



# 2021 ANNUAL REVIEW



## Table of Contents

A Letter from NFA's Chair	3
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### Effective Regulation

Rulemaking	5
Member Education & Engagement	7
Information Technology	8

### Market Integrity

Regulatory Coordination & Cooperation	9
Washington D.C. Happenings	11
Investor Education & Protection	12

### Culture

Internal Communications & Employee Engagement	14
Diversity & Inclusion	16

Board of Directors	17
2021 Financials	20
About NFA	36

## Acronym Key

<b>AAC</b>	CFTC's Agricultural Advisory Committee
<b>AMCC</b>	Affiliate Members Consultative Committee
<b>AP</b>	Associated Person
<b>BASIC</b>	Background Affiliation Status Information Center
<b>BCC</b>	Business Conduct Committee
<b>Board</b>	NFA's Board of Directors
<b>CDSA</b>	Centralized Data Science and Analytics
<b>CFTC</b>	Commodity Futures Trading Commission
<b>CPO</b>	Commodity Pool Operator
<b>CTA</b>	Commodity Trading Advisor
<b>D&amp;I</b>	Diversity & Inclusion
<b>FCM</b>	Futures Commission Merchant
<b>FDM</b>	Forex Dealer Member
<b>FINRA</b>	Financial Industry Regulatory Authority
<b>FY</b>	Fiscal Year
<b>GFIN</b>	Global Financial Innovation Network
<b>IB</b>	Introducing Broker
<b>IOSCO</b>	International Organization of Securities Commissions
<b>IT</b>	Information Technology
<b>RFED</b>	Retail Foreign Exchange Dealer
<b>SD</b>	Swap Dealer
<b>SEC</b>	Securities and Exchange Commission
<b>SEF</b>	Swap Execution Facility
<b>SRO</b>	Self-Regulatory Organization

*"I am proud of what NFA's staff, collectively and individually, achieved under extraordinary circumstances."*



**Maureen C. Downs**  
NFA Board Chair



## A Letter from NFA's Chair

Dear NFA Member,

Over the last fiscal year, NFA has continued to adapt operations in response to COVID-19's impact on NFA, its Members and the derivatives industry as a whole. I am pleased to report that NFA successfully navigated the evolving landscape, responded to regulatory challenges and continued important efforts to diversify our staff. The pages of this Annual Review highlight NFA's staff-driven accomplishments.

I am proud of what NFA's staff, collectively and individually, achieved under extraordinary circumstances. As a team, staff oversee and educate our Members, build critical technology, advance innovation, and recruit diverse and inclusive individuals who support NFA's important mission. Diversity and inclusion have been cornerstones of NFA's culture since its establishment in 1982, but there is more work to do. Fresh thinking and new ideas are the key, and NFA's newly created Diversity and Inclusion Council is one such example. More details regarding our diversity and inclusion efforts are shared in this Annual Review.

I am always impressed with how effectively and pragmatically NFA's staff respond to regulatory challenges. During this past fiscal year, staff developed and executed a comprehensive plan for overseeing swap dealer Member adherence to the CFTC's capital rules. This multi-year effort focused on a number of key areas including market and credit risk model approval, standardization of financial and other filings/notifications, and integration of capital rules into our examination and risk oversight programs, which includes a substantial staff training and readiness component. NFA worked closely with the CFTC to develop and implement these programs. Given the important role that NFA plays in the U.S. financial regulatory structure, it is essential that the CFTC closely review and monitor NFA's activities to ensure that NFA is fulfilling its regulatory responsibilities. NFA was proud to have worked alongside former CFTC Chair Heath Tarbert and current Acting Chair Rostin Behnam and looks forward to working with a permanent Chair once confirmed.





## A Letter from NFA's Chair



In addition to working closely with the CFTC to implement the swap dealer capital rules, NFA expanded its regulatory coordination and cooperation with other regulators. During this fiscal year, NFA and the SEC commenced their first joint examination which involved coordinated testing and firm communications. NFA's efforts in this area were further enhanced with its participation in a virtual roundtable with staff from the CFTC, SEC and FINRA. During the roundtable, the participants shared challenges, observations and experiences regarding regulatory oversight. Additional commentary regarding NFA's efforts in this area are detailed in the following pages.

Lastly, I'm pleased that NFA highlighted its important regulatory work for various stakeholders throughout the fiscal year. NFA published a highly informative "Who We Are" video and delivered an hour-long presentation at the CFTC's Agricultural Advisory Committee meeting. Both the video and the presentation explain NFA's critical role as the self-regulatory organization for the U.S. derivatives markets, and the video is available on our website.

Looking ahead, the Board will continue to support NFA's leadership and staff to ensure NFA delivers on its important mission of protecting investors, promoting market integrity and ensuring that Members comply with their regulatory responsibilities. I am extremely proud of what NFA has accomplished in these areas and I look forward to continued success.

Sincerely,  
**Maureen C. Downs**  
*NFA Board Chair*

## Rulemaking

The essence of self-regulation involves identifying industry best practices in certain areas and then mandating those practices for the entire industry. NFA identifies areas that may require additional rulemaking or rule amendments and works closely with various Member advisory committees, the CFTC, NFA's Board of Directors, NFA Members and relevant trade associations to ensure each regulatory initiative contributes to sound self-regulation.

### Swap Dealer Capital Rules

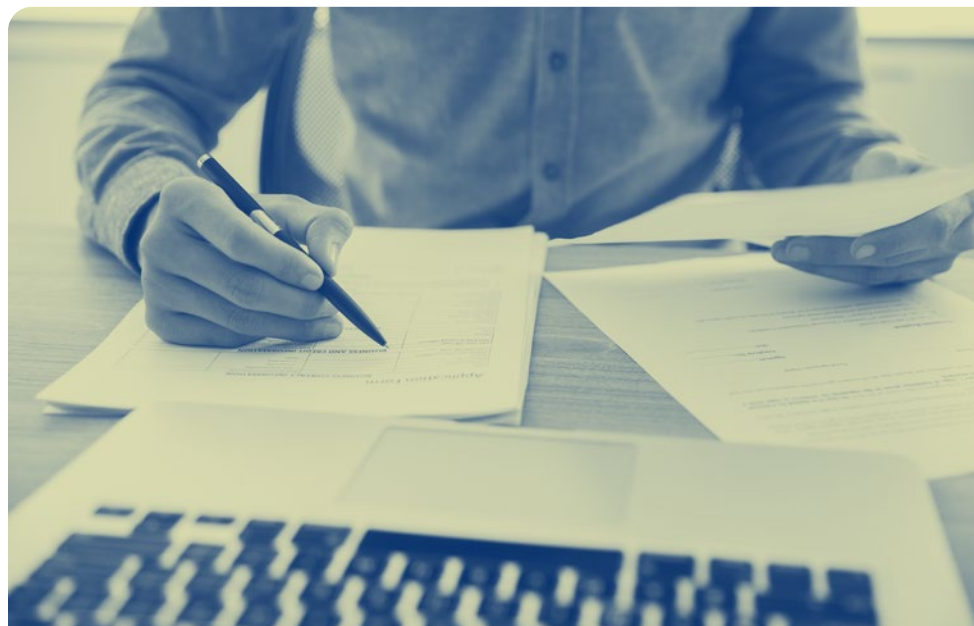
In September 2020, the CFTC adopted final rules imposing minimum capital and financial reporting requirements for swap dealers that are not subject to the rules of a prudential regulator. The final rules' compliance date was October 6, 2021. The Commodity Exchange Act requires that NFA adopt rules establishing minimum capital and other financial requirements for its Members, which are at least as stringent as the CFTC's requirements, and to implement a program to monitor and enforce Members' compliance with NFA's requirements. As a result, NFA adopted and amended several financial rules with an effective date of October 6, 2021.

To provide the necessary oversight over SDs' compliance with these rules, NFA also designed a program for monitoring and enforcing SDs' compliance with the capital rules as part of a multi-year effort. This program also included an extensive staff development and training component.

### Swaps Proficiency Requirements

January 31, 2021 marked the compliance date for NFA's Swaps Proficiency Requirements, one year after the successful program launch. The requirements apply to

individuals acting as APs at SDs and APs engaged in swaps activities at FCMs, IBs, CPOs and CTAs. To ensure Members fulfilled these new requirements by the compliance date, NFA issued several Notices to Members and published extensive FAQs and other resources thoroughly detailing Members' responsibilities. The requirements were also discussed throughout the year during various webinars and industry conferences. To date, over 44,500 individuals have passed the Swaps Proficiency Requirements.



### NFA's Enforcement Efforts

Enforcement of NFA rules is critical to the effectiveness of the self-regulation process. Throughout Fiscal Year 2021, NFA's BCC issued 17 Complaints against 26 respondents. A number of those 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 26 Decisions and ordered 15 membership bars and 7 membership suspensions. NFA also imposed about \$1.5 million in fines. Some of these cases were the culmination of complicated investigations involving collaboration with the CFTC and other regulators, and all of the cases ultimately contributed to NFA's mission of safeguarding the integrity of the derivatives markets and protecting investors.

You can learn more about NFA's collaboration with international and domestic regulators on page 9 of the Annual Review.



## Rulemaking



### SD Supervision Requirements of the Use of Marketing Materials

NFA adopted an Interpretive Notice entitled *NFA Compliance Rule 2-9(d) Swap Dealer and Major Swap Participant Supervision of the Use of Marketing Materials*. The Interpretive Notice provides guidance to SD Members regarding their regulatory obligations under Compliance Rule 2-9(d) related to their use of marketing materials. The Interpretive Notice is based on supervisory principles that are tailored to reflect that SD Members conduct business exclusively with counterparties that qualify as eligible contract participants and negotiate bilateral, bespoke swaps tailored to a counterparty's specific needs. The Interpretive Notice became effective on May 31, 2021.

### Members' Use of Third-Party Service Providers

NFA adopted an Interpretive Notice entitled *NFA Compliance Rules 2-9 and 2-36: Members' Use of Third-Party Service Providers*. The Interpretive Notice requires each Member outsourcing regulatory functions to adopt and implement a supervisory framework over its outsourcing function to mitigate outsourcing-related risks. The Interpretive Notice identifies the minimum areas that must be addressed in the supervisory framework and provides guidance on the types of activities a Member should undertake in each area. In particular, the supervisory framework must address initial risk assessment, onboarding due diligence, ongoing monitoring, termination and recordkeeping. The Interpretive Notice's effective date is September 30, 2021.

### CPO Notice Filing Requirements

NFA adopted Compliance Rule 2-50 and a related Interpretive Notice entitled *Compliance Rule 2-50: CPO Notice Filing Requirements*, which require CPO Members to file notice with NFA when a market or other event affects a commodity pool's ability to fulfill its obligations to participants. Similar to NFA notification requirements already in place for FCM and IB Members,

Compliance Rule 2-50 and its related Interpretive Notice are intended to provide NFA with important information about CPO Members and the pools they operate without being unduly burdensome. This rule is designed to ensure that CPO Members timely notify NFA of specified occurrences that may impact a CPO's ability to fulfill its obligations to pool participants or which may result in a pool's unplanned liquidation. Compliance Rule 2-50 and the related Interpretive Notice became effective on June 30, 2021.



### News & Notices

NFA strives to provide Members, investors and other regulators with up-to-date information regarding NFA's activities at [www.nfa.futures.org](http://www.nfa.futures.org). NFA's "News & Notices" holds all the latest rule submission letters, Board Update videos and Notices to Members. Members and investors can also subscribe to NFA email communications online.



### 2021 COVID-19-Related Notices to Members

During FY 2021, NFA issued relief in several areas to provide Members the flexibility to focus on employee safety, client service and critical operational issues while continuing to meet their regulatory requirements.

#### July 20, 2020

I-20-29: Coronavirus (COVID-19) Update—Extension to Relief from Fingerprinting Requirements

#### September 15, 2020

I-20-32: Coronavirus (COVID-19) Update—Extension to Certain Regulatory Relief for FCMs, RFEDs, IBs and SDs

#### October 1, 2020

I-20-35: Coronavirus Update—Relief from the On-Site Annual Inspection of Branch Offices and Guaranteed IBs

#### October 6, 2020

I-20-37: Coronavirus Update—Expiration of Temporary Relief from Fingerprinting Requirements

#### January 25, 2021

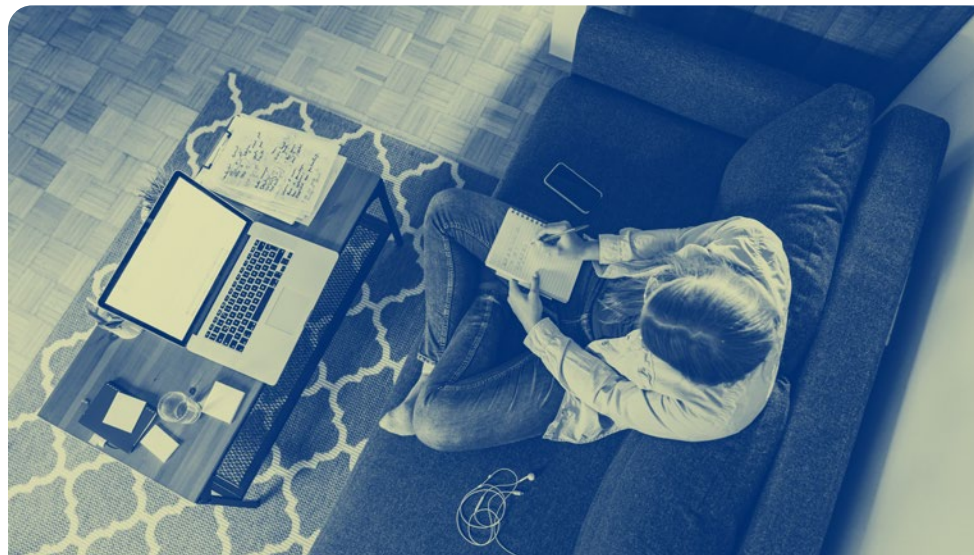
I-21-05: Coronavirus (COVID-19) Update—Limited Extension to Certain Relief for FCMs and IBs

## Member Education & Engagement

To ensure Members understand and meet their regulatory requirements, NFA develops and delivers Member educational programming. While staff continued to work remotely throughout Fiscal Year 2021, NFA continued to provide important educational content through webinars and, for the first time, a virtual Member workshop. These educational opportunities help Members stay well-informed of regulatory developments, system modifications, compliance requirements and NFA priorities.

NFA's first virtual Member Regulatory Workshop covered topics ranging from new rulemaking to cybersecurity to virtual examinations. NFA Public Director Ronald H. Filler welcomed nearly 500 attendees with a message about the importance of Member interaction with NFA. Member engagement is critical to NFA's ability to effectively carry out its mission and ensure Members fully understand their regulatory responsibilities.

Additionally, FY 2021 marked the return of NFA's Member Town Hall webinar. During the fifth edition of the Town Hall, NFA leadership provided Members with brief updates regarding significant NFA initiatives and afforded them an



opportunity to ask questions. NFA Board Chair Maureen C. Downs and NFA Public Directors Ronald H. Filler and Douglas E. Harris joined NFA's Officers for this event held in April.

NFA's educational webinar series covered its redesigned Annual Questionnaire, which was launched last fall based on Member feedback and internal review. Staff held a webinar in conjunction with the launch to educate Members on how NFA will transition to the new Annual Questionnaire, its key features and other helpful information.

The Annual Questionnaire must be completed by NFA applicants and all Members. NFA uses it to obtain

important Member data, which is then used in NFA's risk models to determine examination priorities and by staff for other analysis.

NFA also continued its quarterly Board Update videos to ensure Members receive timely updates regarding Board actions and priorities. Videos covered recent rulemaking and NFA's response to COVID-19, among other topics.

For Members that are unable to participate in NFA's workshops or webinars, these resources are archived on NFA's website. Members can also subscribe to receive NFA's Board Update videos by visiting NFA's website.



### NFA Information Center

NFA's Information Center is available to answer Member questions and provide important information on the latest NFA developments. During FY 2021, NFA's Information Center received nearly 25,000 calls and responded to nearly 6,000 emails.



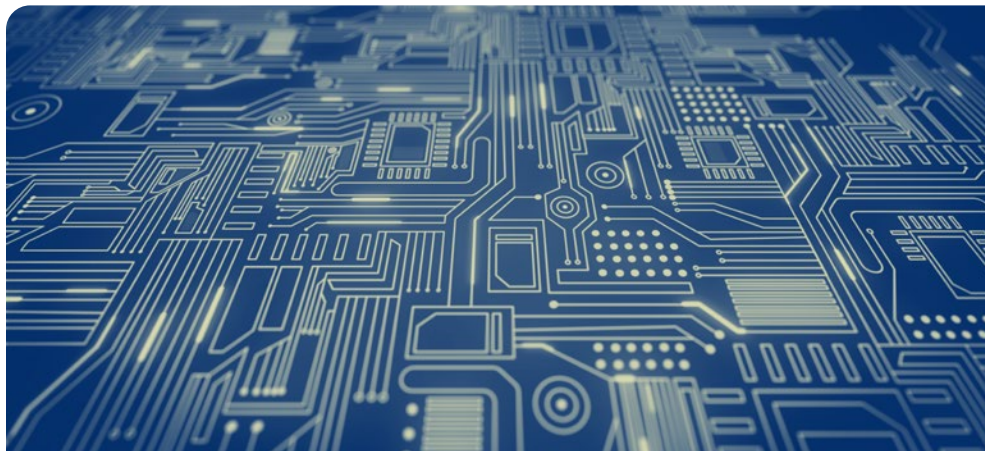
### NFA Membership

As of June 30, 2021, NFA has 3,176 Members and over 44,000 Associate Members.

- Swap Dealer: 108
- Retail Foreign Exchange Dealer: 4
- Futures Commission Merchant: 61
- Introducing Broker: 1,048
- Commodity Pool Operator: 1,252
- Commodity Trading Advisor: 1,354
- Exchange: 6

\*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.

## Information Technology



*Just like many other successful organizations, NFA has embraced data-driven decision-making.*

### Innovation

NFA is committed to adopting innovative technologies and methodologies that deliver excellent user experiences for its Members, employees and other important stakeholders. For example, staff continue to explore regulatory oversight applications that incorporate machine learning, artificial intelligence and predictive analytics. Recommended applications can then be further examined in NFA's new Technology Innovation Lab before expending development resources.

NFA utilizes the latest technology to support its important regulatory work. In addition to enforcement and rulemaking, NFA provides regulatory services to designated contract markets and swap execution

facilities with its Market Regulation department. This past fiscal year, NFA deployed a new trade practice-surveillance system to ensure Market Regulation staff have the tools to keep pace with technological change. Deploying the system using the Agile methodology allowed developers to collaborate with system users throughout implementation, ensuring that the new system was efficiently delivered and effectively addresses user needs.

Just like many other successful organizations, NFA has embraced data-driven decision-making. To better use and analyze available data, NFA created a Centralized Data Science and Analytics team made up of talented staff with quantitative data analytics experience. This team's activities

include defining data governance policies, developing data fluency, designing, building and maintaining data sets, designing algorithms and models and preparing data visualizations, among other things. The CDSA team contributes to the enhanced efficiency and effectiveness of all NFA departments.

NFA's multi-year cloud migration strategy further progressed this year with the successful implementation of several key cloud components and the incorporation of lessons learned from initial migration phases and staff's remote working experience. NFA is confident that cloud computing will continue to play a significant role in providing flexible scalability, redundancy and reduced maintenance for NFA's infrastructure.

### Safeguarding and Protecting

Safeguarding Member data and protecting NFA systems are among NFA's highest priorities. NFA continues to enhance its overall security posture and functionality by strengthening its multi-layered defense security program.

NFA continuously evaluates potential security threats and responds with timely initiatives to enhance both perimeter and internal security. By following industry best practices and standards, NFA implements a wide array of security controls designed for effective protection. NFA also recognizes that a well-informed workforce is an important guard against cyber threats, so effective security education is a top priority.



## Regulatory Coordination & Cooperation

NFA's close cooperation and coordination with other regulators—both domestic and international—enables NFA to achieve its mission of safeguarding the integrity of the U.S. derivatives markets.

Over the last several years, the CFTC fostered greater coordination between NFA and the SEC. This coordination is critical for NFA to perform efficient and effective regulatory oversight for certain dually registered firms. For example, NFA staff developed and implemented a joint SEC examination program. NFA established strong relationships advancing this initiative through its work with the SEC's Risk Group. During this fiscal year, NFA and the SEC commenced a joint examination which involved coordinated testing and firm communications.

Given the significant number of dually registered NFA Member firms, NFA believes more future joint examinations would enhance its oversight abilities and bring regulatory efficiencies to its compliance programs.

NFA staff also frequently coordinate with the SEC regarding market volatility events. For example, this past year, NFA and SEC staff had several calls regarding significant



## Regulatory Coordination & Cooperation

market volatility events associated with the COVID-19 pandemic and the extreme market volatility in January 2021.

NFA further enhanced its coordination with domestic regulators through its participation in a virtual roundtable with staff from the CFTC, SEC and FINRA. During the roundtable, the participants shared challenges, observations and experiences regarding regulatory oversight in a fully remote environment, among other topics. NFA uses the valuable information exchanged during these collaborative efforts to identify and address potential regulatory challenges.

With NFA Members located around the globe, it is equally important for NFA to establish and enhance relationships with non-U.S. regulators. NFA has always prioritized strengthening cooperation with non-U.S. regulatory authorities, which is in part supported by the meaningful working relationships fostered by NFA's participation in international bodies including IOSCO.

Since 2018, NFA has served as Chair of IOSCO's AMCC. The AMCC is composed of approximately 60 members representing securities

and derivatives markets SROs, exchanges, clearing organizations and investor protection and compensation funds from over 30 jurisdictions. As AMCC Chair, NFA develops agendas for the AMCC's Mid-Year and Annual Meetings, delivers an annual training program for global regulators and attends IOSCO Board Meetings.

Not only have NFA's IOSCO activities continued virtually without interruption over the last fiscal year, NFA also increased its global interactions, engaging in frequent calls and information sharing

initiatives with other regulators regarding actions taken to address the pandemic and market volatility. Virtual platforms also provided NFA additional opportunities to moderate and speak at events, allowing NFA to share its expertise with broader and larger global audiences.

This past fiscal year NFA was also accepted as a GFIN member. GFIN is an organization of about 60 organizations worldwide working together to support financial innovation in the best interests of consumers. NFA's participation

in GFIN allows it to innovate and maintain pace with new technological trends in the financial industry. This membership also provides NFA another opportunity to increase NFA awareness inside and outside the U.S. and develop relationships with individuals in the FinTech space from both U.S. and non-U.S. regulators and other financial institutions.

*"NFA is a crucial part of IOSCO. NFA is a great bridge between the regulatory organizations that largely make up IOSCO and the industry. NFA has a lot of interaction with the industry, and the information they provide to IOSCO is absolutely vital."*



**Paul Andrews**  
Former IOSCO Secretary General



## Washington D.C. Happenings

This fiscal year marked the end of Dr. Heath Tarbert's tenure as the 14<sup>th</sup> CFTC Chairman. NFA has always worked collaboratively with the CFTC and its Commissioners, including during Dr. Tarbert's time with the Commission. The strong coordination efforts between the CFTC and NFA enable NFA to function more effectively and efficiently. Also, Dr. Tarbert's strong support of self-regulation emphasizes the significance of this important regulatory relationship.

In January, Dr. Tarbert wrote "Self-Regulation in the Derivatives Markets: Stability Through Collaboration" for the *Northwestern Journal of International Law & Business*. In this article, he highlights the importance of the strong relationship between the CFTC and SROs like NFA.

"Sound regulation is, more often than not, the result of collaboration between traditional government functions and self-regulatory measures performed by private actions," Dr. Tarbert says. "Far from being at odds with each other, government and the private sector often work together to produce regulatory solutions that balance effective oversight with the flexibility needed to adapt to changing circumstances."

NFA thanks Dr. Tarbert and the CFTC's continued support of self-regulation and looks forward to working with Acting Chairman Rostin Behnam.

In September, several NFA staff participated on a virtual panel hosted by the CFTC's Agricultural Advisory Committee (AAC). The AAC, formerly sponsored by Dr. Tarbert, is one of five CFTC Advisory Committees, and its end-user members are key stakeholders in the derivatives industry. These committees were created to provide input and make recommendations to the Commission on a variety of regulatory and market issues that affect the integrity and competitiveness of U.S. markets. The presentation before the ACC was the first time NFA has been asked to deliver an entire NFA panel discussion to an Advisory Committee.

The panel was entitled "The Roles of Intermediaries and National Futures Association in Protecting Market Participants from Fraud." During the panel, staff covered NFA's history, NFA's close working relationship with the CFTC, and most importantly, NFA's various functions and processes aimed at protecting customers and counterparties.

The CFTC informed NFA that this panel was a success and provided valuable information to agricultural market stakeholders regarding NFA's important regulatory role in the U.S. derivatives markets.

Staff appreciate the opportunity to participate in these types of panels in order to make industry participants aware of NFA, its important mission and responsibilities, and its highly experienced and knowledgeable staff members.

*"Sound regulation is, more often than not, the result of collaboration between traditional government functions and self-regulatory measures performed by private actions."*



**Dr. Heath Tarbert**  
Former CFTC Chair



### NFA-CFTC Relationship

On September 22, 1981, the CFTC formally designated the NFA as a registered futures association under Section 17 of the Commodity Exchange Act, formalizing NFA's self-regulatory functions and placing them under CFTC oversight.




### The Roles of Intermediaries and NFA in Protecting Market Participants from Fraud

To read the transcript or view the archived version of the virtual panel presented to the CFTC's Agricultural Advisory Committee, visit the [CFTC's website](#).

## Investor Education & Protection

Investor protection is an important component of NFA's mission. NFA offers a variety of resources to help investors learn how the markets work and about the firms and individuals offering investment opportunities in the derivatives markets. Investor education arms the public with the knowledge needed to make informed decisions and avoid dealings with bad actors. NFA also has a system for investors to file complaints if they feel they've been harmed.

An excellent educational initiative entitled Futures Fundamentals is a one-stop educational resource designed to simplify and explain complex market topics. This collaborative effort between NFA, CME Group, FIA, IFM and ICE NYSE provides educators, students and the investing public with articles, videos and interactive activities intended to explain the role of the futures markets in everyday life. Futures Fundamentals is the driving force in an industry-wide effort to provide risk management education to learners at all levels.

A close-up photograph of a hand placing a wooden domino into a line of other dominoes. The dominoes are arranged in a slightly curved path, and the hand is in the process of setting the next one. The background is blurred, focusing attention on the hand and the dominoes.

*Investor education arms the public with the knowledge needed to make informed decisions and avoid dealings with bad actors.*



## Investor Education & Protection



During World Investor Week—a week-long global campaign promoted by IOSCO to raise awareness about the importance of investor education and protection—NFA worked alongside the CFTC, SEC and FINRA to deliver several educational opportunities. As part of this initiative, these organizations released a joint Investor Bulletin highlighting the importance of investor education and hosted a Tweet Chat. The information offered during the Tweet Chat emphasized the importance of due diligence and directed the public to view the investor education materials and resources available on each host organization's website. As part of World Investor Week, NFA and the CFTC also hosted a joint webinar entitled, *Investor Education: Understanding the Investing World and How to Protect Yourself*. The webinar covered key investor protection topics including verifying investment professionals are licensed; conducting research on products before investing; understanding the risks that exist in all investments; and planning for life's unexpected challenges.

FY 2021 marked the beginning of quarterly meetings between NFA staff and CFTC staff from the Office of Customer Education and Outreach. These meetings help

NFA and the CFTC coordinate joint investor education efforts throughout the year. As a result of these meetings, the organizations held a joint webinar, *Investor Education: What to Know Before Investing*, which covered important investor protection-related topics such as conducting due diligence, red flags to watch for when investing, cybersecurity tips and educational resources for investors.

Both joint webinars held during FY 2021 are available for on-demand viewing on NFA's website in the Investor Education and Resources library. That library contains archived webinars, investor-targeted publications and the latest investor newsletters. Investors can also subscribe to investor communications on NFA's website. Subscribers receive, among other important resources, NFA's quarterly investor newsletter, which aims to keep investors up to date on recent initiatives and helpful resources.



### Acting as a Restitution Monitor

NFA serves as a court appointed monitor upon the resolution of CFTC enforcement cases. As a monitor, many of these cases involve non-Members. During FY 2021, NFA disbursed about \$10.7 million to approximately 600 harmed investors. Because NFA does not charge fees for administering this service, fraud victims are returned the maximum amount of money possible. Funds for this program come from defendants in the CFTC cases. Over the life of the restitution program, NFA has distributed approximately \$80 million to more than 16,600 individuals.

## Internal Communications & Employee Engagement

Effective internal communication is essential to the success of any organization. Solid internal communication nurtures company culture and builds employee engagement. Internal communication has always been a crucial contributor to NFA's culture and operability. While the majority of staff continued to work remotely throughout FY 2021, establishing new internal communication initiatives became more important than ever. Specifically, NFA's Internal Communications team provided staff with information on the latest organizational developments, offered engaging educational content and regularly connected staff with one another.

NFA's monthly News Exchange—a brief all-staff call about a current hot topic at NFA or in the industry—provides a consistent touchpoint for staff to connect and learn about the latest organizational developments. Through question-and-answer style interviews, FY 2021 News Exchanges covered updates on NFA's philanthropic work, the organization's Enterprise Risk Management program, NFA's Microsoft Teams software launch and the usage of Agile methodology, among other topics. The monthly News Exchange also welcomed industry leaders who offered staff career advice, insight



### **NFA was honored to welcome the following guests to its monthly News Exchange**

- Former CFTC Chairman  
Heath Tarbert
- NFA Board Chair Maureen Downs
- Former IOSCO Secretary  
General Paul Andrews
- FIA President & CEO Walt Lukken
- The Small Exchange Principal  
Donnie Roberts
- Greenwood Project Founder &  
CEO Bevon Joseph
- NFA Board Member Mariam Rafi
- NFA Board Member Bill McCoy



## Internal Communications & Employee Engagement

on industry trends and details on how NFA contributes to important regulatory initiatives.

On a semi-annual basis, NFA holds an organization-wide meeting—known as a Knowledge Exchange—to provide organizational goal updates, discuss current events impacting NFA and recognize retiring staff. Over the last fiscal year, these previously in-person meetings were converted to virtual events. Whether delivered via Zoom, Teams or BlueJeans, virtual meetings pose unique technological challenges. NFA was pleased to successfully deliver two virtual Knowledge Exchanges and an all-staff meeting covering pandemic updates and “Return to Office” timelines and policies. These meetings had record participation and allowed NFA employees to ask questions and provide important feedback.

To connect new staff with NFA leadership during the remote on-boarding process, new and recently promoted staff were invited to small town hall-style meetings with NFA’s CEO & President Tom Sexton and Special Policy Advisor Dan Driscoll. Staff had the opportunity to ask questions about leadership’s priorities, staff’s new roles and NFA’s activities, among other things.

*“Starting at NFA virtually was definitely a unique experience. Like most people, I felt anxious and uncertain about the world post-COVID. NFA did an excellent job of keeping us informed and providing resources about COVID and mental health. My first few weeks at NFA were similar to my first weeks as an intern. I did virtual training classes and we held virtual happy hours so new staff could connect with our new coworkers.”*



Robin Wood  
Compliance Examiner II

## Diversity & Inclusion

Diversity and inclusion have been embedded in NFA's culture since its inception in 1982, and NFA continues to strategize and develop new initiatives to enhance its success in these areas. A diverse and inclusive workforce is necessary for NFA to achieve its mission of providing innovative and efficient regulatory programs that safeguard the integrity of the derivatives markets. NFA supports all employees to perform at the highest level, no matter the circumstances, and values an inclusive culture where all staff can thrive.

To support its goals of cultivating a diverse and inclusive workforce, NFA works with organizations like Breakthrough New York, the Greenwood Project and Cristo Rey High School. Breakthrough New York provides educational support to middle school through college students from low-income backgrounds, and the Greenwood Project introduces Black and Latinx college students to careers within the financial services industry. NFA welcomed three new staff members from these two organizations during FY 2021 to its Futures and OTC Derivatives departments. Additionally, NFA worked with two interns from Cristo Rey through its program that

partners with employers to establish paid internships for students from Spanish-speaking families with limited financial means.

NFA continually seeks to enhance its recruiting efforts. Over several years, these enhancements have focused deliberately, in part, on hiring talented, diverse employees. NFA generally recruits employees regionally and partners with schools that rank high for diversity. NFA recently enhanced its recruiting efforts by adding several Historically Black Colleges and Universities (HBCUs) to its list of recruiting partners. Going forward, NFA will specifically work with local HBCUs and those where staff have alumni connections (e.g., Chicago State, Hampton) to ensure the most effective long-term relationships.

"We want to be those mentors on the trading floor, at firms and at organizations like NFA," says Greenwood Project Founder and CEO Bevon Joseph. "That's the mission of Greenwood. We want to help students build social capital and train, educate and expose them to all the different types of careers at a company like NFA so these students can see themselves working there."

NFA recently established a Diversity & Inclusion Council to continue expanding NFA's efforts to enhance diversity and inclusion. Reflective of NFA's diverse workforce, the Council consists of staff from across various departments who are passionate about the ongoing development of NFA's vibrant organizational culture. The D&I Council will provide a dedicated focus to D&I priorities and bring new perspectives and voices

to these important issues. Based on feedback from diverse employees, the D&I Council identified a number of key areas to address such as recruiting, mentorship, employee resource groups, education and training, community outreach and alumni engagement. NFA leadership fully supports the D&I Council's plans to address these areas over the short, medium and long-term.

*"With the strong and continual support of NFA's Board and executive leadership, NFA continues to enhance its robust and comprehensive diversity and inclusion program. Different perspectives from individuals of varying backgrounds, ethnicities and genders are the foundation for NFA to evolve and thrive, and by doing so, to redefine regulation and enhance its mission."*



**Douglas E. Harris**  
NFA Board Member



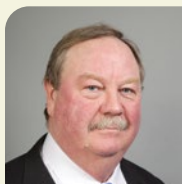
For more information on NFA's commitment to fostering a diverse workforce, visit [NFA's Diversity & Inclusion webpage](#).



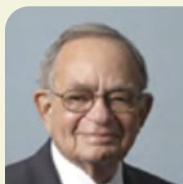
## Board of Directors



**Maureen C. Downs\***  
Board Chair  
*Phillip Capital, Inc.*



**Don Thompson\***  
Vice-Chair  
*JPMorgan Chase & Co.*



**Leo Melamed**  
Chairman Emeritus  
*CME Group, Inc.*

## Futures Commission Merchants



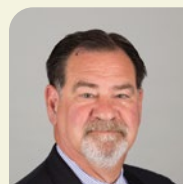
**Maria Chiodi**  
Managing Director  
and Counsel  
*Credit Suisse Securities  
(USA) LLC*



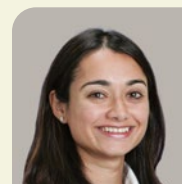
**Gerald F. Corcoran**  
CEO  
*R.J. O'Brien &  
Associates LLC*



**Maureen C. Downs\***  
*Phillip Capital, Inc.*

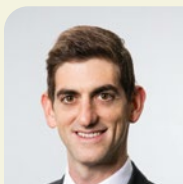


**Thomas R. Kadlec\***  
President  
*ADM Investor  
Services, Inc.*



**Mariam Rafi**  
Managing Director  
*Citigroup Global Markets, Inc.*

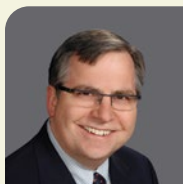
## Swap Dealers and Major Swap Participants



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



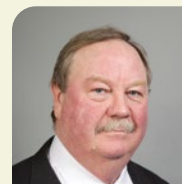
**Mark L. Maurer**  
President and CEO  
*StoneX Markets*



**William F. McCoy**  
Managing Director  
*Morgan Stanley*



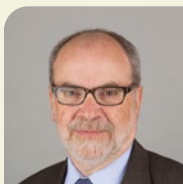
**Charlotte B.  
McLaughlin**  
President and CEO  
*PNC Capital Markets LLC*



**Don Thompson\***  
*JPMorgan Chase & Co.*

## Board of Directors

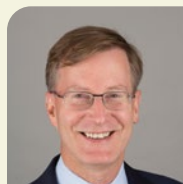
### Commodity Pool Operators and Commodity Trading Advisors



**Douglas L. Bry\***  
President  
*Augur Trading Company*



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



**Martin Lueck**  
Research Director  
*Aspect Capital Limited*



**Constance R. Wick**  
General Counsel & Chief  
Compliance Officer  
*Crabel Capital Management LLC*

### Introducing Brokers

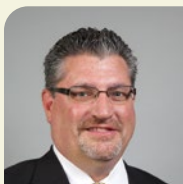


**Michael T. Burke\***  
CEO  
*HighGround Trading LLC*



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

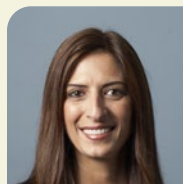
### Contract Markets



**Mark G. Bagan**  
President and CEO  
*Minneapolis Grain  
Exchange*



**David S. Goone\***  
Chief Strategy Officer  
*Intercontinental  
Exchange, Inc.*



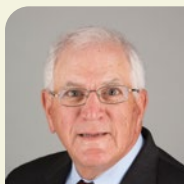
**Julie Holzrichter\***  
Chief Operating Officer  
*CME Group, Inc.*

## Board of Directors

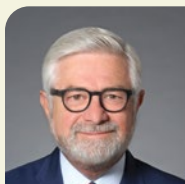
### Public Representatives



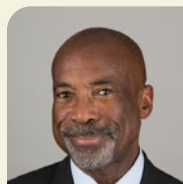
**Michael C. Dawley**  
President  
*BlueFin Partners LLC*



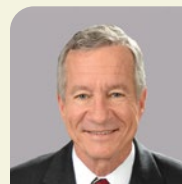
**Ronald H. Filler**  
Professor of Law, Emeritus  
*New York Law School*



**Arthur W. Hahn**  
*Chicago, Ill.*



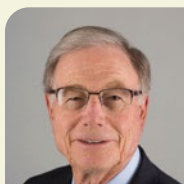
**Douglas E. Harris\***  
*New York, N.Y.*



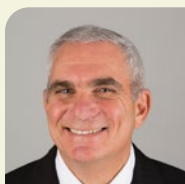
**The Honorable Jim Marshall**  
Former U.S. Congressman,  
House Agriculture  
and Financial Services  
Committees



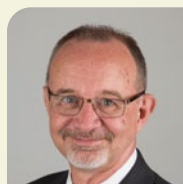
**Mary M. McDonnell\***  
Founder  
*McDonnell & Associates*



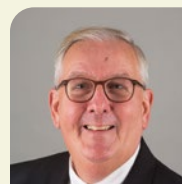
**Michael H. Moskow\***  
Vice Chair and  
Distinguished Fellow  
*The Chicago Council  
on Global Affairs*



**Ronald S.  
Oppenheimer\***  
*Boca Raton, Fla.*



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



**Michael R. Schaefer**  
*New York, N.Y.*



## 2021 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, 2021 and 2020, and the related statements of activities 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, 2021 and 2020, 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**

Chicago, Illinois

November 8, 2021

## 2021 Financials

### NFA: STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

The accompanying notes are an integral part of these financial statements.

	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 33,576,581	\$ 56,367,315
Short-term investments	99,440,927	84,288,304
Assessments receivable, net	5,386,822	5,401,788
Other current assets, net	4,901,208	2,889,764
Total current assets	143,305,538	148,947,171
Furniture, fixtures, equipment, leasehold improvements and software, net	10,128,397	11,565,388
Investments	16,220,156	—
Other assets	40,271	40,300
<b>Total assets</b>	<b>\$ 169,694,362</b>	<b>\$ 160,552,859</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Unearned dues and fees	\$ 7,512,486	\$ 5,925,195
Accounts payable, accrued expenses and other current liabilities	8,419,523	7,345,014
Total current liabilities	15,932,009	13,270,209
Deferred rent credit	1,268,524	2,111,381
Other long-term liabilities	11,530,685	11,207,808
Total liabilities	28,731,218	26,589,398
Net assets without donor restrictions	140,963,144	133,963,461
<b>Total liabilities and net assets</b>	<b>\$ 169,694,362</b>	<b>\$ 160,552,859</b>

## 2021 Financials

### NFA: STATEMENTS OF ACTIVITIES

Years ended June 30, 2021  
and 2020

The accompanying notes  
are an integral part of these  
financial statements.

	2021	2020
Revenues		
Assessments	\$ 56,678,376	\$ 65,032,122
Membership dues	42,494,583	40,864,054
Registration and other fees	3,280,438	4,627,695
Regulatory services outsourcing	7,292,150	8,347,788
Investment return, net	6,677,998	4,664,680
Total revenues	116,423,545	123,536,339
Expenses		
Salaries, wages and employee benefits	83,204,914	80,310,433
Space rental and related expenses	4,841,698	4,415,720
Travel and meetings	154,594	2,164,972
Technology expenditures	5,923,376	4,649,897
Depreciation and amortization	6,257,107	6,453,747
Outside consulting fees and services	5,958,114	4,605,222
Supplies, postage and telephone	151,768	200,920
Outside printing and publications	10,827	25,278
Board and committee fees and expenses	541,750	631,478
Insurance, recruiting, education, dues and other	2,769,992	2,794,902
Total expenses	109,814,140	106,252,569
Postretirement benefit changes other than net periodic benefit costs	390,278	(1,060,092)
Change in net assets without donor restrictions	6,999,683	16,223,678
Net assets without donor restrictions at beginning of year	133,963,461	117,739,783
<b>Net assets without donor restrictions at end of year</b>	<b>\$ 140,963,144</b>	<b>\$ 133,963,461</b>



## 2021 Financials

### NFA: STATEMENTS OF CASH FLOWS

Years ended June 30, 2021  
and 2020

The accompanying notes  
are an integral part of these  
financial statements.

	2021	2020
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 6,999,683	\$ 16,223,678
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized gain on investments	(5,556,306)	(2,663,156)
Depreciation and amortization	6,257,107	6,453,747
Postretirement benefit changes other than net periodic benefit costs	(390,278)	1,060,092
Changes in assets and liabilities		
Assessments receivable	14,966	1,142,420
Accrued interest receivable	(40,699)	(75,108)
Other assets	(1,580,435)	(412,391)
Unearned dues and fees	1,587,291	1,011,248
Accounts payable, accrued expenses and other liabilities	1,401,660	625,942
Deferred rent credit	(847,134)	(645,645)
Net cash provided by operating activities	7,845,855	22,720,827
Cash flows from investing activities		
Purchases of fixed assets and software	(4,820,116)	(5,220,075)
Purchase of investments	(49,816,473)	(1,160,877)
Maturities of U.S. Treasury securities	24,000,000	16,000,000
Net cash provided by (used in) investing activities	(30,636,589)	9,619,048
Net change in cash and cash equivalents	(22,790,734)	32,339,875
Cash and cash equivalents at beginning of year	56,367,315	24,027,440
<b>Cash and cash equivalents at end of year</b>	<b>\$ 33,576,581</b>	<b>\$ 56,367,315</b>

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE A: ORGANIZATION

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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

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##### **Recently Issued Accounting Standards Updates**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 (ROU) 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 ROU asset. In June 2020, the FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date for one year. ASU No. 2016-02 is effective for the Association for fiscal year 2023. Early adoption is permitted. The Association is currently evaluating the impact ASU No. 2016-02 will have on its financial statements.

##### **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.

##### **Revenue from Contracts with Customers**

All of the Association's revenue from contracts with customers is from performance obligations satisfied over time and is derived from contracts with an initial expected duration of one year or less. Prices are specific to distinct performance obligations and do not consist of multiple transactions.

##### **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.

##### **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.

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### **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. Start-up fees 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.

The Association records deferred revenue in situations when amounts are invoiced and received but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue was \$7,512,486 and \$5,925,195 as of June 30, 2021 and 2020, respectively, and are recognized as unearned dues and fees on the accompanying statements of financial position.

#### **Furniture, Fixtures, Equipment and 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 as of June 30, 2021 and 2020.

#### **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 three to four 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, 2021 and 2020, the allowance for doubtful accounts was \$35,225 and \$202,310, respectively. This allowance is a reduction of receivables, which are included in other current assets, net on the accompanying statements of financial position.



## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### 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; and

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 not observable 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.

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### 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 technology expenses. These expenses are allocated based on headcount.

Expenses by natural and functional categories for the year ended June 30, 2021 were as follows:

	Program Services Member Regulation	Supporting Services General and Administration	Total
Salaries, wages and employee benefits	\$ 53,076,659	\$ 30,128,255	\$ 83,204,914
Space rental and related expenses	3,227,798	1,613,900	4,841,698
Travel and meetings	7,718	146,876	154,594
Technology expenditures	3,948,917	1,974,459	5,923,376
Depreciation and amortization	4,171,404	2,085,703	6,257,107
Outside consulting fees and services	945,102	5,013,012	5,958,114
Supplies, postage and telephone	58,065	93,703	151,768
Outside printing and publications	80	10,747	10,827
Board and committee fees and expenses	—	541,750	541,750
Insurance, recruiting, education, dues and other	1,298,726	1,471,266	2,769,992
<b>Total expenses by function</b>	<b>\$ 66,734,469</b>	<b>\$ 43,079,671</b>	<b>\$ 109,814,140</b>

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Expenses by natural and functional categories for the year ended June 30, 2020 were as follows:

	Program Services Member Regulation	Supporting Services General and Administration	Total
Salaries, wages and employee benefits	\$ 53,540,795	\$ 26,769,638	\$ 80,310,433
Travel and meetings	1,928,330	236,642	2,164,972
Technology expenditures	3,099,930	1,549,967	4,649,897
Space rental and related expenses	2,943,813	1,471,907	4,415,720
Supplies, postage and telephone	108,728	92,192	200,920
Outside printing and publications	4,241	21,037	25,278
Board and committee fees and expenses	–	631,478	631,478
Depreciation and amortization	4,302,497	2,151,250	6,453,747
Outside consulting fees and services	1,098,627	3,506,595	4,605,222
Insurance, recruiting, education, dues and other	1,239,472	1,555,430	2,794,902
<b>Total expenses by function</b>	<b>\$ 68,266,433</b>	<b>\$ 37,986,136</b>	<b>\$ 106,252,569</b>

#### 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 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, 2021 and 2020, cash equivalents included a U.S. Treasury Money Market Fund of \$7,685,398 and \$44,227,820, 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.



## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### 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 more than one year after year-end. 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, 2021 and 2020, is as follows:

	2021	2020
Short term		
U.S. Treasury securities	\$ 15,998,352	\$ 8,047,484
Developed Markets Index Fund	4,332,120	3,085,750
Extended Markets Signal Index Fund	4,412,112	3,682,202
Short-Term Treasury Fund	—	33,000,416
Intermediate Term Treasury Fund	65,774,411	28,477,448
S&P 500 Index Mutual Fund	8,923,932	7,995,004
Total short-term investments	99,440,927	84,288,304
Long term		
U.S. Treasury securities	16,220,156	—
<b>Total investments</b>	<b>\$ 115,661,083</b>	<b>\$ 84,288,304</b>

For its four 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.

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE E: FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE, NET

At June 30, 2021 and 2020, furniture, fixtures, equipment, leasehold improvements and software, and the related accumulated depreciation and amortization, are as follows:

	2021	2020
Furniture and fixtures	\$ 2,436,442	\$ 2,064,871
Equipment	10,816,294	9,390,202
Leasehold improvements	12,036,180	12,036,180
Software	12,454,840	10,717,775
Total furniture, fixtures, equipment, leasehold improvements and software	37,743,756	34,209,028
Less accumulated depreciation and amortization	27,615,359	22,643,640
<b>Furniture, fixtures, equipment, leasehold improvements and software, net</b>	<b>\$ 10,128,397</b>	<b>\$ 11,565,388</b>

#### 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 the operating leases, and various technology contracts, that have remaining noncancellable payment terms as of June 30, 2021:

Years ending June 30,	
2022	\$ 4,957,202
2023	4,672,001
2024	1,956,816
2025	134,351
<b>Total operating lease commitments</b>	<b>\$ 11,720,370</b>

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.

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE G: 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 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 2020 of \$3,048,406 was made in 2021. A profit-sharing contribution for calendar year 2019 of \$2,834,897 was made in 2020. 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:

$$[\text{Indexed Credit \$ Amount}] \times [\text{YOS after age 45 (maximum of 20)}] = \text{HRA Account Value}$$

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

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

At June 30, 2021 and 2020, 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 liabilities, were as follows:

	2021	2020
Change in benefit obligation		
Benefit obligation, beginning of year	\$ (11,613,762)	\$ (9,757,757)
Employer service cost	(856,516)	(742,966)
Interest cost	(282,150)	(341,666)
Actuarial gain (loss)	561,110	(905,634)
Benefits paid	145,563	134,261
Benefit obligation, end of year	\$ (12,045,755)	\$ (11,613,762)
Change in Plan assets		
Plan assets, beginning of year	\$ -	\$ -
Employer contributions	145,563	134,261
Benefits paid	(145,563)	(134,261)
Plan assets, end of year	\$ -	\$ -
Amounts recognized in the statements of financial position		
Accumulated benefit obligations - current	\$ (515,070)	\$ (408,482)
Accumulated benefit obligations - noncurrent	(11,530,685)	(11,205,280)
Total accumulated benefit obligations	\$ (12,045,755)	\$ (11,613,762)

The components of the net periodic post-retirement benefit cost for the Plan for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Net periodic post-retirement benefit cost		
Service cost	\$ 856,516	\$ 742,966
Interest cost	282,150	341,666
Amortization of prior service cost	(305,492)	(305,492)
Amortization of net actuarial loss	134,660	55,864
<b>Total net periodic post-retirement benefit cost</b>	<b>\$ 967,834</b>	<b>\$ 835,004</b>



## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

The post-retirement benefit plan accumulated losses and prior service cost not yet recognized as a component of periodic postretirement benefit cost, but accumulated in net assets without donor restrictions as of June 30, 2021 and 2020, are as follows:

	2021	2020
Unrecognized prior service cost	\$ (1,600,649)	\$ (1,236,327)
Unrecognized net loss	930,835	2,296,419
<b>Total accumulated in net assets without donor restrictions</b>	<b>\$ 669,814</b>	<b>\$ 1,060,092</b>

An estimated \$46,989 in amortization of net actuarial loss and \$(303,335) of net prior service costs will be included as components of net periodic post-retirement benefit cost in 2022.

The post-retirement benefit plan items not yet recognized as a component of periodic postretirement benefit cost, but included as a separate charge to net assets without donor restrictions for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Actuarial (gain) loss arising during the period	\$ (561,110)	\$ 905,634
Amortization of net prior service credit (cost)	305,492	(305,492)
Amortization of net actuarial (gain) loss	(134,660)	55,864
<b>Total recognized as a separate charge to net assets without donor restrictions (credit) charge</b>	<b>\$ (390,278)</b>	<b>\$ 656,006</b>

Actuarial assumptions for the postretirement benefits as of June 30, 2021 and 2020, are as follows:

	2021	2020
Weighted-average assumptions:		
Discount rate - benefit obligation	2.45%	2.30%
Discount rate - benefit cost	2.30	3.30

The rate of increase in the gross cost of covered health care benefits was assumed to be 6.00% for fiscal year 2021 and 6.25% for fiscal year 2020. The rate of increase is assumed to decline by 0.25% for each year after 2021, to 5.00% in 2025 and after.

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

The following table presents the benefits expected to be paid under the Plan in each of the next five fiscal years, and in the aggregate for the five years thereafter, as of June 30, 2021:

2022	\$ 480,703
2023	584,002
2024	682,611
2025	801,551
2026	927,414
2027-2031	6,142,762

#### 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, 2021 and 2020 was \$2,045,654 and \$2,888,511, respectively, of which \$777,130 and \$777,130, respectively, is included in accounts payable, accrued expenses and other current liabilities on the accompanying statements of financial position.

For the years ended June 30, 2021 and 2020, the Association's rent expense was as follows:

	2021	2020
Cash payments for rent	\$ 5,321,027	\$ 4,689,883
Less amortization of deferred rent credits	(847,134)	(702,487)
<b>Rent expense</b>	<b>\$ 4,473,893</b>	<b>\$ 3,987,396</b>

## 2021 Financials

### NFA: NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE I: AVAILABILITY AND LIQUIDITY

The following reflects the Association's financial assets as of June 30, 2021 and 2020 available for general use within one year of the financial statement date.

	2021	2020
Cash and cash equivalents	\$ 33,576,581	\$ 56,367,315
Short-term investments	99,440,927	84,288,304
Assessments receivable net	5,386,822	5,401,788
Other current assets, net	2,595,542	1,323,777
<b>Total financial assets available within one year</b>	<b>\$ 140,999,872</b>	<b>\$ 147,381,184</b>

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

#### NOTE J: SUBSEQUENT EVENTS

The Association evaluated its June 30, 2021 financial statements for subsequent events through November 8, 2021, 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, 2021, NFA had 527 employees.

### NFA Leadership



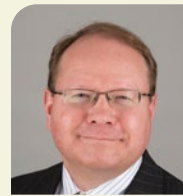
**Thomas W. Sexton, III**  
President and CEO



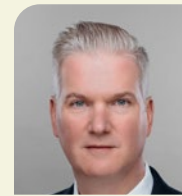
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*Market Regulation*



**David L. Hawrysz**  
Senior Vice President,  
CFO and Treasurer  
*Treasurer's Office*



**Timothy J. McHenry**  
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**Regina G. Thoele**  
Senior Vice President  
*Compliance*



**Carol A. Wooding**  
Senior Vice President  
*General Counsel and  
Secretary*



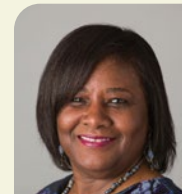
**Karen K. Wuertz**  
Senior Vice President  
*External Affairs and  
Communications*



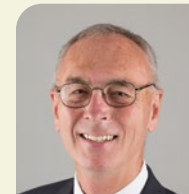
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