

CURRENCYSHARES MEXICAN PESO TRUST

Form 10-K

January 14, 2011

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

**FORM 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 31, 2010

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 001-32909

**CurrencyShares<sup>®</sup> Mexican Peso Trust**  
**Sponsored by Rydex Specialized Products LLC,**

**d/b/a Rydex Investments**

(Exact name of registrant as specified in its charter)

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

**No. 14-6294919**  
(IRS Employer  
Identification No.)

**9601 Blackwell Road, Suite 500**  
**Rockville, Maryland 20850**  
(Address of principal executive offices) (Zip Code)  
**(301) 296-5100**

(Registrant's telephone number, including area code)

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.

## Edgar Filing: CURRENCYSHARES MEXICAN PESO TRUST - Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  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 550,000 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, 2010 as reported by NYSE Arca on that date: \$44,775,500.

**Table of Contents**

**CURRENCYSHARES® MEXICAN PESO TRUST**

**INDEX**

<b>Caption</b>	<b>Page</b>
<b>PART I</b>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	4
Item 1B. <u>Unresolved Staff Comments</u>	8
Item 2. <u>Properties</u>	8
Item 3. <u>Legal Proceedings</u>	8
Item 4. <u>(Removed and Reserved.)</u>	8
<b>PART II</b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
Item 6. <u>Selected Financial Data</u>	9
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	13
Item 8. <u>Financial Statements and Supplementary Data</u>	13
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosures</u>	13
Item 9A. <u>Controls and Procedures</u>	13
Item 9B. <u>Other Information</u>	14
<b>PART III</b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	15
Item 11. <u>Executive Compensation</u>	15
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	15
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	15
Item 14. <u>Principal Accountant Fees and Services</u>	15
<b>PART IV</b>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	16
<b>SIGNATURES</b>	

## **Table of Contents**

### **PART I**

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

The CurrencyShares® Mexican Peso Trust (the Trust) is a grantor trust that was formed on June 8, 2006. The Shares commenced trading on the New York Stock Exchange ( NYSE ) under the ticker symbol FXM 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 Mexican Pesos and distributes Mexican Pesos in connection with the redemption of Baskets.

The investment objective of the Trust is for the Shares to reflect the price of Mexican Peso 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 Mexican Peso 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 Mexican Peso. 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 Mexican Pesos and, from time to time, issues Baskets in exchange for deposits of Mexican Pesos and distributes Mexican Pesos in connection with redemptions of Baskets. The Mexican Pesos 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 Rydex Specialized Products LLC, a Delaware limited liability company.

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 Mexican Peso in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day). The Sponsor was paid \$149,626 for the fiscal year ended October 31, 2010.

##### *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 Mexican Pesos in the Trust at the end of the preceding day accrued but unpaid interest, if any, Mexican Pesos receivable under pending purchase orders and the value of other

## **Table of Contents**

Trust assets, and subtracts the accrued but unpaid Sponsor's fee, Mexican Pesos 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 Mexican Peso/USD exchange rate as determined by the Federal Reserve Bank of New York at 12:00 PM (New York time). As of November 13, 2008, the NAV is expressed in USD based on the Mexican Peso/USD as determined by WM/Reuters at 4:00 PM (London time) (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 NAV per Share is 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, if any, 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 may earn a spread or margin over the rate of interest it pays to the Trust on the Mexican Peso deposit balances. The secondary deposit account is used only in connection with mid-month creations and redemptions of Baskets, to account for interest that has been earned on the primary deposit account during the month but not yet paid, and to receive interest earned on the primary deposit account, pay Trust expenses and distribute any excess interest to Shareholders on a monthly basis.

The secondary deposit account is used to account for interest received and paid out on creations and redemptions of Baskets. The secondary deposit account is also used to account for interest, if any, earned on the primary deposit account, 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 Mexican Pesos 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, fully paid and non-assessable.

## **Table of Contents**

### *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.

### *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 the default within 30 days, the Sponsor 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 Mexican Pesos 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 Mexican Pesos 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. 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).

## **Table of Contents**

### **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 Mexican Pesos held by the Trust. Fluctuations in the price of the Mexican Peso could materially and adversely affect the value of the Shares.**

The Shares are designed to reflect the price of the Mexican Peso, plus accumulated interest, if any, less the Trust's expenses. The price of the Mexican Peso has fluctuated widely over the past several years. Several factors may affect the price of the Mexican Peso, including:

Debt level and trade deficit of Mexico;

Inflation rates and interest rates of the United States and Mexico and investors' expectations concerning these rates;

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

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

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

**The USD/Mexican Peso 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/Mexican Peso exchange rate could materially and adversely affect the performance of the Shares.

**If the Trustee is required to withdraw Mexican Peso from the Trust to pay expenses, this will reduce the amount of Mexican Peso represented by each Share on an ongoing basis and may result in adverse tax consequences for the Shareholders.**

Each outstanding Share represents a fractional, undivided interest in the Mexican Peso held by the Trust. Although the Trust generates interest, it is possible that the amount of interest earned may not exceed expenses, in which case the Trustee will withdraw Mexican Pesos from the Trust to pay these excess expenses. As a result, the amount of Mexican Pesos represented by each Share may gradually decline over time. This is true even if additional Shares are issued in exchange for additional deposits of Mexican Pesos into the Trust, as the amount of Mexican Pesos required to create Shares will proportionately reflect the amount of Mexican Pesos represented by the Shares outstanding at the time of creation. Assuming a constant Mexican Peso price, if expenses exceed interest earned, the trading price of the Shares will gradually decline relative to the price of Mexican Pesos as the amount of Mexican Pesos represented by the Shares gradually declines. In this event, the Shares will only maintain their original price if the price of Mexican Pesos increases.

Investors should be aware that a gradual decline in the amount of Mexican Pesos 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 Mexican Pesos. The estimated ordinary operating expenses of the Trust, which accrue daily, are described in *Business* The Trust Trust Expenses.





---

**Table of Contents**

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 Mexican Pesos.

**The interest rate earned by the Trust, although competitive, 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 Mexican Peso in the primary deposit account of the Trust. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The Depository may change the rate at which interest accrues based upon changes in the British Bank Association LIBOR Overnight rate for the Mexican Peso (BBA rate), other market conditions or the Depository's liquidity needs. Although the Depository may consider the BBA rate in setting the interest rate, the rate paid to the Trust may be lower than the BBA rate. The Depository notifies the Sponsor of the interest rate applied each business day after the close of the 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, 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 Mexican Peso 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.

**If the Trust incurs expenses in USD, the Trust is required to sell Mexican Pesos to pay these expenses. The sale of the Trust's Mexican Pesos to pay expenses in USD at a time of low Mexican Peso prices could adversely affect the value of the Shares.**

The Trustee will sell Mexican Pesos held by the Trust to pay any Trust expenses incurred in USD, irrespective of then-current Mexican Pesos prices. The Trust is not actively managed and no attempt will be made to buy or sell Mexican Peso to protect against or to take advantage of fluctuations in the price of Mexican Pesos. Consequently, the Trust's Mexican Pesos may be sold at a time when the Mexican Peso 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 Mexican Pesos deposited in them are a deposit 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 Mexican Pesos held in the Deposit Accounts.**

Mexican Pesos deposited in the Deposit Accounts by an Authorized Participant are commingled with Mexican Pesos 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. Mexican Pesos held in the Deposit Accounts are not segregated from the

## **Table of Contents**

Depository's other assets The Trust has no proprietary rights in or to any specific Mexican Pesos held by the Depository and will be an unsecured creditor of the Depository with respect to the Mexican Pesos 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 Mexican Pesos 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 Mexican Pesos 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 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 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 Depository 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.

## **Table of Contents**

### **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. 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 Mexican Pesos represented by their Shares. Shareholders may incur significant fees if they choose to convert the Mexican Pesos they receive to U.S. Dollars.

### **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 of the Shareholder's redemption distribution if the NAV were to decline during the delay. In accordance with the Depository 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 Mexican Peso 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 Mexican Pesos as part of their reserve assets. The official sector holds a significant amount of Mexican Pesos 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 Mexican Peso simultaneously or in an uncoordinated manner, the demand for Mexican Pesos might not be sufficient to accommodate the sudden increase in the supply of Mexican Pesos to the market. Consequently, the price of the Mexican Pesos 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 of Shares 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 Depository Trust Agreement is limited and, except as set forth in the Depository Trust Agreement, they are not obligated to prosecute any action, suit or other proceeding in respect of any Trust property.**

The Depository 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 Depository 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 Depository Trust Agreement does not confer upon Shareholders the right to prosecute any such action, suit or other proceeding.

### **The Depository 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 Depository Trust Agreement without the consent of any Shareholder. Such an amendment could impose or increase

## **Table of Contents**

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 ( BNY 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 BNY 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 BNY 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 BNY Mellon's patent applications issue as patents, then BNY 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.

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

None.

### **Item 2. Properties**

The principal offices of the Sponsor and the Trust are at 9601 Blackwell Road, Suite 500, 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)**

**Table of Contents****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 sales prices of the Shares reported by the NYSE Arca for each of the quarters during the fiscal years ended October 31, 2010 and October 31, 2009:

<b>Fiscal Year Ended October 31, 2010:</b>	<b>High</b>	<b>Low</b>
<b>Quarter Ended</b>		
January 31, 2010	\$ 79.50	\$ 74.60
April 30, 2010	\$ 82.43	\$ 75.65
July 31, 2010	\$ 81.66	\$ 76.07
October 31, 2010	\$ 81.10	\$ 75.76

<b>Fiscal Year Ended October 31, 2009:</b>	<b>High</b>	<b>Low</b>
<b>Quarter Ended</b>		
January 31, 2009	\$ 80.05	\$ 70.09
April 30, 2009	\$ 76.76	\$ 64.29
July 31, 2009	\$ 77.60	\$ 72.38
October 31, 2009	\$ 78.34	\$ 72.61

The number of record holders of Shares of the registrant as of November 30, 2010 was approximately 60.

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:

<b>Month</b>	<b>Shares</b>	<b>Average Price</b>
August	50,000	\$79.39
September	50,000	\$76.98
October	100,000	\$80.35

**Item 6. Selected Financial Data**

Following are financial highlights for the fiscal years ended October 31, 2010, October 31, 2009, October 31, 2008, October 31, 2007 and the period from June 8, 2006 (date of inception) to October 31, 2006.

	<b>Fiscal Year Ended October 31, 2010</b>	<b>Fiscal Year Ended October 31, 2009</b>	<b>Fiscal Year Ended October 31, 2008</b>	<b>Fiscal Year Ended October 31, 2007</b>	<b>June 8, 2006 [Date of Inception] to October 31, 2006</b>
<b>Income</b>					
Interest income	\$ 1,092,562	\$ 2,006,821	\$ 2,923,179	\$ 1,017,980	\$ 196,834
<b>Total Income</b>	<b>1,092,562</b>	<b>2,006,821</b>	<b>2,923,179</b>	<b>1,017,980</b>	<b>196,834</b>
<b>Expenses</b>					
Sponsor's fee	(149,626)	(125,879)	(171,455)	(62,843)	(12,521)
<b>Total Expenses</b>	<b>(149,626)</b>	<b>(125,879)</b>	<b>(171,455)</b>	<b>(62,843)</b>	<b>(12,521)</b>

Edgar Filing: CURRENCYSHARES MEXICAN PESO TRUST - Form 10-K

Net Income	\$	942,936	\$	1,880,942	\$	2,751,724	\$	955,137	\$	184,313
Other Comprehensive										
Income/(Loss):										
Currency translation adjustment		12,374		(34,814)		(124,663)		7,269		4,199
Total Comprehensive Income	\$	955,310	\$	1,846,128	\$	2,627,061	\$	962,406	\$	188,512
Basic and Diluted Earnings per										
Share										
	\$	1.99	\$	4.39	\$	5.95	\$	5.54	\$	2.05
Weighted-average Shares										
Outstanding		473,151		428,219		462,842		172,466		89,726
Cash Dividends per Share	\$	2.22	\$	4.80	\$	5.39	\$	5.64	\$	1.50

**Table of Contents**

As of October 31, 2010, total assets were \$24,340,923, and for the fiscal year ended October 31, 2010, net cash flows were \$(17,494,024).

**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. 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 Mexican Peso, as the value of the Shares relates directly to the value of the Mexican Pesos 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 Rydex Specialized Products LLC d/b/a Rydex 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.

**Movements in the Price of the Mexican Peso**

The investment objective of the Trust is for the Shares to reflect the price of the Mexican Peso 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 Mexican Peso. Each outstanding Share represents a proportional interest in the Mexican Pesos held by the Trust. The following chart provides recent trends on the price of the Mexican Peso. The chart illustrates movements in the price of the Mexican Peso 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).



**Table of Contents**

**NAV per Share; Valuation of the Mexican Peso**

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 1,000 Mexican Pesos:

**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 that is expected to earn interest and a secondary deposit account that 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, 2010 was an annual nominal rate of 1.15%. The following chart provides the daily rate paid by the Depository since the Trust's Shares began trading:

**Table of Contents**

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

**FXM Distribution History**

<b>Date</b>	<b>Value</b>	<b>NAV</b>	<b>Yield</b>	<b>Annualized Yield</b>
10/1/2010	\$ 0.14084	\$ 79.94	0.18%	2.14%
9/1/2010	\$ 0.14700	\$ 76.13	0.19%	2.27%
8/2/2010	\$ 0.15541	\$ 79.28	0.20%	2.31%

**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 Mexican Peso in accordance with ASC 830, Foreign Currency Translation.

**Results of Operations**

As of October 31, 2009, the number of Mexican Pesos owned by the Trust was 550,000,000, resulting in a redeemable capital share value of \$41,937,647. During the year ended October 31, 2010, an additional 100,000

## **Table of Contents**

shares were created in exchange for 100,000,000 Mexican Pesos and 350,000 shares were redeemed in exchange for 350,000,000 Mexican Pesos. As of October 31, 2010, the number of Mexican Pesos owned by the Trust was 300,000,000, resulting in a redeemable capital share value of \$24,329,520.

The decrease in the Trust's redeemable capital share value from \$41,937,647 at October 31, 2009 to \$24,329,520 at October 31, 2010, was primarily the result of a reduction in the number of Shares outstanding from 550,000 at October 31, 2009 to 300,000 at October 31, 2010, and partially offset by an increase in the Closing Spot Rate from 0.07601 at October 31, 2009 to 0.08105 at October 31, 2010.

Interest income decreased from \$2,006,821 for the year ended October 31, 2009 to \$1,092,562 for the year ended October 31, 2010, attributable primarily to a reduction in the annual nominal interest rate paid by the Depository as set forth in the chart above.

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the Mexican Pesos in the Trust. Due primarily to an increase in the weighted-average Mexican Pesos in the Trust, the Sponsor's fee increased from \$125,879 for the year ended October 31, 2009 to \$149,626 for the year ended October 31, 2010. The only expense of the Trust during the year ended October 31, 2010 was the Sponsor's fee.

The Trust's net income for the year ended October 31, 2010 was \$942,936 as a result of the interest income of \$1,092,562 exceeding the Sponsor's fee of \$149,626.

Cash dividends per Share decreased from \$4.80 for the year ended October 31, 2009 to \$2.22 per Share for the year ended October 31, 2010. This decrease in cash dividends per Share was primarily the result of a decrease in the annual nominal interest rate paid by the Depository.

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

Except as described above with respect to the USD/Mexican Peso exchange rate and the nominal annual interest rate paid by the Depository on Mexican Peso 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 being filed with this report.

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

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, 2010. 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

## Edgar Filing: CURRENCYSHARES MEXICAN PESO TRUST - Form 10-K

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

**Table of Contents**

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, 2010. 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, 2010.

**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.

**Table of Contents**

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**  
Not applicable.

**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 year ended October 31, 2010 and PricewaterhouseCoopers LLP for the fiscal year ended October 31, 2009 were as follows:

	<b>2010</b>	<b>2009</b>
Audit Fees	\$ 25,778	\$ 38,389
Audit-related fees	0	0
Tax fees	0	0
All other Fees	0	0
	\$ 25,778	\$ 38,389

**Table of Contents**

**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**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Certificate of Formation of Rydex Specialized Products LLC, incorporated herein by reference to Exhibit 3.1 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
3.2	Limited Liability Company Agreement of Rydex Specialized Products, LLC, incorporated herein by reference to Exhibit 3.2 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
4.1	Form of Depositary Trust Agreement, incorporated herein by reference to Exhibit 4.1 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
4.2	Form of Participant Agreement, incorporated herein by reference to Exhibit 4.2 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
10.1	Form of Deposit Account Agreement, incorporated herein by reference to Exhibit 10.1 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
10.2	Form of Sublicense Agreement, incorporated herein by reference to Exhibit 10.2 filed with Amendment No. 1 to Form S-1 Registration Statement (File number 333-132367) filed on June 9, 2006.
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.

**Table of Contents**

**CurrencyShares® Mexican Peso Trust**

**Financial Statements as of October 31, 2010**

**Index**

	<b>Page</b>
<u>Independent Registered Public Accounting Firm Reports</u>	F-2
<u>Statements of Financial Condition at October 31, 2010 and October 31, 2009</u>	F-3
<u>Statements of Income and Comprehensive Income for the year ended October 31, 2010, the year ended October 31, 2009 and the year ended October 31, 2008</u>	F-4
<u>Statements of Changes in Shareholders' Equity for the year ended October 31, 2010, the year ended October 31, 2009 and the year ended October 31, 2008</u>	F-5
<u>Statements of Cash Flows for the year ended October 31, 2010, the year ended October 31, 2009 and the year ended October 31, 2008</u>	F-6
<u>Notes to the Financial Statements</u>	F-7

F-1



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Shareholders of CurrencyShares® Mexican Peso Trust:

We have audited the accompanying statement of financial condition of CurrencyShares® Mexican Peso Trust (the Trust ) at October 31, 2010 and the related statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended. 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 audit. The statement of financial condition at October 31, 2009, the statement of changes in shareholders' equity for the year ended October 31, 2009, the statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years ended October 31, 2009 and 2008 were audited by other auditors whose report, dated January 14, 2010, expressed an unqualified opinion on those financial statements.

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 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 audit provides 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® Mexican Peso Trust at October 31, 2010 and the results of its operations and its cash flows for the year then ended, 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), the effectiveness of CurrencyShares® Mexican Peso Trust's internal control over financial reporting as of October 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 14, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

January 14, 2011

**Table of Contents****CurrencyShares® Mexican Peso Trust****Statements of Financial Condition**

	October 31, 2010	October 31, 2009
<b>Assets</b>		
Current Assets:		
Mexican Peso deposits, interest bearing	\$ 24,315,223	\$ 41,807,927
Mexican Peso deposits, non-interest bearing		
Receivable from accrued interest	25,700	143,947
 Total Current Assets	 \$ 24,340,923	 \$ 41,951,874
<b>Liabilities, Redeemable Capital Shares and Shareholders' Equity</b>		
Current Liabilities:		
Mexican Peso deposits, non-interest bearing, overdrawn	\$ 1,320	\$
Accrued Sponsor's fee	10,083	14,227
 Total Current Liabilities	 11,403	 14,227
Commitments and Contingent Liabilities (note 9)		
Redeemable Capital Shares, at redemption value, no par value, 12,000,000 authorized 300,000 and 550,000 issued and outstanding, respectively	24,329,520	41,937,647
Shareholders' Equity:		
Retained Earnings		
Cumulative Translation Adjustment		
 Total Liabilities, Redeemable Capital Shares and Shareholders' Equity	 \$ 24,340,923	 \$ 41,951,874

*See Notes to Financial Statements.*

**Table of Contents****CurrencyShares® Mexican Peso Trust****Statements of Income and Comprehensive Income**

	Year ended October 31, 2010	Year ended October 31, 2009	Year ended October 31, 2008
<b><u>Income</u></b>			
Interest Income	\$ 1,092,562	\$ 2,006,821	\$ 2,923,179
Total Income	1,092,562	2,006,821	2,923,179
<b><u>Expenses</u></b>			
Sponsor's fee	(149,626)	(125,879)	(171,455)
Total Expenses	(149,626)	(125,879)	(171,455)
Net Income	\$ 942,936	\$ 1,880,942	\$ 2,751,724
Other Comprehensive Income/(Loss):			
Currency translation adjustment	12,374	(34,814)	(124,663)
Total Comprehensive Income	\$ 955,310	\$ 1,846,128	\$ 2,627,061
Basic and Diluted Earnings per share	\$ 1.99	\$ 4.39	\$ 5.95
Weighted-average Shares Outstanding	473,151	428,219	462,842
Cash Dividends per Share	\$ 2.22	\$ 4.80	\$ 5.39

*See Notes to Financial Statements.*

**Table of Contents****CurrencyShares® Mexican Peso Trust****Statements of Changes in Shareholders' Equity**

	Year ended October 31, 2010	Year ended October 31, 2009	Year ended October 31, 2008
Retained Earnings, Beginning of Year	\$	\$	\$
Net Income	942,936	1,880,942	2,751,724
Distributions Paid	(1,051,250)	(2,059,796)	(2,508,492)
Adjustment of redeemable capital shares to redemption value	108,314	178,854	(243,232)
Retained Earnings, End of Year	\$	\$	\$
Cumulative Translation Adjustment, Beginning of Year	\$	\$	\$
Currency translation adjustment	12,374	(34,814)	(124,663)
Adjustment of redeemable capital shares to redemption value	(12,374)	34,814	124,663
Cumulative Translation Adjustment, End of Year	\$	\$	\$

*See Notes to Financial Statements.*

**Table of Contents****CurrencyShares® Mexican Peso Trust****Statements of Cash Flows**

	Year ended October 31, 2010	Year ended October 31, 2009	Year ended October 31, 2008
<b>Cash flows from operating activities</b>			
Cash received for accrued income	\$ 1,217,133	\$ 2,246,167	\$ 2,592,483
Cash paid for expenses	(154,557)	(127,536)	(160,068)
Net cash provided by operating activities	1,062,576	2,118,631	2,432,415
<b>Cash flows from financing activities</b>			
Cash received to purchase redeemable shares	7,861,189	14,790,003	97,875,443
Cash paid to redeem redeemable shares	(27,503,035)	(11,098,459)	(74,630,812)
Cash paid for distributions	(1,051,250)	(2,059,796)	(2,508,492)
Net cash (used in)/ provided by financing activities	(20,693,096)	1,631,748	20,736,139
Adjustment to period cash flows due to currency movement	2,136,496	(1,232,505)	(7,243,860)
(Decrease)/Increase in cash	(17,494,024)	2,517,874	15,924,694
Cash at beginning of year	41,807,927	39,290,053	23,365,359
Cash at end of year	\$ 24,313,903	\$ 41,807,927	\$ 39,290,053
<b>Reconciliation of net income to net cash provided by operating activities</b>			
Net income	\$ 942,936	\$ 1,880,942	\$ 2,751,724
Adjustments to reconcile net income to net cash provided by operating activities:			
Receivable from accrued interest	(25,700)	(143,947)	(401,075)
Prior period receivable from accrued interest	143,947	401,075	129,262
Currency translation adjustment	5,537	(16,831)	(56,371)
Accrued sponsor fee	10,083	14,227	16,835
Prior period accrued sponsor fee	(14,227)	(16,835)	(7,960)
Net cash provided by operating activities	\$ 1,062,576	\$ 2,118,631	\$ 2,432,415

*See Notes to Financial Statements.*

---

**Table of Contents**

**CurrencyShares® Mexican Peso Trust**

**Notes to Financial Statements**

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

The CurrencyShares® Mexican Peso Trust (the Trust) was formed under the laws of the State of New York on June 8, 2006 when Rydex Specialized Products LLC d/b/a Rydex Investments (the Sponsor) deposited 1,000 Mexican Peso 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 Rydex Advisors II, LLC (also d/b/a Rydex 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 Mexican Peso 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 Mexican Pesos. The Trust's assets primarily consist of Mexican Pesos 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 date 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. Prior to November 13, 2008, Mexican Peso deposits (cash) were translated for NAV calculation purposes at the Noon Buying Rate, which was the U.S. Dollar (USD)/Mexican Peso exchange rate as determined and published by the Federal Reserve Bank of New York. As of November 13, 2008, Mexican Peso Deposits (cash) are translated for NAV calculation purposes at the Closing Spot Rate, which is the USD/Mexican Peso exchange rate as determined by WM/Reuters at 4:00 PM (London time) on each day that NYSE Arca is open for regular trading.

## **Table of Contents**

The functional currency of the Trust is the Mexican Peso 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 Mexican Pesos 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 statement of income and comprehensive income and the statement 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 Mexican Pesos. 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 Mexican Pesos 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 Mexican Pesos effective on the first business day of the subsequent month. The Trustee will direct that the excess Mexican Pesos be converted into USD at a prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own). An income distribution of \$0.04762 per share with an ex-dividend date of November 1, 2010 was paid on November 8, 2010.

**Table of Contents**

**3. Mexican Peso Deposits**

Mexican Peso principal deposits are held in a Mexican Peso-denominated, interest-bearing demand account. For the year ended October 31, 2010, there were Mexican Peso principal deposits of 100,000,000 and Mexican Peso principal redemptions of 350,000,000, resulting in an ending Mexican Peso principal balance of 300,000,000. This equates to 24,315,223 USD. For the year ended October 31, 2009, there were Mexican Peso principal deposits of 200,000,000 and Mexican Peso principal redemptions of 150,000,000, resulting in an ending Mexican Peso principal balance of 550,000,000. This equates to 41,807,927 USD. For the year ended October 31, 2008, there were Mexican Peso principal deposits of 1,050,000,000 and Mexican Peso principal redemptions of 800,000,000, resulting in an ending Mexican Peso principal balance of 500,000,000. This equates to 39,354,585 USD.

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

**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 Mexican Pesos. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. Only Authorized Participants (as defined below) may place orders to create and redeem Baskets. An Authorized Participant is a Depository Trust Company ( DTC ) participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of DTC and which has entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption process. Authorized Participants may redeem their Shares at any time in Baskets.

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



**Table of Contents**

Activity in redeemable capital Shares is as follows:

	Year ended October 31, 2010		Year ended October 31, 2009		Year ended October 31, 2008	
	Shares	U.S. Dollar Amount	Shares	U.S. Dollar Amount	Shares	U.S. Dollar Amount
<b>Opening balance</b>	550,000	\$ 41,937,647	500,000	\$ 39,674,293	250,000	\$ 23,486,661
Shares issued	100,000	7,861,189	200,000	14,790,003	1,050,000	97,875,443
Shares redeemed	(350,000)	(27,503,035)	(150,000)	(11,098,459)	(800,000)	(74,630,812)
Adjustment to period Shares due to currency movement and other		2,033,719		(1,428,190)		(7,056,999)
<b>Ending balance</b>	300,000	\$ 24,329,520	550,000	\$ 41,937,647	500,000	\$ 39,674,293

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 Mexican Pesos held by the Trust (including all unpaid interest accrued through the preceding day) and calculates the value of the Mexican Pesos 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 Mexican Pesos, they will determine an alternative basis for the valuation. The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares. Shares deliverable under a purchase order are considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order are not considered outstanding for this purpose.

**Table of Contents****5. Selected Quarterly Information (Unaudited)**

Fiscal Period Ended October 31, 2010:

	Three months ended October 31, 2010	Three months ended July 31, 2010	Three months ended April 30, 2010	Three months ended January 31, 2010
<b>Income</b>				
Interest income	\$ 177,695	\$ 326,754	\$ 285,282	\$ 302,831
Total Income	177,695	326,754	285,282	302,831
<b>Expenses</b>				
Sponsor's fee	(33,019)	(40,242)	(38,601)	(37,764)
Total Expenses	(33,019)	(40,242)	(38,601)	(37,764)
Net Income	\$ 144,676	\$ 286,512	\$ 246,681	\$ 265,067
Other Comprehensive Income/(Loss):				
Currency translation adjustment	3,905	2,791	6,605	(927)
Total Comprehensive Income	\$ 148,581	\$ 289,303	\$ 253,286	\$ 264,140
Basic and Diluted Earnings per Share	\$ 0.36	\$ 0.57	\$ 0.49	\$ 0.55
Weighted-average Shares Outstanding	407,065	505,978	501,685	478,804
Cash Dividends per Share	\$ 0.50	\$ 0.57	\$ 0.47	\$ 0.68

Fiscal Period Ended October 31, 2009:

	Three months ended October 31, 2009	Three months ended July 31, 2009	Three months ended April 30, 2009	Three months ended January 31, 2009
<b>Income</b>				
Interest income	\$ 370,107	\$ 348,644	\$ 454,276	\$ 833,794
Total Income	370,107	348,644	454,276	833,794
<b>Expenses</b>				
Sponsor's fee	(36,917)	(28,339)	(25,813)	(34,810)
Total Expenses	(36,917)	(28,339)	(25,813)	(34,810)
Net Income	\$ 333,190	\$ 320,305	\$ 428,463	\$ 798,984
Other Comprehensive Income/(Loss):				
Currency translation adjustment	1,581	2,228	10,152	(48,775)
Total Comprehensive Income	\$ 334,771	\$ 322,533	\$ 438,615	\$ 750,209
Basic and Diluted Earnings per Share	\$ 0.68	\$ 0.85	\$ 1.15	\$ 1.69
Weighted-average Shares Outstanding	489,674	377,177	371,910	471,739
Cash Dividends per Share	\$ 0.67	\$ 0.94	\$ 1.35	\$ 1.84



## **Table of Contents**

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

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the Mexican Pesos 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 Mexican Pesos, which creates a concentration risk associated with fluctuations in the price of the Mexican Peso. Accordingly, a decline in the Mexican Peso 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 Mexican Peso 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 Mexican Pesos by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold Mexican Pesos as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust's Mexican Pesos 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.

**Table of Contents**

**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, 2011.

CURRENCYSHARES® MEXICAN PESO TRUST

By Rydex Specialized Products LLC  
Sponsor of the CurrencyShares® Mexican Peso Trust

By: /s/ NICK BONOS  
Nick 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.

<b>Signature</b>	<b>Capacity</b>	<b>Date</b>
/s/ NICK BONOS	Director and Chief Executive Officer	January 14, 2011
Nick Bonos	(principal executive officer)	
/s/ JOSEPH ARRUDA	Director and Chief Financial Officer	January 14, 2011
Joseph Arruda	(principal financial officer and principal accounting officer)	
/s/ MICHAEL BYRUM	Director	January 14, 2011
Michael Byrum		

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