Charge prior to the delivery of the British Pounds to the Authorized Participant on **REDEMPTION T+3**.

R1.1.7 If the Trustee has not received the Redemption Order Form from the Authorized Participant within 15 minutes after the Authorized Person placed the phone call to the Trustee, the Trustee places a phone call to the Authorized Participant to inquire about the status of the order. If the Authorized

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Participant does not fax the Redemption Order Form to the Trustee within 15 minutes after the Trustee's phone call, the Authorized Participant's order is cancelled, but the Authorized Participant will remain liable to the Trustee for the Transaction Fee.

R1.2 If the Trustee has received the Authorized Participant's Redemption Order Form on time in accordance with the preceding timing rules, then by 5:00 p.m. NYC time on REDEMPTION T, the Trustee will return to the Authorized Participant a copy of the Redemption Order Form submitted, marking it "Affirmed subject to receipt of Transaction Fee prior to delivery of the British Pounds on REDEMPTION T+3" and indicating, on a preliminary basis subject to confirmation, the number of British Pounds the Participant will receive upon redemption of the indicated Basket(s) of Shares.

R1.3 For each Redemption Order, the Trustee sends an authenticated electronic message (SWIFT MT202 or MT103plus) to the Depository indicating the amount of British Pounds to transfer from the Deposit Account by wire (RTGSplus, EBA EURO1 or TARGET) to the Authorized Participant's designated account by 3:30 p.m. CET (usually 9:30 a.m. NYC time) on REDEMPTION T+3.

#### R1.4 NOTES FOR TRUSTEE AND DEPOSITORY (REDEMPTION T)

R1.4.1 The Trustee will prepare an authenticated electronic message (SWIFT MT202 or MT103plus) containing instructions on REDEMPTION T specifying REDEMPTION T+3 as the date on which the instructions will be executed.

R1.4.2 The Trustee will only deliver the authenticated electronic message (SWIFT MT202 or MT103plus) to the Depository on T+3 after confirming the Trustee's receipt of Shares from the Authorized Participant through DTC.

#### R2 REDEMPTION T+1

R2.1 Redemption Orders and related instructions are in process.

R2.2 The Depository receives the authenticated electronic message (SWIFT) or e-mail from the Trustee notifying the Depository of the approximate amount of British Pounds needed to be remitted to each Authorized Participant that has placed a Redemption Order on REDEMPTION T+3.

#### R3 REDEMPTION T+2

On REDEMPTION T+2 the Trustee notifies the Authorized Participant of the final amount of British Pounds the Authorized Participant will receive upon redemption of the Basket(s) on Redemption T+3 (the "Basket British Pounds Amount").

#### R4 REDEMPTION T+3

R4.1 Prior to the delivery of the Basket British Pounds Amount on REDEMPTION T+3, the Trustee must have received the Transaction Fee from the Authorized Participant (SPO/DTC) Charge.

R4.2 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), the Authorized Participant delivers free to the Trustee's participant account at DTC (#\_\_\_\_\_) the Shares to be redeemed. The Authorized Participant telephones the Trustee's DTC operations desk ((718) 315-4970 or 4967) to expect the Authorized Participant's Shares through DTC.

R4.2.1 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), the Trustee's DTC operations desk notifies the Trustee whether the Shares being redeemed by the Authorized Participant have been received into the Trustee's participant account at DTC.

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R4.2.2 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), if the Shares being redeemed by the Authorized Participant have been received into the Trustee's participant account at DTC, the Trustee's DTC operations desk accepts the Shares to be redeemed, notifies the Trustee that the Trustee has received the Authorized Participant's Shares and identifies the Authorized Participant from whom the Shares have been received.

R4.2.3 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), if the Shares of a redeeming Authorized Participant have not been received into the Trustee's participant account at DTC, the Trustee's operations desk notifies the Trustee that the Trustee has not received the Shares from the Authorized Participant, and identifies the Authorized Participant from whom Shares have not been received.

R4.3 By 3:30 p.m. CET (usually 9:30 a.m. NYC time), the Trustee sends an authenticated electronic message (SWIFT MT202 or MT103plus) to the Depository directing the Depository to transfer the Basket British Pounds Amount to the accounts of those Authorized Participants from whom the Trustee has received Shares. The British Pounds will be sent to the designated accounts by wire (RTGSplus, EBA EURO1 or TARGET).

R4.4 As of 3:30 p.m. CET time(usually 9:30 a.m. NYC time), following the receipt of the authenticated confirmatory electronic message from the Trustee, the Depository executes the instructions from the Trustee to wire the Basket British Pounds Amount from the Trust Account and to transfer the Basket British Pounds Amount to the Authorized Participant's designated account.

R4.4.1 By DTC free delivery cut-off time (usually 2:00 p.m. NYC time), the Trustee's DTC operations desk instructs the Trustee's transfer agent services desk to cancel Shares received for redemption.

R4.4.2 By DTC free delivery cut-off time (usually 2:00 p.m. NYC time), the Trustee's transfer agent services desk cancels the Authorized Participant's Shares received for redemption and reduces the number of Trust Shares outstanding.

R4.5 Following the close of business (usually 3:30 p.m. CET) on REDEMPTION T+3, the Depository makes the appropriate entries in its books and records to reflect the redemptions.

R4.6 Following the close of business (usually 3:30 p.m. CET) on REDEMPTION T+3, the Depository British Pounds system updates its account records, recording the movements of British Pounds in the Deposit Account and providing updated balances in the affected accounts as of the close of business (usually 3:30 p.m. CET) on REDEMPTION T+3.

R4.7 Following the close of business (usually 3:30 p.m. CET) on REDEMPTION T+3, the Depository British Pounds system automatically generates an authenticated electronic message (SWIFT MT140 or Swift MT950) constituting a statement of the activity affecting the Deposit Account (received only by the Trustee).

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#### Schedule to Exhibit 4.4

The following parties have each executed a separate Participation Agreement with The Bank of New York, as trustee, and Rydex Specialized Products LLC, as sponsor, which is substantially identical in all material respects to the Participation Agreement filed herewith as Exhibit 4.4 and is dated as of the date listed opposite its name below.

<u>Name of Party</u>	<u>Date of Agreement</u>
Goldman Sachs Execution & Clearing LP	June 19, 2006
Goldman Sachs & Co.	June 22, 2006
Merrill Lynch Professional Clearing Corp.	June 26, 2006
Credit Suisse Securities (USA) LLC	January 19, 2007
Timber Hill LLC	May 21, 2007
JPMorgan Securities, Inc. (as assigned by Bear, Stearns & Co. Inc.)	December 12, 2007
EWT, LLC	July 14, 2008
Newedge USA, LLC	August 26, 2008
ABN AMRO Clearing Chicago LLC (f/k/a Fortis Clearing Americas LLC, f/k/a O' Connor & Co. LLC)	November 3, 2008
Citadel Securities LLC (f/k/a Citadel Derivatives Group, LLC and Citadel Trading Group, LLC)	November 13, 2008
Knight Clearing Services, LLC	March 25, 2010
Nomura Securities International Inc.	June 14, 2010
Morgan Stanley & Co. Inc.	August 26, 2010
Virtu Financial BD LLC	December 3, 2010
RBC Capital Markets, LLC	April 15, 2011
CitiGroup Global Markets, Inc.	August 26, 2011
Deutsche Bank Securities Inc.	March 9, 2012
SG Americas Securities, LLC	November 30, 2012

Except as noted above, there are no material details in which the above Participation Agreements differ from the Participation Agreement filed herewith as Exhibit 4.4.

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-164343) of CurrencyShares® British Pound Sterling Trust of our reports dated January 14, 2013, with respect to the financial statements of CurrencyShares® British Pound Sterling Trust, and the effectiveness of internal control over financial reporting of CurrencyShares® British Pound Sterling Trust, included in this Annual Report (Form 10-K) for the year ended October 31, 2012.

/s/ Ernst & Young LLP

McLean, Virginia  
January 14, 2013

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO SECTION 302(A)  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Nikolaos Bonos, certify that:

1. I have reviewed the Annual Report on Form 10-K for the fiscal year ended October 31, 2012 of CurrencyShares® British Pound Sterling Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves persons who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

/s/ Nikolaos Bonos

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Nikolaos Bonos

Chief Executive Officer

(principal executive officer)

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO SECTION 302(A)  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Arruda, certify that:

1. I have reviewed the Annual Report on Form 10-K for the fiscal year ended October 31, 2012 of CurrencyShares® British Pound Sterling Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves persons who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

/s/ Joseph Arruda

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Joseph Arruda

Chief Financial Officer

(principal financial officer)

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CurrencyShares® British Pound Sterling Trust (the “Trust”) on Form 10-K for the fiscal year ended October 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nikolaos Bonos, Chief Executive Officer of Guggenheim Specialized Products, LLC, the Sponsor of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

Date: January 14, 2013

/s/ Nikolaos Bonos

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Nikolaos Bonos\*

Chief Executive Officer

(principal executive officer)

\* The Registrant is a trust and Nikolaos Bonos is signing in his capacity as the principal executive officer of Guggenheim Specialized Products, LLC, the Sponsor of the Registrant.

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CurrencyShares® British Pound Sterling Trust (the “Trust”) on Form 10-K for the fiscal year ended October 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph Arruda, Chief Financial Officer of Guggenheim Specialized Products, LLC, the Sponsor of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

Date: January 14, 2013

/s/ Joseph Arruda

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Joseph Arruda\*

Chief Financial Officer

(principal financial officer)

\* The Registrant is a trust and Joseph Arruda is signing in his capacity as the principal financial officer of Guggenheim Specialized Products, LLC, the Sponsor of the Registrant.

**British Pound Sterling  
Deposits**

**12 Months Ended  
Oct. 31, 2012**

[British Pound Sterling  
Deposits \[Abstract\]](#)

[British Pound Sterling  
Deposits](#)

**3. British Pound Sterling Deposits**

British Pound Sterling principal deposits are held in a British Pound Sterling-denominated, interest-bearing demand account. For the year ended October 31, 2012, there were British Pound Sterling principal deposits of 24,786,533 British Pound Sterling principal redemptions of 39,634,561 and British Pound Sterling withdrawals (to pay expenses) of 166,507 resulting in an ending British Pound Sterling principal balance of 44,542,000. This equates to 71,759,412 USD. For the year ended October 31, 2011, there were British Pound Sterling principal deposits of 74,541,458, British Pound Sterling principal redemptions of 84,444,838 and British Pound Sterling withdrawals (to pay expenses) of 195,508 resulting in an ending British Pound Sterling principal balance of 59,556,535. This equates to 96,130,250 USD. For the year ended October 31, 2010, there were British Pound Sterling principal deposits of 149,425,128, British Pound Sterling principal redemptions of 164,358,903 and British Pound Sterling withdrawals (to pay expenses) of 241,866 resulting in an ending British Pound Sterling principal balance of 69,655,423. This equates to 111,364,930 USD.

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

## Significant Accounting Policies

12 Months Ended  
Oct. 31, 2012

### [Significant Accounting Policies \[Abstract\]](#)

### [Significant Accounting Policies](#)

## 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. As of November 13, 2008, British Pound Sterling deposits (cash) are translated for NAV calculation purposes at the Closing Spot Rate, which is the USD/British Pound Sterling 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 British Pound Sterling 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 British Pounds Sterling 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.

### 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 British Pounds Sterling. 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 British Pounds Sterling 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 British Pounds Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pounds Sterling be converted into USD at the 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.

**Statements of Financial  
Condition(USD (\$))**

	<b>Oct. 31, 2012</b>	<b>Oct. 31, 2011</b>
<b><u>Current Assets:</u></b>		
<u>British Pound Sterling deposits, interest bearing</u>	\$	\$
	71,759,412	96,130,250
<u>British Pound Sterling deposits, non-interest bearing</u>		
<u>Receivable from accrued interest</u>	3,969	15,791
<u>Total Current Assets</u>	71,763,381	96,146,041
<b><u>Current Liabilities:</u></b>		
<u>Accrued Sponsor's fee</u>	24,570	36,606
<u>Total Current Liabilities</u>	24,570	36,606
<u>Commitments and Contingent Liabilities (note 9)</u>		
<u>Redeemable Capital Shares, at redemption value, no par value, 13,000,000 authorized - 450,000 and 600,000 issued and outstanding, respectively</u>	71,738,811	96,109,435
<b><u>Shareholders' Equity:</u></b>		
<u>Retained Earnings</u>		
<u>Cumulative Translation Adjustment</u>		
<u>Total Liabilities, Redeemable Capital Shares and Shareholders' Equity</u>	\$	\$
	71,763,381	96,146,041

**Statements of Cash Flows**  
(USD \$)

	<b>12 Months Ended</b>		
	<b>Oct. 31, 2012</b>	<b>Oct. 31, 2011</b>	<b>Oct. 31, 2010</b>
<b><u>Cash flows from operating activities</u></b>			
<u>Cash received for accrued income</u>	\$ 116,470	\$ 192,979	\$ 131,026
<u>Cash paid for expenses</u>	(379,419)	(506,768)	(507,345)
<u>Net cash used in operating activities</u>	(262,949)	(313,789)	(376,319)
<b><u>Cash flows from financing activities</u></b>			
<u>Cash received to purchase redeemable shares</u>	39,142,894	119,639,040	232,490,556
<u>Cash paid to redeem redeemable shares</u>	(62,590,899)	(135,533,965)	(255,726,018)
<u>Net cash used in financing activities</u>	(23,448,005)	(15,894,925)	(23,235,462)
<u>Adjustment to period cash flows due to currency movement</u>	(659,884)	974,034	(4,850,332)
<u>Decrease in cash</u>	(24,370,838)	(15,234,680)	(28,462,113)
<u>Cash at beginning of Year</u>	96,130,250	111,364,930	139,827,043
<u>Cash at end of Year</u>	71,759,412	96,130,250	111,364,930
<b><u>Reconciliation of net loss to net cash used in operating activities</u></b>			
<u>Net Loss</u>	(262,827)	(305,983)	(366,433)
<b><u>Adjustments to reconcile net loss to net cash used in operating activities:</u></b>			
<u>Receivable from accrued interest</u>	(3,969)	(15,791)	(16,264)
<u>Prior period receivable from accrued interest</u>	15,791	16,264	9,853
<u>Currency translation adjustment</u>	92	(258)	2,278
<u>Accrued sponsor fee</u>	24,570	36,606	44,627
<u>Prior period accrued sponsor fee</u>	(36,606)	(44,627)	(50,380)
<u>Net cash used in operating activities</u>	\$ (262,949)	\$ (313,789)	\$ (376,319)

**Redeemable Capital Shares  
(Details Textual)**

**12 Months Ended  
Oct. 31, 2012**

[Redeemable Capital Shares \(Textual\) \[Abstract\]](#)

[Redeemable Capital Shares, Settlement of each creation or redemption Period](#) 3 days

**Sponsor's Fee (Details) (USD  
\$)**

**12 Months Ended  
Oct. 31, 2012**

**[Sponsor's Fee \(Textual\) \[Abstract\]](#)**

[Sponsor's fee accrues daily and paid monthly, annual nominal rate](#) 0.40%

Maximum [Member]

**[Sponsor's Fee \(Textual\) \[Abstract\]](#)**

[Legal fees and expenses assumed by Sponsor](#) 100,000

Minimum [Member]

**[Sponsor's Fee \(Textual\) \[Abstract\]](#)**

[Legal fees and expenses not assumed by sponsor](#) 100,000

**Organization and  
Description of the Trust**

**12 Months Ended  
Oct. 31, 2012**

**Organization and  
Description of the Trust**

**[Abstract]**

**Organization and Description  
of the Trust**

**1. Organization and Description of the Trust**

The CurrencyShares<sup>®</sup> British Pound Sterling Trust (the “Trust”) was formed under the laws of the State of New York on June 8, 2006 when Guggenheim Specialized Products, LLC d/b/a “Guggenheim Investments” (the “Sponsor”) deposited 100 British Pounds Sterling 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 British Pound Sterling 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 British Pounds Sterling. The Trust’s assets primarily consist of British Pounds Sterling 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 audited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

**Statements of Financial  
Condition (Parenthetical)  
(USD \$)**

**Oct. 31, 2012 Oct. 31, 2011**

**Statements of Financial Condition [Abstract]**

Redeemable Capital Shares, no par value

Redeemable Capital Shares, shares authorized 13,000,000 13,000,000

Redeemable Capital Shares, shares issued 450,000 600,000

Redeemable Capital Shares, shares outstanding 450,000 600,000

**Redeemable Capital Shares  
(Tables)**

**12 Months Ended  
Oct. 31, 2012**

[Redeemable Capital Shares](#)

[\[Abstract\]](#)

[Activity in redeemable capital  
Shares](#)

Activity in redeemable capital Shares is as follows:

	Year ended October 31, 2012		Year ended October 31, 2011		Year ended October 31, 2010	
	U.S. Dollar		U.S. Dollar		U.S. Dollar	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Opening</b>						
<b>balance</b>	600,000	\$96,109,435	700,000	\$111,336,567	850,000	\$139,786,516
Shares issued	250,000	39,142,894	750,000	119,639,040	1,500,000	232,490,556
Shares redeemed	(400,000)	(62,590,899)	(850,000)	(135,533,965)	(1,650,000)	(255,726,018)
Adjustment to period Shares due to currency movement and other	—	(922,619 )	—	667,793	—	(5,214,487 )
<b>Ending</b>						
<b>balance</b>	450,000	\$71,738,811	600,000	\$96,109,435	700,000	\$111,336,567

**Document and Entity  
Information (USD \$)**

**12 Months Ended**

**Oct. 31, 2012**

**Apr. 30,  
2012**

**Document and Entity Information**

**[Abstract]**

<u>Entity Registrant Name</u>	CURRENCYSHARES BRITISH POUND STERLING TRUST	
<u>Entity Central Index Key</u>	0001353611	
<u>Document Type</u>	10-K	
<u>Document Period End Date</u>	Oct. 31, 2012	
<u>Amendment Flag</u>	false	
<u>Document Fiscal Year Focus</u>	2012	
<u>Document Fiscal Period Focus</u>	FY	
<u>Current Fiscal Year End Date</u>	--10-31	
<u>Entity Well-known Seasoned Issuer</u>	No	
<u>Entity Voluntary Filers</u>	No	
<u>Entity Current Reporting Status</u>	Yes	
<u>Entity Filer Category</u>	Accelerated Filer	
<u>Entity Public Float</u>		\$ 104,552,500
<u>Entity Common Stock, Shares Outstanding</u>		650,000

Selected Quarterly  
Information (Tables)

12 Months Ended  
Oct. 31, 2012

[Selected Quarterly Information  
\(Unaudited\) \[Abstract\]](#)

[Schedule of Selected Quarterly Information  
\(Unaudited\)](#)

Fiscal Period Ended October 31, 2012:

	Three months ended October 31, 2012	Three months ended July 31, 2012	Three months ended April 30, 2012	Three months ended January 31, 2012
<b><u>Income</u></b>				
Interest Income	\$ 13,660	\$ 25,715	\$ 28,519	\$ 36,779
Total Income	13,660	25,715	28,519	36,779
<b><u>Expenses</u></b>				
Sponsor's fee	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Total Expenses	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Net Loss	\$ (68,420 )	\$ (68,551 )	\$ (65,497 )	\$ (60,359 )
Other				
Comprehensive				
(Loss)/Income:				
Currency translation adjustment	(598 )	79	(1,491 )	(562 )
Total Comprehensive Loss	\$ (69,018 )	\$ (68,472 )	\$ (66,988 )	\$ (60,921 )
Basic and Diluted Earnings per Share				
Share	\$ (0.13 )	\$ (0.11 )	\$ (0.11 )	\$ (0.10 )
Weighted-average Shares				
Outstanding	515,217	602,174	606,667	622,826
Cash Dividends per Share				
	\$ —	\$ —	\$ —	\$ —

Fiscal Period Ended October 31, 2011:

	Three months ended October 31, 2011	Three months ended July 31, 2011	Three months ended April 30, 2011	Three months ended January 31, 2011
--	---	--	---	---

<b>Income</b>				
Interest Income	<u>\$ 45,845</u>	<u>\$50,099</u>	<u>\$48,497</u>	<u>\$ 47,946</u>
Total Income	45,845	50,099	48,497	47,946

<b>Expenses</b>				
Sponsor's fee	<u>(106,124 )</u>	<u>(127,250 )</u>	<u>(131,142 )</u>	<u>(133,854 )</u>
Total Expenses	(106,124 )	(127,250 )	(131,142 )	(133,854 )

Net Loss	<u>\$ (60,279 )</u>	<u>\$(77,151 )</u>	<u>\$(82,645 )</u>	<u>\$(85,908 )</u>
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Other

Comprehensive

Loss:

Currency translation adjustment	<u>(611 )</u>	<u>(850 )</u>	<u>(2,362 )</u>	<u>(1,315 )</u>
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Total

Comprehensive

Loss	<u>\$ (60,890 )</u>	<u>\$(78,001 )</u>	<u>\$(85,007 )</u>	<u>\$(87,223 )</u>
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<b>Basic and Diluted Earnings per Share</b>				
Share	\$ (0.09 )	\$(0.10 )	\$(0.10 )	\$(0.10 )

Weighted-average

Shares

Outstanding	663,587	778,804	832,584	847,826
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<b>Cash Dividends per Share</b>				
per Share	\$ —	\$ —	\$ —	\$ —

Statements of Income and Comprehensive Income (USD \$)	3 Months Ended								12 Months Ended		
	Oct. 31, 2012	Jul. 31, 2012	Apr. 30, 2012	Jan. 31, 2012	Oct. 31, 2011	Jul. 31, 2011	Apr. 30, 2011	Jan. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<b>Income</b>											
<u>Interest Income</u>	\$ 13,660	\$ 25,715	\$ 28,519	\$ 36,779	\$ 45,845	\$ 50,099	\$ 48,497	\$ 47,946	\$ 104,673	\$ 192,387	\$ 137,295
<u>Total Income</u>	13,660	25,715	28,519	36,779	45,845	50,099	48,497	47,946	104,673	192,387	137,295
<b>Expenses</b>											
<u>Sponsor's fee</u>	(82,080)	(94,266)	(94,016)	(97,138)	(106,124)	(127,250)	(131,142)	(133,854)	(367,500)	(498,370)	(503,728)
<u>Total Expenses</u>	(82,080)	(94,266)	(94,016)	(97,138)	(106,124)	(127,250)	(131,142)	(133,854)	(367,500)	(498,370)	(503,728)
<u>Net Loss</u>	(68,420)	(68,551)	(65,497)	(60,359)	(60,279)	(77,151)	(82,645)	(85,908)	(262,827)	(305,983)	(366,433)
<b>Other Comprehensive Loss:</b>											
<u>Currency translation adjustment</u>	(598)	79	(1,491)	(562)	(611)	(850)	(2,362)	(1,315)	(2,572)	(5,138)	(3,975)
<u>Total Comprehensive Loss</u>	\$ (69,018)	\$ (68,472)	\$ (66,988)	\$ (60,921)	\$ (60,890)	\$ (78,001)	\$ (85,007)	\$ (87,223)	\$ (265,399)	\$ (311,121)	\$ (370,408)
<u>Basic and Diluted Earnings per Share</u>	\$ (0.13)	\$ (0.11)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.45)	\$ (0.39)	\$ (0.45)
<u>Weighted-average Shares Outstanding</u>	515,217	602,174	606,667	622,826	663,587	778,804	832,584	847,826	586,612	780,274	811,233
<u>Cash Dividends per Share</u>											

## Sponsor's Fee

**12 Months Ended  
Oct. 31, 2012**

[Sponsor's Fee \[Abstract\]](#)

[Sponsor's Fee](#)

### **6. Sponsor's Fee**

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling 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 Depository Trust Agreement, and legal expenses in excess of \$100,000 per year.

Selected Quarterly  
Information (Unaudited)

12 Months Ended  
Oct. 31, 2012

[Selected Quarterly Information  
\(Unaudited\) \[Abstract\]](#)

[Selected Quarterly Information \(Unaudited\)](#)

5. Selected Quarterly Information (Unaudited)

Fiscal Period Ended October 31, 2012:

	Three months			
	ended	Three months	Three months	Three months
	October	ended	ended	ended
	31, 2012	July 31, 2012	April 30, 2012	January 31, 2012
<b>Income</b>				
Interest Income	\$ 13,660	\$ 25,715	\$ 28,519	\$ 36,779
Total Income	13,660	25,715	28,519	36,779
<b>Expenses</b>				
Sponsor's fee	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Total Expenses	(82,080 )	(94,266 )	(94,016 )	(97,138 )
Net Loss	\$ (68,420 )	\$ (68,551 )	\$ (65,497 )	\$ (60,359 )
Other				
Comprehensive				
(Loss)/Income:				
Currency				
translation				
adjustment	(598 )	79	(1,491 )	(562 )
Total				
Comprehensive				
Loss	\$ (69,018 )	\$ (68,472 )	\$ (66,988 )	\$ (60,921 )
Basic and Diluted				
Earnings per				
Share	\$ (0.13 )	\$ (0.11 )	\$ (0.11 )	\$ (0.10 )
Weighted-average				
Shares				
Outstanding	515,217	602,174	606,667	622,826
Cash Dividends				
per Share	\$—	\$—	\$—	\$—

Fiscal Period Ended October 31, 2011:

	Three months ended October 31, 2011	Three months ended July 31, 2011	Three months ended April 30, 2011	Three months ended January 31, 2011
<b>Income</b>				
Interest Income	\$ 45,845	\$ 50,099	\$ 48,497	\$ 47,946
Total Income	45,845	50,099	48,497	47,946
<b>Expenses</b>				
Sponsor's fee	(106,124 )	(127,250 )	(131,142 )	(133,854 )
Total Expenses	(106,124 )	(127,250 )	(131,142 )	(133,854 )
Net Loss	\$ (60,279 )	\$ (77,151 )	\$ (82,645 )	\$ (85,908 )
Other				
Comprehensive				
Loss:				
Currency				
translation				
adjustment	(611 )	(850 )	(2,362 )	(1,315 )
Total				
Comprehensive				
Loss	\$ (60,890 )	\$ (78,001 )	\$ (85,007 )	\$ (87,223 )
Basic and Diluted				
Earnings per				
Share	\$ (0.09 )	\$ (0.10 )	\$ (0.10 )	\$ (0.10 )
Weighted-average				
Shares				
Outstanding	663,587	778,804	832,584	847,826
Cash Dividends				
per Share	\$ —	\$ —	\$ —	\$ —

Selected Quarterly Information (Details) (USD \$)	3 Months Ended								12 Months Ended		
	Oct. 31, 2012	Jul. 31, 2012	Apr. 30, 2012	Jan. 31, 2012	Oct. 31, 2011	Jul. 31, 2011	Apr. 30, 2011	Jan. 31, 2011	Oct. 31, 2012	Oct. 31, 2011	Oct. 31, 2010
<b>Income</b>											
<u>Interest Income</u>	\$ 13,660	\$ 25,715	\$ 28,519	\$ 36,779	\$ 45,845	\$ 50,099	\$ 48,497	\$ 47,946	\$ 104,673	\$ 192,387	\$ 137,295
<u>Total Income</u>	13,660	25,715	28,519	36,779	45,845	50,099	48,497	47,946	104,673	192,387	137,295
<b>Expenses</b>											
<u>Sponsor's fee</u>	(82,080)	(94,266)	(94,016)	(97,138)	(106,124)	(127,250)	(131,142)	(133,854)	(367,500)	(498,370)	(503,728)
<u>Total Expenses</u>	(82,080)	(94,266)	(94,016)	(97,138)	(106,124)	(127,250)	(131,142)	(133,854)	(367,500)	(498,370)	(503,728)
<u>Net Loss</u>	(68,420)	(68,551)	(65,497)	(60,359)	(60,279)	(77,151)	(82,645)	(85,908)	(262,827)	(305,983)	(366,433)
<b>Other Comprehensive (Loss)/Income:</b>											
<u>Currency translation adjustment</u>	(598)	79	(1,491)	(562)	(611)	(850)	(2,362)	(1,315)	(2,572)	(5,138)	(3,975)
<u>Total Comprehensive Loss</u>	\$ (69,018)	\$ (68,472)	\$ (66,988)	\$ (60,921)	\$ (60,890)	\$ (78,001)	\$ (85,007)	\$ (87,223)	\$ (265,399)	\$ (311,121)	\$ (370,408)
<u>Basic and Diluted Earnings per Share</u>	\$ (0.13)	\$ (0.11)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.45)	\$ (0.39)	\$ (0.45)
<u>Weighted-average Shares Outstanding</u>	515,217	602,174	606,667	622,826	663,587	778,804	832,584	847,826	586,612	780,274	811,233
<u>Cash Dividends per Share</u>											

**Organization and  
Description of the Trust  
(Details) (GBP £)**

**12 Months  
Ended  
Oct. 31, 2012**

**Organization and Description of the Trust (Textual) [Abstract]**

Initial deposits by Sponsor, Primary deposit account

£ 100

Secondary deposit account interest may be received and paid out on creation and redemption of blocks

50,000

**Commitments and  
Contingencies**

**12 Months Ended  
Oct. 31, 2012**

[Commitments and  
Contingencies \[Abstract\]](#)

[Commitments and  
Contingencies](#)

**9. 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.

## Related Parties

**12 Months Ended  
Oct. 31, 2012**

[Related Parties \[Abstract\]](#)

[Related Parties](#)

### **7. 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.

## Concentration Risk

12 Months Ended  
Oct. 31, 2012

[Concentration Risk](#)

[\[Abstract\]](#)

[Concentration Risk](#)

### 8. Concentration Risk

All of the Trust's assets are British Pounds Sterling, which creates a concentration risk associated with fluctuations in the price of the British Pound Sterling. Accordingly, a decline in the British Pound Sterling 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 British Pound Sterling 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 British Pounds Sterling by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold British Pounds Sterling as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust's British Pounds Sterling 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.

## Significant Accounting Policies (Policies)

12 Months Ended  
Oct. 31, 2012

### [Significant Accounting Policies \[Abstract\]](#)

#### [Use of Estimates](#)

##### 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.

#### [Foreign Currency Translation](#)

##### B. Foreign Currency Translation

The Trustee calculates the Trust's net asset value ("NAV") each business day, as described in Note 4. As of November 13, 2008, British Pound Sterling deposits (cash) are translated for NAV calculation purposes at the Closing Spot Rate, which is the USD/British Pound Sterling 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 British Pound Sterling 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 British Pounds Sterling 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.

#### [Federal Income Taxes](#)

##### 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 British Pounds Sterling. 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 British Pounds Sterling 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.

## Revenue Recognition

### **D. Revenue Recognition**

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

## Dividends

### **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 British Pounds Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pounds Sterling be converted into USD at the 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.

**Redeemable Capital Shares**  
(Details) (USD \$)

	<b>12 Months Ended</b>		
	<b>Oct. 31, 2012</b>	<b>Oct. 31, 2011</b>	<b>Oct. 31, 2010</b>
<b><u>Activity in redeemable capital Shares</u></b>			
<u>Opening balance, Shares</u>	600,000	700,000	850,000
<u>Opening balance, Amount</u>	\$	\$	\$
	96,109,435	111,336,567	139,786,516
<u>Shares issued, Shares</u>	250,000	750,000	1,500,000
<u>Shares issued, Amount</u>	39,142,894	119,639,040	232,490,556
<u>Shares redeemed, Shares</u>	(400,000)	(850,000)	(1,650,000)
<u>Shares redeemed, Amount</u>	(62,590,899)	(135,533,965)	(255,726,018)
<u>Adjustment to period Shares due to currency movement and other, Shares</u>			
<u>Adjustment to period Shares due to currency movement and other, Amount</u>	(922,619)	667,793	(5,214,487)
<u>Ending balance, Shares</u>	450,000	600,000	700,000
<u>Ending balance, Amount</u>	\$ 71,738,811	\$ 96,109,435	\$ 111,336,567

<b>Statements of Changes in Shareholders' Equity (USD \$)</b>	<b>Total</b>	<b>Retained Earnings</b>	<b>Cumulative Translation Adjustment</b>
<u>Cumulative Translation Adjustment, Beginning of Year at Oct. 31, 2009</u>			
<u>Retained Earnings, Beginning of Year at Oct. 31, 2009</u>			
<u>Net Loss</u>	(366,433)	(366,433)	
<u>Adjustment of redeemable capital shares to redemption value</u>		366,433	
<u>Currency translation adjustment</u>			(3,975)
<u>Adjustment of redeemable capital shares to redemption value</u>			3,975
<u>Cumulative Translation Adjustment, End of Year at Oct. 31, 2010</u>			
<u>Retained Earnings, End of Year at Oct. 31, 2010</u>			
<u>Net Loss</u>	(305,983)	(305,983)	
<u>Adjustment of redeemable capital shares to redemption value</u>		305,983	
<u>Currency translation adjustment</u>			(5,138)
<u>Adjustment of redeemable capital shares to redemption value</u>			5,138
<u>Cumulative Translation Adjustment, End of Year at Oct. 31, 2011</u>			
<u>Retained Earnings, End of Year at Oct. 31, 2011</u>			
<u>Net Loss</u>	(262,827)	(262,827)	
<u>Adjustment of redeemable capital shares to redemption value</u>		262,827	
<u>Currency translation adjustment</u>			(2,572)
<u>Adjustment of redeemable capital shares to redemption value</u>			2,572
<u>Cumulative Translation Adjustment, End of Year at Oct. 31, 2012</u>			
<u>Retained Earnings, End of Year at Oct. 31, 2012</u>			

## Redeemable Capital Shares

12 Months Ended  
Oct. 31, 2012

### [Redeemable Capital Shares](#)

#### [\[Abstract\]](#)

### [Redeemable Capital Shares](#)

#### 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 British Pounds Sterling. 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 DTC participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of the 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:

	Year ended October 31, 2012		Year ended October 31, 2011		Year ended October 31, 2010	
	U.S. Dollar		U.S. Dollar		U.S. Dollar	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Opening balance</b>	600,000	\$96,109,435	700,000	\$111,336,567	850,000	\$139,786,516
Shares issued	250,000	39,142,894	750,000	119,639,040	1,500,000	232,490,556
Shares redeemed	(400,000)	(62,590,899)	(850,000)	(135,533,965)	(1,650,000)	(255,726,018)
Adjustment to period Shares due to currency movement and other	—	(922,619 )	—	667,793	—	(5,214,487 )
<b>Ending balance</b>	450,000	\$71,738,811	600,000	\$96,109,435	700,000	\$111,336,567

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 British Pounds Sterling held by the Trust (including all unpaid interest accrued through the preceding day) and calculates the value of the British Pounds Sterling 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 British Pounds Sterling, 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.

British Pound Sterling Deposits (Details)	12 Months Ended					
	Oct. 31, 2012 GBP (£)	Oct. 31, 2011 GBP (£)	Oct. 31, 2010 GBP (£)	Oct. 31, 2012 USD (\$)	Oct. 31, 2011 USD (\$)	Oct. 31, 2010 USD (\$)
<a href="#">British Pound Sterling Deposits (Textual) [Abstract]</a>						
<a href="#">British Pound Sterling principal deposits</a>	£ 24,786,533	£ 74,541,458	£ 149,425,128			
<a href="#">British Pound Sterling principal redemptions</a>	39,634,561	84,444,838	164,358,903			
<a href="#">British Pound Sterling withdrawals (to pay expenses)</a>	166,507	195,508	241,866			
<a href="#">British Pound Sterling principal balance</a>	£ 44,542,000	£ 59,556,535	£ 69,655,423	\$ 71,759,412	\$ 96,130,250	\$ 111,364,930