2019 ANNUAL REVIEW

NFA®

Acronym Key

Act	The Commodity Exchange Act
AMCC	Affiliate Members Consultative Committee
AP	Associated Person
BASIC	Background Affiliation Status Information Center
BCC	Business Conduct Committee
Board	NFA's Board of Directors
CFTC	Commodity Futures Trading Commission
CPO	Commodity Pool Operator
CTA	Commodity Trading Advisor
FCM	Futures Commission Merchant
FDM	Forex Dealer Member
FY	Fiscal Year
IB	Introducing Broker
IOSCO	International Organization of Securities Commissions
ISSP	Information Systems Security Program
RFED	Retail Foreign Exchange Dealer
SD	Swap Dealer
SEF	Swap Execution Facility
SRO	Self-Regulatory Organization
ORS	Online Registration System
SPRAC	Swaps Proficiency Requirements Advisory Committee

Contents

A Letter from NFA's Chairman

Dear NFA Member,

Last year, I previewed several coming attractions for Fiscal Year 2019 (July 1, 2018-June 30, 2019). Many of these initiatives were identified by NFA's Executive Committee and senior staff during its last long-range planning meeting. This forward-looking meeting, which is held every few years, covers issues that could have a significant impact on NFA and our Members. In this year's Annual Review, I am pleased to report that we completed all the work we set out to do related to these initiatives. In the next several pages, you will read brief summaries covering Swaps Proficiency Requirements, our redesigned BASIC system, and CPO internal controls, among other things.

A factor contributing to the success of NFA's regulatory programs, including those mentioned above, is Member involvement, one of NFA's guiding principles. For example, after the Board approved the development and implementation of NFA's Swaps Proficiency Requirements, the Board immediately formed a Swaps Proficiency Requirements Advisory Committee made up of several Board members and industry professionals. This Advisory Committee, chaired by NFA Board Member Don Thompson, regularly consulted with and advised staff regarding the design, content, rulemaking and system development for the Swaps Proficiency Requirements.

Member involvement was also instrumental in the debut of NFA's enhanced BASIC system. To identify how to improve this system, staff collected valuable data from BASIC users, including investors and NFA Members, regarding access, data used and functionality. Staff also obtained FCM Board Member feedback on the proposed graphical display of FCM financial information. Member input and feedback throughout the BASIC redesign contributed to a successful rebuild.

In addition to the specific examples above, Members are also involved in the rulemaking process. During the past year, staff worked with NFA Member Advisory Committees, industry trade associations, and the CFTC addressing areas such as virtual currencies, cyber security, and Members' swaps activities. More details on these rulemakings are shared in this Annual Review.

Another NFA guiding principle is our collaboration and coordination with the CFTC. The importance of this collaboration was highlighted this past year due to a number of significant transitions that took place at the CFTC. The Senate confirmed Heath P. Tarbert to serve as CFTC Chairman in June 2019 and confirmed both Dawn DeBerry Stump and Dan M. Berkovitz to serve as CFTC Commissioners in August 2018. We've since had productive conversations with both the new Chairman and new Commissioners regarding coordination and NFA's significant regulatory initiatives. Strengthening NFA's relationship with regulatory bodies outside the U.S. is also important to NFA's ability to fulfill its oversight responsibilities of non-U.S. Members. Therefore, NFA took on a leadership role as Chairman of IOSCO's AMCC in order to more effectively contribute to IOSCO's global standard setting process.

This letter has given me the opportunity to highlight some of the ways that Members contribute to NFA's mission of investor protection and market integrity. As mentioned earlier, Member involvement has been one of our guiding principles since the day NFA opened its doors as a self-regulatory organization. In closing, I would like to thank NFA's Board and Members for their commitment to ensure that NFA's regulatory programs and policies are effective and continue to meet the demands of an evolving marketplace.

Sincerely,
Michael C. Dawley
Chairman of the Board

Swaps Proficiency Requirements

In June 2018, NFA announced an important initiative to develop Swaps Proficiency Requirements for individuals acting as APs at SDs and those registered APs engaged in swaps activities at FCMs, IBs, CPOs and CTAs. These Requirements will be in the form of an online learning program that consists of a series of modules, each with a training and testing component.

The Swaps Proficiency Requirements will not apply to certain individuals acting as APs at SDs located outside the U.S., including non-U.S. branch offices of U.S. SDs. Specifically, those individuals who limit their swaps-related activities to counterparties that are non-U.S. persons and/or non-U.S. branch offices of a U.S. SD are not required to satisfy NFA's Swaps Proficiency Requirements.

For more detailed information about the Swaps Proficiency Requirements, read NFA's March 5, 2019 Rule Submission Letter to the CFTC regarding the amendments to Bylaw 301, Compliance Rule 2-24 and the related Interpretive Notice: www.nfa.futures.org/news/newsRuleSubList.asp.

In order to ensure that NFA Members understand their regulatory obligations, NFA issued a Notice to Members, posted FAQs on NFA's website, and described important program details during in-person Member workshops and industry conferences. NFA will continue to provide education so Members are prepared for the program's launch.

During this fiscal year, NFA worked closely with NFA's SPRAC to develop all aspects of the Requirements' framework. The program will include two separate tracks based primarily on whether an individual is associated with an SD or an intermediary firm. Other tasks completed this year included identifying the specific topics to be covered in each track, finalizing the content for all modules, transforming the content into e-learning modules, drafting test questions, designing and implementing a learning management system, and adopting rules and an Interpretive Notice to implement these Requirements.

In addition to working closely with the SPRAC, NFA also worked closely on these Requirements with the CFTC, NFA's Board, NFA Members and relevant trade associations.

NFA's Swaps Proficiency Requirements will launch in late January 2020 with a Compliance Date of January 31, 2021.

World-Wide Regulatory Coordination and Cooperation

IOSCO Leadership Role

NFA's outreach efforts include NFA's engagement with IOSCO, a global regulatory standard-setting body for the derivatives and securities markets. Membership includes regulators from around the world including the CFTC and SEC. For decades, NFA has been actively involved in IOSCO's AMCC. This committee is made up of over 60 organizations representing SROs, exchanges, clearing corporations, and trade associations.

At the beginning of this fiscal year, NFA assumed an IOSCO leadership role as Chair of the AMCC. NFA chaired the AMCC's two-day Mid-Year Meeting and one-day Annual Meeting, delivered a two-day training program for close to 100 global regulators and participated in IOSCO Board Meetings.

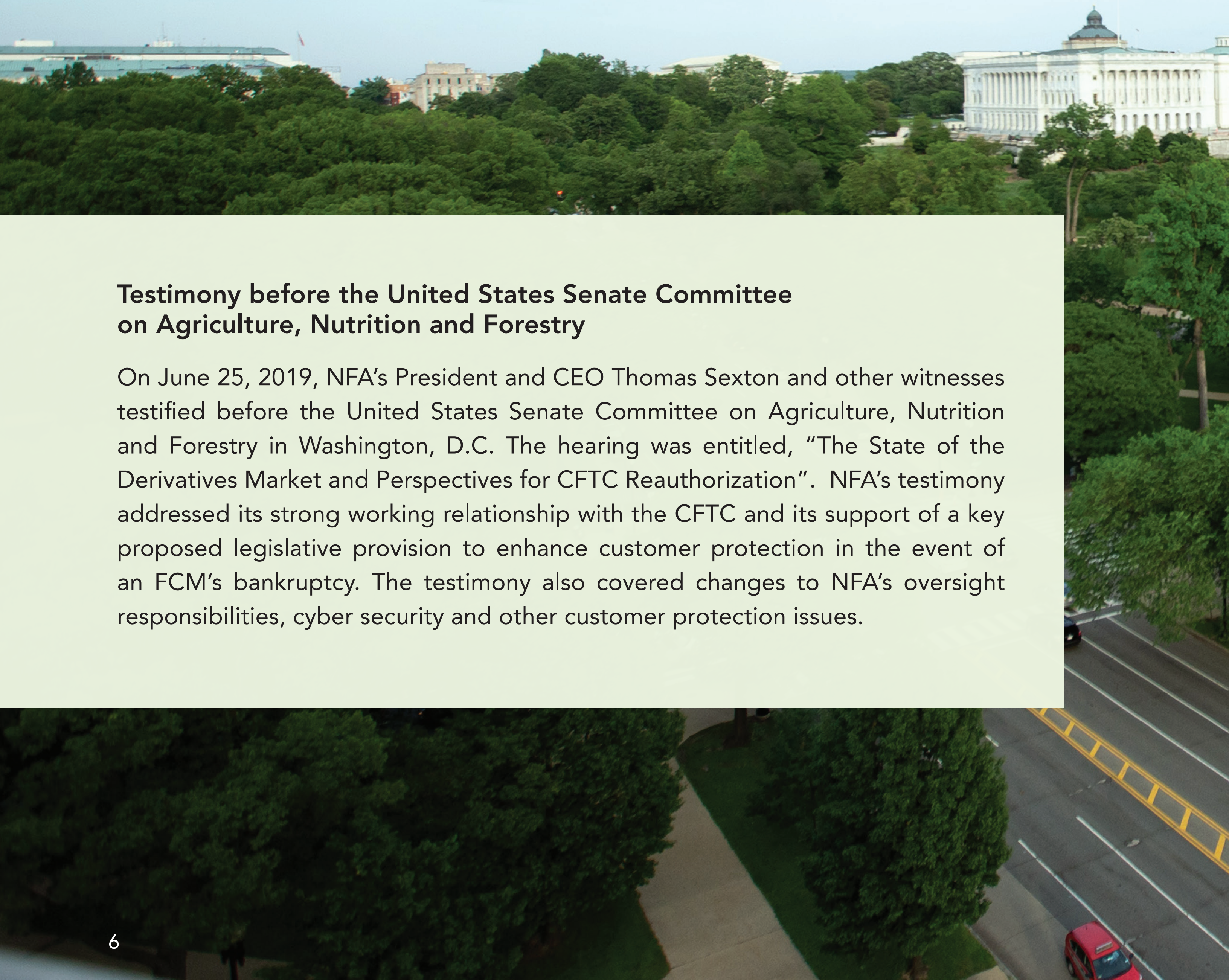
This important IOSCO role gives NFA an opportunity to contribute to the work of IOSCO's policy committees covering topics such as cyber security, investor protection, OTC derivatives reforms, market fragmentation, outsourcing, and crypto-assets. For example, as a participant on IOSCO's policy committee on derivatives, NFA worked with the CFTC to organize, select speakers and host a roundtable in Chicago to discuss OTC derivatives reforms.

Through these activities, NFA has strengthened its relationships with non-U.S. regulators leading to increased coordination and cooperation.

Collaborative Regulatory Efforts

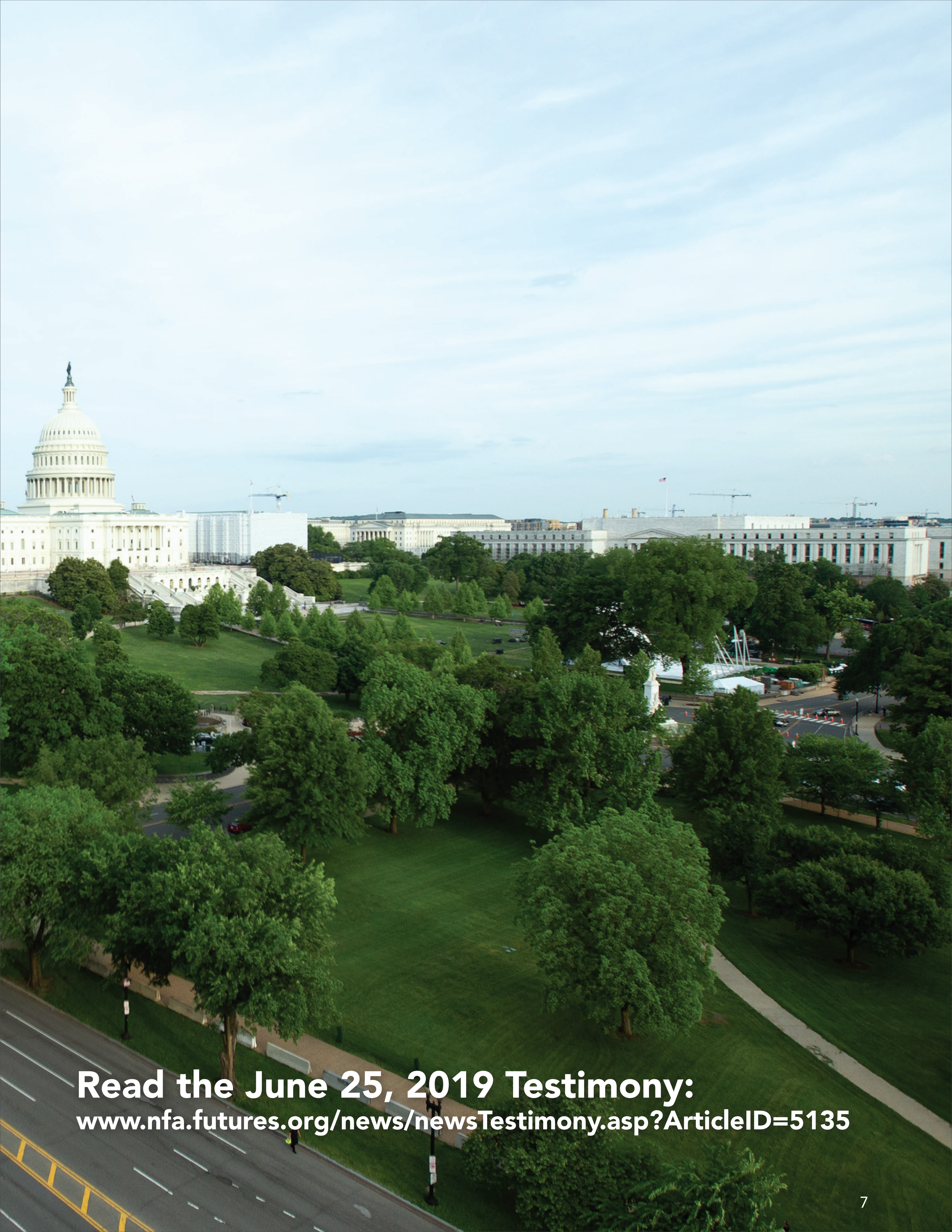
This fiscal year, NFA completed a number of non-U.S. SD examinations in the U.K., Australia, Canada and Sweden. These exams focused on rule areas for which there is no substituted compliance, such as business conduct requirements, reporting and market practice, among others. For examinations in non-U.S. jurisdictions, NFA closely coordinates all aspects of its work with appropriate regulators.

Washington D.C. Happenings



Testimony before the United States Senate Committee on Agriculture, Nutrition and Forestry

On June 25, 2019, NFA's President and CEO Thomas Sexton and other witnesses testified before the United States Senate Committee on Agriculture, Nutrition and Forestry in Washington, D.C. The hearing was entitled, "The State of the Derivatives Market and Perspectives for CFTC Reauthorization". NFA's testimony addressed its strong working relationship with the CFTC and its support of a key proposed legislative provision to enhance customer protection in the event of an FCM's bankruptcy. The testimony also covered changes to NFA's oversight responsibilities, cyber security and other customer protection issues.



Read the June 25, 2019 Testimony:

www.nfa.futures.org/news/newsTestimony.asp?ArticleID=5135

Washington D.C. Happenings

NFA's May 2019 Board Meeting and Reception

In May 2019, NFA held its Board meeting in Washington, D.C. NFA was honored that House Agriculture Committee Chairman, Collin Peterson, CFTC Commissioners Berkovitz and Stump, as well as CFTC Director of Enforcement James McDonald accepted NFA's invitation to address the Board and take questions. Following the meeting, NFA hosted an evening reception attended by over 100 guests, including CFTC Commissioners and their staff, Senate and House Agriculture Committee staff, exchange representatives, and other important industry professionals from the D.C. area.

The Washington D.C. Board meeting and reception provide an excellent opportunity to bring attention to NFA's regulatory programs and the important role NFA plays in the regulation of the derivatives markets.


NFA
Dan Roth


LEO
MELAMED

BASIC System Rebuild

NFA Members, other regulators, and the investing public rely on BASIC as the primary source for important registration and disciplinary background information on firms and professionals in the derivatives industry. On average, there are nearly 200,000 BASIC searches performed each month. NFA launched its updated BASIC system in August 2019. The rebuild incorporates mobile responsiveness, a more robust search, improved navigation and a modern user interface. The enhanced BASIC system also provides a new visual representation of selected data from FCM Financial Reports that was previously available in tabular format only.

To perform a BASIC search, visit: www.nfa.futures.org/basicnet.

View the BASIC webinar available on the Member Education & Resources page of NFA's website.

Before participating in the derivatives markets, investors should learn about the firms and individuals with whom they are doing business and about how these markets work.

Futures Fundamentals is an excellent resource to educate learners of all levels about derivatives. Visit: www.FuturesFundamentals.org.

Evolving Regulatory Approach

This fiscal year, NFA underwent a process to ensure that NFA's regulatory programs evolve to address current challenges such as virtual currencies and cyber security, and that NFA rules appropriately address Members' futures, swaps and retail forex activities.

As part of this process, NFA adopted amendments to certain Rules and Interpretive Notices to ensure they specifically cover swaps and counterparties where appropriate and to modify other requirements that were limited to a Member's futures activities. For example, NFA amended its Compliance Rules to incorporate supervision requirements for Members' swaps activities, including adopting a requirement that SDs diligently supervise the swaps activities of their employees and agents. NFA also adopted an Interpretive Notice establishing disclosure requirements regarding virtual currency activities. For more information regarding this Interpretive Notice, refer to the section entitled "Virtual Currency".

Furthermore, NFA recently amended its Interpretive Notice entitled Compliance Rule 2-9: Supervision of Branch Offices and Guaranteed IBs to reflect advances in electronic trading, electronic communications and other technologies and to provide Members with increased flexibility, particularly regarding the on-site inspection of branch offices and guaranteed IBs. These amendments become effective on January 1, 2020.

For more information on NFA's Evolving Regulatory Approach, read the related CFTC Rule Submission Letters and Notices to Members in the News & Notices section of NFA's website.

Virtual Currency

In December 2017, a number of CFTC-regulated trading venues launched derivatives on virtual currency products, including bitcoin. NFA has concerns that customers may not fully understand the nature of virtual currencies and virtual currency derivatives, the substantial risk of loss related to these products given their volatility, and the limitations of NFA's regulatory authority over spot market virtual currencies. Therefore, NFA adopted an Interpretive Notice entitled Disclosure Requirements for NFA Members Engaging in Virtual Currency Activities, which became effective in October 2018.

The Interpretive Notice establishes disclosure requirements for FCMs, IBs, CPOs and CTAs that engage in activities related to virtual currencies or virtual currency derivatives. Among other obligations, it requires FCM and IB Members to provide virtual currency derivative customers with NFA's Investor Advisory – Futures on Virtual Currencies Including Bitcoin and the CFTC's Customer Advisory: Understand the Risks of Virtual Currency Trading. The Interpretive Notice also requires CPO and CTA Members to provide investors with robust disclosures related to their investor activities in spot market virtual currencies and virtual currency derivatives.

Through specific reporting requirements, NFA carefully monitors its Members' activities in these products, which have been modest to date.

NFA held a Virtual Currency webinar to assist Members in understanding their regulatory obligations. To view NFA's Virtual Currency resources and related Notices to Members for your respective registration category, navigate to the Members section of NFA's website and click Learn More under Regulatory Obligations. Select Virtual Currency from the list.

Importance of Cyber Security

Cyber security is an issue that is of critical importance to NFA. NFA makes every effort possible to secure its technology systems and protect NFA Member data including data held on behalf of the CFTC. In doing so, NFA adopted best-practice frameworks and standards to form a foundation that supports prompt security risk assessment and mitigation. NFA also engages independent third parties to perform security testing. In Fiscal Year 2019, NFA engaged two independent examiners to perform separate reviews of NFA's security program. The first, NFA's annual security assessment, focused on the technical aspects of NFA's applications and network infrastructure, and the second, the SOC2 Certification audit, focused on the framework of controls, policies and procedures that serve as the foundation for NFA's security program. NFA's security measures are regularly reviewed by NFA's IT security group as well as applications development staff, the Board and the CFTC.

Like NFA, Members face cyber security risks each day. Several years ago, NFA's Board imposed specific cyber security requirements that state Members must have a written ISSP. Although NFA allows Members flexibility to adopt specific measures appropriate for their business and size, all Members must conduct a security and risk analysis, deploy protective measures against identified threats and vulnerabilities, develop a response and recovery plan from threatening events, train employees, and review their programs. NFA recently imposed a requirement that Members notify NFA of certain breaches involving their commodity interest business. Given the nature of cyber threats, NFA will continue to be vigilant about Members' compliance with cyber security requirements.

NFA implemented a more comprehensive cyber security examination program that includes additional testing of Members' cyber security readiness.

NFA held Member workshops to provide education on requirements related to cyber security. To view NFA's Cyber Security resources and related Notices to Members for your respective registration category, navigate to the Members section of NFA's website and click Learn More under Regulatory Obligations. Select Cyber Security from the list.

CPO Internal Controls

NFA Compliance Rules require Members to diligently supervise all aspects of their derivatives activities. Similar to FCMs, CPO Members have control over customer funds and must have a framework that deters errors and fraudulent activity, produces accurate financial reports, and ensures compliance with all regulatory requirements. An adequate internal controls system is the foundation for building this framework. Therefore, NFA adopted an Interpretive Notice requiring each CPO Member to implement an internal controls system. The Notice provides CPO Members with guidance on designing and implementing an adequate internal controls system and the minimum components that must be included.

The Interpretive Notice, which became effective April 1, 2019, adopts a principles-based approach to allow CPO Members some degree of flexibility in determining how to implement an internal controls framework, given differences in their size and the complexity of their operations.

To assist CPO Members in developing, implementing and maintaining their internal controls frameworks, NFA added questions to the CPO section of the Self-Examination Questionnaire and held a webinar. Download the Self-Examination Questionnaire and view the webinar by visiting the Member Education & Resources page of NFA's website.

2019 Statistics

Registration

NFA screens all firms and individuals wishing to register with the CFTC and become Members. NFA's Registration Department processed approximately 450 firm registrations and over 8,000 individual registrations.

Registration Investigation Cases

NFA's Registration Investigations Group opened approximately 1,300 cases. These investigation cases are due to fingerprint card results, answers to disciplinary information questions on the registration forms, or disciplinary information obtained during NFA's background checks.

Restitution

NFA's restitution program helps return proceeds of fraudulent schemes to harmed investors. The majority of these cases do not involve Members. NFA's restitution program disbursed nearly $9 million to approximately 60 harmed investors. Because NFA does not charge fees for administering this restitution service, fraud victims are returned the maximum amount of money possible. Over the life of the restitution program, NFA has distributed approximately $55 million to more than 15,500 individuals.

Information Center

NFA's Information Center—a service NFA offers to Members and the investing public—received more than 20,000 calls and responded to nearly 3,000 emails.

Enforcement Actions

Enforcement of NFA rules is critical to the effectiveness of the self-regulatory process. In fiscal year 2019:

- NFA's BCC issued 20 Complaints against 37 respondents. A number of these cases involved Members and Associates who failed to supervise, cooperate with NFA in an investigation or observe high standards of commercial honor and just and equitable principles of trade.
- NFA's disciplinary panels issued 18 Decisions, and ordered five expulsions and six suspensions.
- NFA collected nearly $1.7 million in fines.

Many of these cases were the culmination of complex and exhaustive investigations involving collaboration with the CFTC and other regulators. During the year, NFA also met with the U.S. Department of Justice's Securities and Commodities Fraud Working Group, the U.S. Attorney's Office, the Federal Bureau of Investigation, the U.S. Postal Inspector's Office, the CFTC, and the Illinois Department of Securities. NFA's work with these agencies over the years has resulted in prison sentences of more than 10 years for a number of individuals.

Board of Directors

Michael C. Dawley*
Chairman of the Board
Goldman Sachs & Co.

Maureen C. Downs*
Vice-Chairman of the Board
Phillip Capital, Inc.

Leo Melamed
Permanent Special Advisor to the
Executive Committee & Board of Directors
Chairman Emeritus
CME Group, Inc.
Chairman & CEO
Melamed & Associates

Futures Commission Merchants

Maria Chiodi
Managing Director and
Counsel
Credit Suisse
Securities (USA) LLC

Gerald F. Corcoran
CEO
R.J. O'Brien &
Associates LLC

Michael C. Dawley*
Goldman Sachs & Co.

Maureen C. Downs*
Phillip Capital, Inc.

Thomas R. Kadlec*
President
ADM Investor Services, Inc.

Commodity Pool Operators & Commodity Trading Advisors

Douglas L. Bry*
President
Augur Trading Company

Ernest L. Jaffarian*
CEO/CIO
Efficient Capital Management LLC

Martin Lueck
Research Director
Aspect Capital Limited

Nicola Watson
Managing Director,
Head of Strategy and
Corporate
Development
Winton

Contract Market Directors

Mark G. Bagan
President and CEO
Minneapolis Grain Exchange

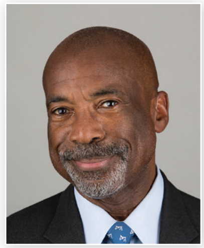
David S. Goone*
Chief Strategy Officer
IntercontinentalExchange, Inc.

John F. Sandner*
Retired Chairman
CME Group, Inc.

Public Representatives

Ronald H. Filler*
Professor of Law
New York Law School

Arthur W. Hahn
of Counsel
Katten Muchin Rosen-man LLP



Douglas E. Harris*
Managing Director
Promontory Financial Group LLC

Jim Marshall
Washington, D.C.

Mary M. McDonnell
Founder and CEO
McDonnell & Associates

Michael H. Moskow*
Vice Chair and Distinguished Fellow
The Chicago Council on Global Affairs

Charles P. Nastro
New York, N.Y.

Ronald S. Oppenheimer*
Houston, Tex.

Todd E. Petzel*
Chief Investment Officer
Offit Capital Advisors LLC

Michael R. Schaefer
New York, N.Y.

Swap Dealers

Seth P. Bender
Senior Vice President and Associate General Counsel
HSBC Bank PLC

William F. McCoy*
Managing Director
Morgan Stanley

Charlotte B. McLaughlin
President and CEO
PNC Capital Markets LLC

Don Thompson*
JPMorgan Chase & Co.

Sheryl M. Wallace
President
North America Grain
Cargill, Inc.

Introducing Brokers

Michael T. Burke
CEO
HighGround Trading LLC

Scott W. Stewart
CEO
Stewart-Peterson Group, Inc.

**Member of the Executive Committee*

2019 FINANCIALS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Futures Association

We have audited the accompanying financial statements of National Futures Association, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Futures Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

GRANT THORNTON LLP
Chicago, Illinois
October 29, 2019

NFA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

Assets	**2019**	**2018**
CURRENT ASSETS		
Cash and cash equivalents	$24,027,440	$16,483,086
Short-term investments	88,317,703	89,262,060
Assessments receivable, net	6,544,208	4,831,821
Other current assets, net	2,402,690	2,873,638
Total current assets	**$121,292,041**	**$113,450,605**
FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE, NET	12,799,060	14,088,789
LONG-TERM INVESTMENTS	8,146,568	—
OTHER ASSETS	39,875	34,547
TOTAL ASSETS	**$142,277,544**	**$127,573,941**

Liabilities And Net Assets		
CURRENT LIABILITIES		
Unearned dues and fees	$4,913,947	$5,619,906
Accounts payable, accrued expenses and other current liabilities	7,012,445	7,117,780
Total current liabilities	**$11,926,392**	**$12,737,686**
DEFERRED RENT CREDIT	2,757,026	3,404,840
OTHER LONG-TERM LIABILITIES	9,854,343	9,431,754
Total liabilities	**$24,537,761**	**$25,574,280**
NET ASSETS WITHOUT DONOR RESTRICTIONS	117,739,783	101,999,661
TOTAL LIABILITIES AND NET ASSETS	**$142,277,544**	**$127,573,941**

The accompanying notes are an integral part of these statements.

NFA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUES		
Assessments	$61,032,307	$44,942,335
Membership dues	39,775,744	38,920,794
Registration and other fees	3,718,342	2,148,344
Regulatory services outsourcing	8,266,425	8,612,850
Investment return, net	4,101,423	2,338,069
TOTAL REVENUES	**$116,894,241**	**$96,962,392**
EXPENSES		
Salaries, wages and employee benefits	$73,763,783	$73,251,414
Space rental and related expenses	4,065,268	3,668,887
Travel and meetings	3,490,140	4,003,643
Computer expenditures	4,410,994	2,943,903
Depreciation and amortization	6,904,179	7,503,693
Outside consulting fees and services	4,624,225	2,802,645
Supplies, postage and telephone	228,022	186,279
Outside printing and publications	23,751	26,779
Board and committee fees and expenses	678,290	792,243
Insurance, recruiting, education, dues and other	2,965,467	2,977,876
TOTAL EXPENSES	**$101,154,119**	**$98,157,362**
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$15,740,122**	**$(1,194,970)**
Net assets without donor restrictions at beginning of year	101,999,661	103,194,631
Net assets without donor restrictions at end of year	$117,739,783	$101,999,661

NFA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$15,740,122	$(1,194,970)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized gain on investments	(1,652,707)	(1,147,439)
Depreciation and amortization	6,904,179	7,503,693
Changes in assets and liabilities		
Assessments receivable	(1,712,387)	(2,260,232)
Accrued interest receivable	(120,128)	—
Other assets	465,620	(465,605)
Unearned dues and fees	(705,959)	1,530,352
Accounts payable, accrued expenses and other liabilities	317,254	2,498,184
Deferred rent credit	(647,814)	(854,747)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$18,588,180**	**$5,609,236**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets and software	$(5,614,450)	$(5,302,857)
Purchase of investments	(37,429,376)	(168,225,462)
Maturities of U.S. Treasury securities	**32,000,000**	**162,000,000**
NET CASH USED IN INVESTING ACTIVITIES	**$(11,043,826)**	**$(11,528,319)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$7,544,354**	**$(5,919,083)**
Cash and cash equivalents at beginning of year	16,483,086	22,402,169
Cash and cash equivalents at end of year	$24,027,440	$16,483,086

The accompanying notes are an integral part of these statements.

NOTE A

ORGANIZATION

The Commodity Futures Trading Commission has designated National Futures Association (the Association) as a registered futures association. Among the Association's activities are qualification screening and registration, financial and trade practice surveillance, enforcement of customer protection rules and uniform business standards, arbitration of disputes and educational activities. The Association is primarily financed through the payment of assessments and dues by its members and registration fees by registrants.

NOTE B

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Rules

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, as a new topic, Accounting Standards Codification (ASC) Topic 606. The objective of ASU No. 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU No. 2014-09 applies to all contracts with customers, except those that are within the scope of other topics in the FASB ASC. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date for one year. The guidance is currently effective for the Association for fiscal year 2020. The guidance permits the use of either a retrospective or cumulative effect transition method. Early adoption is permitted.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Association for fiscal year 2021. Early adoption is permitted.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Association for fiscal year 2019. Entities are required to adopt the guidance retrospectively, but, if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The Association adopted ASU No. 2016-14 for fiscal year 2019.

Use of Estimates

The financial statements of the Association have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Assessments

Assessments are reported monthly and are due within 30 days. Assessments are recognized as revenue in the month to which they apply. Amounts reported but not yet collected are recognized as assessments receivable on the accompanying statements of financial position.

Membership Dues
Membership dues are non-refundable and are recognized as revenue on a pro rata basis over each member's membership year. Amounts received but not yet earned are recognized in unearned dues and fees on the accompanying statements of financial position.

Registration Renewal Fees
Registration renewal fees are non-refundable and are recognized as revenue on a pro rata basis over each registrant's renewal period. Amounts received prior to the event are recognized in unearned dues and fees on the accompanying statements of financial position.

Regulatory Services Outsourcing
Regulatory services outsourcing revenue relates to the Association's trade practice and market surveillance services. This revenue consists of non-refundable start-up fees and monthly maintenance fees for ongoing services for each customer. Fees are used by the Association to purchase hardware and software necessary to perform surveillance services for a given customer and are recognized as revenue when paid by the customer. Monthly fees for ongoing surveillance and other regulatory services are recognized as revenue on a monthly basis as services are performed.

Furniture, Fixtures, Equipment & Leasehold Improvements
The Association capitalizes individual purchases greater than $1,500 and group purchases greater than $15,000.

Furniture, fixtures, equipment and leasehold improvements are recorded at cost and depreciated over three to seven years or the term of the lease, if applicable, on a straight-line basis. The Association uses the half-year convention so that the first and last years of depreciation and amortization are one-half the straight-line amount and all middle years are in direct proportion to the useful life of the capitalized item. Additionally, the Association has artwork that is considered non-depreciable, included in the furniture and fixtures line within Note E, valued at $297,566 for both 2019 and 2018.

Purchased Software
Purchased software is included in fixed assets and is capitalized and amortized over three years on a straight-line basis using the half-year convention.

Software Design and Development Costs
Software design and development costs consist of salaries and benefits of the Association's personnel involved in projects to develop software for internal use. Software design and development costs incurred in the preliminary stage of a project, as well as training and maintenance costs, are expensed as incurred. Software design and development costs associated with the application development stage of software projects are capitalized until such time as the software is substantially complete and ready for its intended use. Capitalized software design and development costs are amortized over three years on a straight-line basis using the half-year convention.

Deferred Rent Credit
Due to the terms of the Association's primary office space leases, a deferred rent credit was generated. The deferred rent credit is amortized over the remaining terms of the respective leases, which range from five to six years. The Association has computed an average monthly rental for the entire term of each lease and charges this amount to rental expense each month. The difference between the average monthly rental and the actual monthly rental payment is accounted for as either an increase or reduction of the deferred rent credit on the accompanying statements of financial position.

Allowance for Doubtful Accounts
The allowance for doubtful accounts, which is related to membership dues receivable, registration revenue receivable and regulatory fines, is maintained at a level that management deems adequate to provide for estimated uncollectible receivables and is based on the length of time receivables have been outstanding, historical experience and an assessment of business economic conditions. At June 30, 2019 and 2018, the allowance for doubtful accounts is $68,260 and $26,435, respectively. This allowance is a reduction of receivables, which are included in other current assets, net on the accompanying statements of financial position.

Fair Value Measurements
The FASB has issued guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2—Pricing inputs are other than quoted prices in active markets for identical assets or liabilities, which are either directly or indirectly observable as of the report date. These securities include investments for which quoted prices are available but are traded in an inactive market or investments that are fairly valued using other securities, the inputs for which can be directly observed.

Level 3—Securities that are valued using significant unobservable inputs. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are notmobservable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes observable requires significant judgment by the Association. The Association considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

All of the Association's investments have values that are based on quoted market prices in active markets and are therefore classified as Level 1. These investments include U.S. Treasury bills and equity and fixed income mutual funds. The Association does not adjust the quoted price for such instruments, even in situations where the Association may hold a large position and a sale could reasonably impact the quoted price.

Functional Expenses

The Association considers substantially all of its program expenses to be attributable to its one significant program, regulating the U.S. derivatives industry. The financial statements report certain categories of expenses that are allocated between program and supporting functions. These expenses include depreciation and amortization, space and related, and computer expenses. These expenses are allocated based on headcount.

Expenses by natural and functional categories for the year ended June 30, 2019 were as follows:

	Program Services Member Regulation	Supporting Services General and Administration	Total
Salaries, wages and employee benefits	$51,274,782	$22,489,001	$73,763,783
Travel and meetings	3,148,475	341,665	3,490,140
Computer expenditures	2,940,663	1,470,331	4,410,994
Space rental and related expenses	2,710,180	1,355,088	4,065,268
Supplies, postage and telephone	116,665	111,357	228,022
Outside printing and publications	5,722	18,029	23,751
Board and committee fees and expenses	–	678,290	678,290
Depreciation and amortization	4,602,789	2,301,390	6,904,179
Outside consulting fees and services	985,502	3,638,723	4,624,225
Insurance, recruiting, education, dues and other	1,366,329	1,599,138	2,965,467
Total expenses by function	**$67,151,107**	**$34,003,012**	**$101,154,119**

Expenses for the year ended June 30, 2018 for Program Services and Supporting Services were $61,774,174 and $36,383,188, respectively.

Federal Income Taxes

The Association follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Association is exempt from federal income tax under Internal Revenue Code (IRC) section 501(c)(6), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements, and there are no interest and penalties recognized in the accompanying financial statements.

NOTE C

CASH AND CASH EQUIVALENTS

The Association considers investments with an original maturity of less than three months to be cash equivalents. As of June 30, 2019 and 2018, cash equivalents included a U.S. Treasury Money Market Fund of $3,102,592 and $0, respectively. The Association maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the balances in these accounts may exceed the insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

NOTE D

INVESTMENTS

The Association's investment portfolio is classified on the statements of financial position as short-term investments consisting of securities with maturity dates of one year or less and long-term investments consisting of securities with maturity dates greater than one year. Also included as short-term investments is the Association's investment in equity and fixed income mutual funds.

The aggregate fair value of short-term and long-term investments by major type as of June 30, 2019 and 2018, is as follows:

	2019	**2018**
SHORT-TERM		
U.S. Treasury securities	$15,876,312	$19,972,28
Developed Markets Index Fund	3,223,037	3,223,626
Extended Markets Signal Index Fund	3,638,986	3,566,300
Short Term Treasury Fund	55,043,852	55,762,297
Intermediate Term Treasury Fund	3,097,654	—
S&P 500 Index Mutual Fund	7,437,862	6,737,557
Total short-term investments	**88,317,703**	**89,262,060**
LONG-TERM		
U.S. Treasury securities	8,146,568	—
TOTAL INVESTMENTS	**$96,464,271**	**$89,262,060**

For its five mutual funds, the Association immediately reinvests all interest income, dividend income and capital gains back into the funds. U.S. Treasury securities are held to maturity.

NOTE E

FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE, NET

At June 30, 2019 and 2018, furniture, fixtures, equipment, leasehold improvements and software, and the related accumulated depreciation and amortization, are as follows:

	2019	2018
Furniture and fixtures	$2,450,345	$2,381,625
Equipment	10,039,097	8,783,219
Leasehold improvements	11,766,828	11,736,702
Software	11,622,116	11,431,145
Total furniture, fixtures, equipment, leasehold improvements and software	**$35,878,386**	**$34,332,691**
Less accumulated depreciation and amortization	23,079,326	20,243,902
FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE, NET	**$12,799,060**	**$14,088,789**

NOTE F

COMMITMENTS AND CONTINGENCIES

The Association leases office space in Chicago and New York. The Chicago lease expires on August 31, 2023. The lease for the New York office expires on July 31, 2024. The following is a schedule of future payments under both of the operating leases and the disaster recovery service contract that have remaining non-cancellable payment terms as of June 30, 2019:

Years ending June 30	
2020	$3,288,482
2021	3,508,882
2022	3,565,900
2023	3,624,401
2024	1,956,816
TOTAL OPERATING LEASE COMMITMENTS	**$15,994,481**

In the normal course of business, the Association is, at times, involved in pending legal proceedings. Management, after consultation with outside legal counsel, believes that the resolution of current proceedings will not have a material effect on the Association's net assets. Regarding a current legal matter, due to inherent uncertainties, the outcome cannot be predicted, and no accurate estimate of any settlement or timing of such settlement, which may arise from any of the legal proceedings, can be made.

EMPLOYEE BENEFIT PLANS

The Association sponsors an Employee Retirement Savings Plan (the Savings Plan). Contributions to the Savings Plan of up to 100% of employees' compensation can be made through payroll deductions, subject to Internal Revenue Service (IRS) elective deferral limits. The Association will match employee contributions up to 6% of the employee's eligible compensation. The Association may also contribute to the Savings Plan an additional profit-sharing contribution expressed as a percent of the calendar year's compensation of participants who are employed on the last day of the calendar year. A profit-sharing contribution for calendar year 2018 of $2,547,957 was made in 2019. A profit-sharing contribution for calendar year 2017 of $2,509,412 was made in 2018. Employees are eligible to participate in the Savings Plan upon their date of hire. Employee contributions and any vested employer contributions are payable upon termination or retirement as stipulated in the Savings Plan.

The Association also sponsors the National Futures Association Retiree Medical Benefits Plan (the Plan) for the benefit of the Association's retirees and their eligible spouses/domestic partners and dependents. Effective January 1, 2016, employees who retire from the Association on or after attaining age 55 and who have at least 10 years of full-time service with the Association since their 45th birthday are entitled to receive benefits from the Plan.

For eligible retirees, automatically upon retirement, the Association will establish a Retiree Health Reimbursement Account (HRA). A retiree's spouse or domestic partner at the time of retirement will also be eligible to receive an HRA of equal value to the retiree's HRA (a partner HRA). The Association will make a one-time, notional contribution to the HRA and partner HRA. The amount allocated to the HRA and the partner HRA, if applicable, is based on years of service (YOS) with the Association after age 45 and the indexed credit for the year of retirement.

The HRA benefit is calculated as follows:

[Indexed Credit $ Amount] x [YOS after age 45 (maximum of 20)] = HRA Account Value

Prior to 2016, eligible retirees received reimbursement for the cost of medical coverage or Medicare supplement coverage, limited by an indexed YOS percentage.

At June 30, 2019 and 2018, the actuarial and recorded liabilities for the Plan, none of which have been funded, and the net periodic post-retirement benefit cost and benefits paid for the Plan that are included in other long-term liabilities, were as follows:

	2019	2018
AMOUNTS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION		
Accumulated post-retirement benefit obligations	$(9,757,757)	$(7,889,520)
Unrecognized prior service cost	(1,541,819)	(1,847,311)
Unrecognized net loss	1,446,650	381,408
ACCRUED POST-RETIREMENT BENEFIT COST	**$(9,852,926)**	**$(9,355,423)**

The estimated net periodic post-retirement benefit cost for the Plan for the year ended June 30, 2019, is $630,770. The breakdown of the cost is as follows:

Net periodic post-retirement benefit cost	
Service cost	$595,381
Interest cost	340,881
Amortization of prior service cost	(305,492)
TOTAL NET PERIODIC POST-RETIREMENT BENEFIT COST	**$630,770**

The accumulated post-retirement benefit obligation was determined using an assumed weighted-average discount rate of 3.30% at June 30, 2019 and 4.10% at June 30, 2018. The rate of increase in the gross cost of covered health care benefits was assumed to be 6.50% for fiscal year 2019. The rate of increase is assumed to decline by 0.25% for each year after 2019, to 5.00% in 2025 and after.

NOTE H

DEFERRED RENT CREDIT

Effective January 2008, the Association executed a 12-year operating lease for office premises in Chicago. In December 2011, the Association extended its Chicago lease by 44 months, through August 2023. The Association's New York office relocated in November 2013, and the Association entered into a lease for this space through July 2024. The leases include rent incentives and, accordingly, the Association recognizes such abatement as an adjustment to a deferred rent credit over the terms of the lease on a straight-line basis. The total deferred rent credit at June 30, 2019 and 2018 was $3,590,998 and $4,238,812, respectively, of which $833,972 is included in accounts payable, accrued expenses and other current liabilities on the accompanying statements of financial position. For the years ended June 30, 2019 and 2018, the Association's rent expense was as follows:

	2019	2018
Cash payments for rent	$4,316,692	$4,156,642
Less amortization of deferred rent credits	(647,814)	(854,747)
RENT EXPENSE	**$3,668,878**	**$3,301,895**

NOTE I

AVAILABILITY AND LIQUIDITY

The following reflects the Association's financial assets as of June 30, 2019 available for general use within one year of the financial statement date.

Financial assets at year-end	
Cash and cash equivalents	$24,027,440
Short-term investments	88,317,703
Assessments receivable	6,544,208
Other current assets, net	2,402,690
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	**$121,292,041**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

NOTE J

SUBSEQUENT EVENTS

The Association evaluated its June 30, 2019 financial statements for subsequent events through October 29, 2019, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that require recognition or disclosure in the financial statements.

About NFA

NFA is the industrywide SRO for the U.S. derivatives industry. Designated by the CFTC as a registered futures association, NFA strives every day to safeguard the integrity of the derivatives markets, protect investors and ensure Members meet their regulatory responsibilities.

As of June 30, 2019, NFA had 561 employees.

NFA Officers

Thomas W. Sexton III
President & CEO

Daniel A. Driscoll
Executive Vice-President & COO

David Hawrysz
Sr. Vice-President & CFO Treasurer

Regina Thoele
Sr. Vice-President Compliance

Karen K. Wuertz
Sr. Vice-President Strategic Planning & Communications

Yvette Christman
Vice-President Registration

Edward J. Dasso
Vice-President Market Regulation

Timothy J. McHenry
Vice-President Information Systems

Carol Wooding
Vice-President General Counsel & Secretary

NFA Membership

As of June 30, 2019
NFA had approximately 3,500 Members and nearly 48,000 Associate Members.

Membership by Registration Category:

SD: 105	**CPO:** 1,423
RFED: 3	**CTA:** 1,541
FCM: 63	**Exchange:** 6
IB: 1,120	

*Total membership counts each Member entity once. However, many Members are registered in multiple categories. Therefore, totaling all categories will not equal the total membership count.

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