

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended September 30, 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: 001-34589

ETFs PALLADIUM TRUST

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

26-4733157

(I.R.S. Employer
Identification No.)

c/o ETF Securities USA LLC
48 Wall Street, 11th Floor
New York, NY

(Address of principal executive offices)

10005

(Zip Code)

Registrant's telephone number, including area code:
(212) 918-4954

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 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," 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

9,150,000 shares outstanding as of November 11, 2010.

ETFs PALLADIUM TRUST

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

ETFs PALLADIUM TRUST

Condensed Statements of Condition (unaudited)
At September 30, 2010 and December 31, 2009

	September 30, 2010	December 31, 2009
ASSETS		
Investment in Palladium ⁽¹⁾	\$ 334,880,107	\$ 3,930,000
Palladium receivable	25,672,443	—
Total Assets	\$ 360,552,550	\$ 3,930,000
LIABILITIES		
Accounts payable to Sponsor	193,993	—
Total Liabilities	\$ 193,993	\$ —
Redeemable Shares:		
Shares at redemption value to investors ⁽²⁾	\$ 436,441,277	\$ 4,020,000
Shareholders' Deficit	(76,082,720)	(90,000)
Total Liabilities, Redeemable Shares & Shareholders' Deficit	\$ 360,552,550	\$ 3,930,000

(1) The market value of investment in Palladium as at September 30, 2010 was \$410,962,827 and as at December 31, 2009 the market value of Palladium was \$4,020,000.

(2) Authorized Share capital is unlimited and no par value per Share. Shares issued and outstanding as at September 30, 2010 were 7,650,000 and as at December 31, 2009 were 100,000.

See Notes to the Unaudited Condensed Financial Statements

ETFs PALLADIUM TRUST

Condensed Statements of Operations (unaudited)
For the three months and nine months ended September 30, 2010

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
REVENUES		
Value of Palladium transferred to pay expenses	\$ 550,980	\$ 1,159,494
Cost of Palladium transferred to pay expenses	(544,830)	(1,118,869)
Gain on Palladium transferred to pay expenses	6,150	40,625
Gain on Palladium distributed for the redemption of Shares	3,534,206	4,678,808
Unrealized gain on Investment in Palladium	14,802,112	—
Total gain on Palladium	\$ 18,342,468	\$ 4,719,433
EXPENSES		
Sponsor fees	564,314	1,355,068
Total expenses	564,314	1,355,068
Net gain from operations	\$ 17,778,154	\$ 3,364,365
<i>Net gain per Share</i>	<i>\$ 2.35</i>	<i>\$ 0.54</i>
<i>Weighted average number of Shares</i>	<i>7,567,935</i>	<i>6,236,081</i>

See Notes to the Unaudited Condensed Financial Statements

ETFs PALLADIUM TRUST

Condensed Statements of Cash Flows (unaudited)
For the three months and nine months ended September 30, 2010

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
INCREASE / (DECREASE) IN CASH FROM OPERATIONS:		
Cash proceeds received from transfer of Palladium	\$ —	\$ —
Cash expenses paid	—	—
Increase in cash resulting from operations	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	\$ —	\$ —
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
<i>Value of Palladium received for creation of Shares</i>	\$ 11,111,712	\$ 392,151,991
<i>Value of Palladium distributed for redemption of Shares - at average cost</i>	\$ 50,889,577	\$ 60,083,016
RECONCILIATION OF NET GAIN/(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net gain from operations	\$ 17,778,154	\$ 3,364,365
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Increase)/decrease in Palladium assets	25,520,584	(330,950,107)
Increase in Palladium receivable	(25,672,443)	(25,672,443)
Increase in unrealized gain on Palladium receivable	268,823	268,823
Decrease in Palladium payable	(11,118,058)	—
Increase in accounts payable to Sponsor	12,797	193,993
Increase/(decrease) in redeemable Shares:		
Creations	36,516,298	417,557,499
Redemptions	(43,306,155)	(64,762,130)
Net cash provided by operating activities	\$ —	\$ —
Supplemental disclosure of non-cash item:		
Value of Palladium transferred to pay expenses	\$ 550,980	\$ 1,159,494

See Notes to the Unaudited Condensed Financial Statements

ETFs PALLADIUM TRUST

Condensed Statements of Changes in Shareholders' Deficit (unaudited)
For the nine months ended September 30, 2010

	Nine Months Ended September 30, 2010
Shareholders' Deficit – opening balance	\$ (90,000)
Net Gain for the period	3,364,365
Adjustment of Redeemable Shares to redemption value	(79,625,908)
Adjustment of Palladium receivable to market value	268,823
Shareholders' Deficit – closing balance	\$ (76,082,720)

See Notes to the Unaudited Condensed Financial Statements

Notes to the Unaudited Condensed Financial Statements

1. Organization

The ETFs Palladium Trust (the "Trust") is an investment trust formed on December 30, 2009 (the "Date of Inception") under New York law pursuant to a depositary trust agreement (the "Trust Agreement") executed by ETF Securities USA LLC (the "Sponsor") and the Bank of New York Mellon (the "Trustee") at the time of the Trust's organization. The Trust holds Palladium bullion and issues shares ("Shares") (in minimum blocks of 50,000 Shares, also referred to as "Baskets") in exchange for deposits of Palladium and distributes Palladium in connection with the redemption of Baskets. Shares represent units of fractional undivided beneficial interest in and ownership of the Trust which are issued by the Trust. The Sponsor is a Delaware limited liability company and a wholly-owned subsidiary of ETF Securities Limited, a Jersey, Channel Islands based company. The Trust is governed by the Trust Agreement.

The investment objective of the Trust is for the Shares to reflect the performance of the price of Palladium, less the Trust's expenses and liabilities. The Trust is designed to provide an individual owner of beneficial interests in the Shares (a "Shareholder") an opportunity to participate in the Palladium market through an investment in securities. The fiscal year end for the Trust is December 31.

The accompanying unaudited financial statements were prepared in accordance with the accounting principles generally accepted in the United States of America for interim financial information and with the instructions for the Form 10-Q. In the opinion of management of the Sponsor, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of and for the three and nine months ended September 30, 2010 have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed financial statements should be read in conjunction with the Trust's prospectus. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the operating results for the full year.

2. Significant Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires those responsible for preparing financial statements to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Trust.

2.1. Valuation of Palladium

Loco London allocated Palladium is held by JPMorgan Chase Bank, N.A. (the "Custodian") on behalf of the Trust and is valued, for financial statement purposes, at the lower of cost or market. The cost of Palladium is determined according to the average cost method and the market value is based on the London PM Fix used to determine the net asset value (the "NAV") of the Trust. Realized gains and losses on transfers of Palladium, or Palladium distributed for the redemption of Shares, are calculated on a trade date basis using average cost. The London PM Fix price for an ounce of Palladium is set using the afternoon session of the twice daily fix of the price of Palladium by four members of the London Platinum and Palladium Market.

Once the value of Palladium has been determined, the NAV is computed by the Trustee by deducting all accrued fees and other liabilities of the Trust, including the remuneration due to the Sponsor (the "Sponsor's Fee"), from the fair value of the Palladium and all other assets held by the Trust.

Notes to the Unaudited Condensed Financial Statements

2. Significant Accounting Policies (continued)

2.1. Valuation of Palladium (continued)

The table below summarizes the unrealized gains or losses on the Trust's Palladium holdings as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2010
Investment in Palladium - average cost	\$ 334,880,107	\$ 3,930,000
Unrealized loss/gain on investment in Palladium	76,082,720	90,000
Investment in Palladium - market value	\$ 410,962,827	\$ 4,020,000

The Trust recognizes the diminution in value of the investment in Palladium which arises from market declines on an interim basis. Increases in the value of the investment in Palladium through market price recoveries in later interim periods of the same fiscal year are recognized in the later interim period. Increases in value recognized on an interim basis may not exceed the previously recognized diminution in value. For the three months ended September 30, 2010, an unrealized gain of \$14,802,112 was recorded, representing a recovery in the value of Palladium market price from June 30, 2010.

The per-Share amount of Palladium exchanged for a purchase or redemption is calculated daily by the Trustee, using the London PM Fix to calculate the Palladium amount in respect of any liabilities for which covering Palladium sales have not yet been made, and represents the per-Share amount of Palladium held by the Trust, after giving effect to its liabilities, to cover expenses and liabilities and any losses that may have occurred.

2.2. Palladium Receivable and Payable

Palladium receivable or payable represents the quantity of Palladium covered by contractually binding orders for the creation or redemption of Shares respectively, where the Palladium has not yet been transferred to or from the Trust's account. Generally, ownership of the Palladium is transferred within three days of trade date. As of September 30, 2010 there was \$25,672,443 of Palladium receivable and no Palladium payable and as of December 31, 2009 there was no Palladium receivable or payable.

2.3. Creations and Redemptions of Shares

The Trust expects to create and redeem Shares from time to time, but only in one or more Baskets (a Basket equals a block of 50,000 Shares). The Trust issues Shares in Baskets to Authorized Participants on an ongoing basis. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. An Authorized Participant is a person who (1) is a registered broker-dealer or other securities market participant such as a bank or other financial institution which is not required to register as a broker-dealer to engage in securities transactions, (2) is a participant in The Depository Trust Company, (3) has entered into an Authorized Participant Agreement with the Trustee, and (4) has established an Authorized Participant Unallocated Account with the Trust's Custodian. An Authorized Participant Agreement is an agreement entered into by each Authorized Participant, the Sponsor and the Trustee which provides the procedures for the creation and redemption of Baskets and for the delivery of the Palladium required for such creations and redemptions. An Authorized Participant Unallocated Account is an unallocated Palladium account, either loco London or loco Zurich, established with the Custodian or a Palladium clearing bank by an Authorized Participant.

Notes to the Unaudited Condensed Financial Statements

2. Significant Accounting Policies (continued)

2.3. Creations and Redemptions of Shares (continued)

The creation and redemption of Baskets is only made in exchange for the delivery to the Trust or the distribution by the Trust of the amount of Palladium represented by the Baskets being created or redeemed, the amount of which is based on the combined NAV 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 properly received.

Authorized Participants may, on any business day, place an order with the Trustee to create or redeem one or more Baskets. The typical settlement period for Shares is three business days. In the event of a trade date at period end, where a settlement is pending, a respective account receivable and/or payable will be recorded. When Palladium is exchanged in settlement of redemption, it is considered a sale of Palladium for financial statement purposes.

The Shares of the Trust are classified as "Redeemable Capital Shares" for financial statement purposes, since they are subject to redemption at the option of Authorized Participants. Outstanding Shares are reflected at redemption value, which represents the maximum obligation (based on NAV per Share), with the difference from historical cost recorded as an offsetting amount to retained earnings. Changes in the Shares for the nine months ended September 30, 2010 are as follows:

Number of Redeemable Shares:	Nine Months Ended September 30, 2010	December 30, 2009* through December 31, 2009
Opening balance	100,000	—
Creations	8,850,000	100,000
Redemptions	(1,300,000)	—
Closing balance	7,650,000	100,000
	Nine Months Ended September 30, 2010	December 30, 2009* through December 31, 2009
Redeemable Shares:		
Opening balance	\$ 4,020,000	\$ —
Creations	417,557,499	3,930,000
Redemptions	(64,762,130)	—
Adjustment to redemption value	79,625,908	90,000
Closing balance	\$ 436,441,277	\$ 4,020,000
Redemption value per Share at period end	\$ 57.05	\$ 40.20

*Date of Inception.

2.4. Revenue Recognition Policy

The primary expense of the Trust is the Sponsor's Fee, which is paid by the Trust through in-kind transfers of Palladium to the Sponsor. With respect to expenses not otherwise assumed by the Sponsor, the Trustee will, at the direction of the Sponsor or in its own discretion, sell the Trust's Palladium as necessary to pay these expenses. When selling Palladium to pay expenses, the Trustee will endeavor to sell the smallest amounts of Palladium needed to pay these expenses in order to minimize the Trust's holdings of assets other than Palladium.

Notes to the Unaudited Condensed Financial Statements

2. Significant Accounting Policies (continued)

2.4. Revenue Recognition Policy (continued)

Unless otherwise directed by the Sponsor, when selling Palladium the Trustee will endeavor to sell at the price established by the London PM Fix. The Trustee will place orders with dealers (which may include the Custodian) through which the Trustee expects to receive the most favorable price and execution of orders.

The Custodian may be the purchaser of such Palladium only if the sale transaction is made at the next London PM Fix or such other publicly available price that the Sponsor deems fair, in each case as set following the sale order. A gain or loss is recognized based on the difference between the selling price and the average cost of the Palladium sold. Neither the Trustee nor the Sponsor is liable for depreciation or loss incurred by reason of any sale.

2.5. Income Taxes

The Trust is classified as a “grantor trust” for U.S. federal income tax purposes. As a result, the Trust itself will not be subject to U.S. federal income tax. Instead, the Trust’s income and expenses will “flow through” to the Shareholders, and the Trustee will report the Trust’s proceeds, income, deductions, gains, and losses to the Internal Revenue Service on that basis.

The Trust has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10, Income Taxes (formerly FASB Interpretation Number 48, Accounting for Uncertainty in Income Taxes). The Sponsor has evaluated the application of ASC 740 to the Trust, to determine whether or not there are uncertain tax positions that require financial statement recognition. Based on this evaluation, the Trust has determined no reserves for uncertain tax positions are required to be recorded as a result of the application of ASC 740. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

2.6. Investment in Palladium

The following represents the changes in ounces of Palladium and the respective values for the period for the nine months ended September 30, 2010 and for the period from the Date of Inception through December 31, 2009:

	Nine Months Ending September 30, 2010	December 30, 2009* through December 31, 2009
Ounces of Palladium:		
Opening balance	10,000.0	—
Creations (excluding Palladium receivable at September 30, 2010 - 44,803.6)	839,212.1	10,000.0
Redemptions	(129,558.0)	—
Transfers of Palladium	(2,441.5)	—
Closing balance	717,212.6	10,000.0

ETFS PALLADIUM TRUST

Notes to the Unaudited Condensed Financial Statements

2. Significant Accounting Policies (continued)

2.6. Investment in Palladium (continued)

	Nine Months Ending September 30, 2010	December 30, 2009* through December 31, 2009
Investment in Palladium (lower of cost or market):		
Opening balance	\$ 3,930,000	\$ —
Creations (excluding Palladium receivable at September 30, 2010 - \$25,403,620)	392,151,991	3,930,000
Redemptions	(60,083,016)	—
Transfers of Palladium	(1,118,868)	—
<hr/>		
Closing balance	\$ 334,880,107	\$ 3,930,000

*Date of Inception

2.7. Expenses

The Trust will transfer Palladium to the Sponsor to pay the Sponsor's Fee that will accrue daily at an annualized rate equal to 0.60% of the adjusted net asset value ("ANAV") of the Trust, paid monthly in arrears.

The Sponsor has agreed to assume administrative and marketing expenses incurred by the Trust, including the Trustee's monthly fee and out-of-pocket expenses, the Custodian's fee and the reimbursement of the Custodian's expenses, exchange listing fees, United States Securities and Exchange Commission (the "SEC") registration fees, printing and mailing costs, audit fees and certain legal expenses.

At September 30, 2010 the fees payable to the Sponsor were \$193,993.

2.8. Organization Cost

Expenses incurred in organizing the Trust and the initial offering of the Shares, including applicable SEC registration fees, of approximately \$1,190,905, were borne directly by the Sponsor. The Trust will not be obligated to reimburse the Sponsor.

3. Related Parties

The Sponsor and the Trustee are considered to be related parties to the Trust. The Trustee's fee is paid by the Sponsor and is not a separate expense of the Trust. The Trustee and the Custodian and their affiliates may from time to time act as Authorized Participants or purchase or sell Palladium or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

Notes to the Unaudited Condensed Financial Statements

4. Concentration of Risk

The Trust's sole business activity is the investment in Palladium, and substantially all the Trust's assets are holdings of Palladium which creates a concentration of risk associated with fluctuations in the price of Palladium. Several factors could affect the price of Palladium, including: (i) global Palladium supply and demand, which is influenced by factors such as forward selling by Palladium producers, purchases made by Palladium producers to unwind Palladium hedge positions, central bank purchases and sales, and production and cost levels in major Palladium-producing countries; (ii) investors' expectations with respect to the rate of inflation; (iii) currency exchange rates; (iv) interest rates; (v) investment and trading activities of hedge funds and commodity funds; and (vi) global or regional political, economic or financial events and situations. In addition, there is no assurance that Palladium will maintain its long-term value in terms of purchasing power in the future. In the event that the price of Palladium declines, the Sponsor expects the value of an investment in the Shares to decline proportionately. Each of these events could have a material effect on the Trust's financial position and results of operations.

5. Indemnification

Under the Trust's organizational documents, each of the Trustee (and its directors, employees and agents) and the Sponsor (and its members, managers, directors, officers, employees and affiliates) is indemnified by the Trust against any liability, cost or expense it incurs without gross negligence, bad faith or willful misconduct on its part and without reckless disregard on its part of its obligations and duties under the Trust's organizational documents. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred.

6. Subsequent Events

In accordance with the provisions set forth in FASB ASC 855-10, *Subsequent Events*, the Trust's management has evaluated the possibility of subsequent events existing in the Trust's financial statements through the filing date.

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

This information should be read in conjunction with the financial statements and notes to the financial statements included in Item 1 of Part 1 of this Form 10-Q. The discussion and analysis that follows may contain forward-looking statements with respect to the Trust's financial conditions, operations, future performance and business. These statements can be identified by the use of the words "may", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential" or similar words and phrases. These statements are based upon certain assumptions and analyses the Sponsor has made based on its perception of historical trends, current conditions and expected future developments. Neither the Trust nor the Sponsor is under a duty to update any of the forward-looking statements, to conform such statements to actual results or to reflect a change in management's expectations or predictions.

Introduction

The Trust is a common law trust, formed under the laws of the state of New York on the Date of Inception. The Trust is not managed like a corporation or an active investment vehicle. It does not have any officers, directors or employees and is administered by the Trustee pursuant to the Trust Agreement. The Trust is not registered as an investment company under the Investment Company Act of 1940 and is not required to register under such act. It will not hold or trade in commodity futures contracts, nor is it a commodity pool, subject to regulation as a commodity pool operator or a commodity trading adviser in connection with issuing Shares.

The Trust holds Palladium and is expected to issue Baskets in exchange for deposits of Palladium, and to distribute Palladium in connection with redemptions of Baskets. Shares issued by the Trust represent units of undivided beneficial interest in and ownership of the Trust. The investment objective of the Trust is for the Shares to reflect the performance of the price of Palladium, less the Trust's expenses. The Sponsor believes that, for many investors, the Shares will represent a cost effective investment relative to traditional means of investing in Palladium.

The Trust issues and redeems Shares only with Authorized Participants in exchange for Palladium, only in aggregations of 50,000 or integral multiples thereof. A list of current Authorized Participants is available from the Sponsor or the Trustee.

Shares of the Trust trade on the New York Stock Exchange (the "NYSE") Arca under the symbol "PALL".

Valuation of Palladium and Computation of Net Asset Value

As of the London PM Fix on each day that the NYSE Arca is open for regular trading or as soon as practicable after 4:00PM, New York time, on such day (the "Evaluation Time") the Trustee values the Palladium held by the Trust and determines both the ANAV and the NAV of the Trust.

At the Evaluation Time, the Trustee values the Trust's Palladium on the basis of that day's London PM Fix, or, if no London PM Fix is made on such day or has not been announced by the Evaluation Time, the next most recent London Palladium price (AM or PM) determined prior to the Evaluation Time is used, unless the Sponsor determines that such price is inappropriate as a basis for valuation. In the case this determination is made, the Sponsor will identify an alternative basis for such evaluation to be used by the Trustee.

Once the value of the Palladium held by the Trust has been determined, the Trustee subtracts all estimated accrued but unpaid fees and other liabilities of the Trust from the total value of the Palladium and all other assets of the Trust. The resulting figure is the ANAV of the Trust. The ANAV is used to compute the Sponsor's Fee.

The Trustee then subtracts from the ANAV the amount of accrued Sponsor's Fees computed for such day to determine the NAV of the Trust. The Trustee also determines the NAV per Share by dividing the NAV of the Trust by the number of Shares outstanding as of the close of trading on the NYSE Arca.

The Quarter Ended September 30, 2010

During the period the market value of the Trust's assets increased from \$350,299,776 on July 1, 2010 to \$436,635,270 at quarter end, representing a 24.65% increase. The number of Shares outstanding decreased from 7,850,000 at July 1, 2010 to 7,650,000 at September 30, 2010, with 13 Baskets created and 17 Baskets redeemed, representing 200,000 net Shares redeemed.

The NAV per Share increased from \$43.22 on July 1, 2010 to \$57.05 on September 30, 2010, representing a 32.00% increase during the quarter. The NAV per Share increased proportionately slightly less than the price per ounce of Palladium (\$433.50 on July 1, 2010 to \$573.00 on September 30, 2010) due to the Sponsor's Fee, which was \$564,314 for the quarter.

The NAV per Share of \$57.05 on September 30, 2010, was the highest during the period, compared with a low of \$43.07 on July 6, 2010.

Net gain for the quarter was \$17,778,154, resulting from a net gain of \$3,534,206 on Palladium distributed for the redemption of Baskets, an unrealized gain on investment in Palladium of \$14,802,112 (due to the reversal of the loss arising from the market value of Palladium falling below the average cost in the prior quarter) and a net gain of \$6,150 on the transfer of Palladium to pay Sponsor's Fees, which were \$564,314 for the quarter. Other than the Sponsor's Fees, the Trust had no other expenses during the period.

The Period from Date of Inception (December 30, 2009) to September 30, 2010

On December 30, 2009, the Trust was formed as a legal entity with an initial deposit of Palladium. On January 8, 2010 the Trust's Shares commenced trading on the NYSE Arca under the symbol PALL, and the Trust commenced operations, began accruing expenses and began the calculation of NAV (the "Commencement of Operations"). The market value of the assets of the Trust were \$4,310,000 and the NAV per Share was \$43.10 on January 8, 2010.

The market value of the Trust's assets at September 30, 2010 were \$436,635,270. The number of Shares outstanding at September 30, 2010 was 7,650,000 with 179 Baskets (representing 8,950,000 Shares) created and 26 Baskets (representing 1,300,000 Shares) redeemed during the period from the Date of Inception to September 30, 2010.

The NAV per Share increased from \$43.10 on January 8, 2010 to \$57.05 on September 30, 2010 representing a 32.37% increase from the close of business on the Commencement of Operations. The NAV per Share increased proportionately slightly less than the price per ounce of Palladium (\$431.00 on January 8, 2010 to \$573.00 on September 30, 2010) due to Sponsor's Fees, which were \$1,355,068 for the period, or 0.60% of the Trust's assets on an annualized basis. Other than the Sponsor's Fees, the Trust had no other expenses during the period.

The NAV per Share of \$57.05 on September 30, 2010, was the highest during the period, compared with a low of \$39.48 on February 5, 2010.

Net gain for the period ended September 30, 2010 was \$3,364,365 resulting from a net gain of \$40,625 on the transfer of Palladium to pay the Sponsor's Fees, which were \$1,355,068, and a gain on Palladium distributed for the redemption of Shares of \$4,678,808.

Liquidity & Capital Resources

The Trust is not aware of any trends, demands, commitments, events or uncertainties that are reasonably likely to result in material changes to its liquidity needs. In exchange for the Sponsor's Fee, the Sponsor has agreed to assume most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the period covered by this report was the Sponsor's Fee. The Trust's only source of liquidity is its transfers and sales of Palladium.

The Trustee will, at the direction of the Sponsor or in its own discretion, sell the Trust's Palladium as necessary to pay the Trust's expenses not otherwise assumed by the Sponsor. The Trustee will not sell Palladium to pay the

Sponsor's Fee but will pay the Sponsor's Fee through in-kind transfers of Palladium to the Sponsor. At September 30, 2010 the Trust did not have any cash balances.

Critical Accounting Estimates

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements relies on estimates and assumptions that impact the Trust's financial position and results of operations. These estimates and assumptions affect the Trust's application of accounting policies. In addition, please refer to Note 2 to the financial statements for further discussion of accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

The authorized officers of the Sponsor performing functions equivalent to those that a principal executive officer and principal financial officer of the Trust would perform if the Trust had any officers, and with the participation of the Trustee, have evaluated the effectiveness of the Trust's disclosure controls and procedures, and have concluded that the disclosure controls and procedures of the Trust have been effective as of the end of the period covered by this Form 10-Q.

There have been changes in the Trust's or Sponsor's internal control over financial reporting that occurred during the Trust's third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust's or Sponsor's internal control over financial reporting; these changes have occurred as a result of the Sponsor's review of the control processes; the changes made strengthen the review and reconciliation procedures over the financial statements.

Item 4T. Controls and Procedures

Not applicable.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors since last disclosed in the prospectus included in the registrant's registration statement filed on Form S-1 on April 23, 2010.

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

Item 2(a). None.

Item 2(b). Not applicable.

Item 2(c). For the three months ended September 30, 2010:

13 Baskets were created.

17 Baskets were redeemed as follows:

Period	Total Baskets Redeemed	Total Shares Redeemed	Average Ounces of Palladium Per Share
07/01/10-07/31/10	6	300,000	0.0997
08/01/10-08/31/10	—	—	—
09/01/10-09/30/10	11	550,000	0.0996
Total	17	850,000	0.0996

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

31.1 Chief Executive Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Chief Financial Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Chief Executive Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Chief Financial Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Date: November 12, 2010

ETF SECURITIES USA LLC
Sponsor of the ETFS Palladium Trust
(Registrant)

/s/ Graham Tuckwell

Graham Tuckwell
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2010

/s/ Thomas Quigley

Thomas Quigley
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal
Accounting Officer)

* The Registrant is a trust and the persons are signing in their capacities as officers of ETF Securities USA LLC, the Sponsor of the Registrant.

Exhibit Index

- 31.1 Chief Executive Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 31.2 Chief Financial Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Chief Executive Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 32.2 Chief Financial Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
-

Exhibit 31.1

**FORM OF CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

CERTIFICATIONS

I, Graham Tuckwell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ETFS Palladium 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 registrant's 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 registrant's 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 the 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 management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010

/s/ Graham Tuckwell

Graham Tuckwell
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**FORM OF CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

CERTIFICATIONS

I, Thomas Quigley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ETFS Palladium 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 registrant's 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 registrant's 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 the 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 management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010

/s/ Thomas Quigley

Thomas Quigley
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ETFS Palladium Trust (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on November 12, 2010 (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 Company.

Date: November 12, 2010

/s/ Graham Tuckwell

Graham Tuckwell
President and Chief Executive Officer
(Principal Executive Officer)

* The Registrant is a trust and Mr. Tuckwell is signing in his capacity as an officer of ETF Securities USA LLC, the Sponsor of the Registrant.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ETFS Palladium Trust (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on November 12, 2010 (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 Company.

Date: November 12, 2010

/s/ Thomas Quigley

Thomas Quigley
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

* The Registrant is a trust and Mr. Quigley is signing in his capacity as an officer of ETF Securities USA LLC, the Sponsor of the Registrant.
