



NFA

2023 ANNUAL REVIEW

TABLE OF CONTENTS

A Letter from NFA’s Chair	3
Cybersecurity and Supervision of Third-party Service Providers	5
Digital Assets	7
Member Engagement	9
Investor Protection	11
Chicago Office Relocation	13
Regulatory Coordination & Cooperation	16
Board of Directors	18
2023 Financials	21
About NFA	22

Acronym Key

AMCC	Affiliate Members Consultative Committee
BASIC	Background Affiliation Status Information Center
Board	NFA’s Board of Directors
CFTC	Commodity Futures Trading Commission
CME	Chicago Mercantile Exchange
CPO	Commodity Pool Operator
CTA	Commodity Trading Advisor
FCM	Futures Commission Merchant
FIA	Futures Industry Association
FINRA	Financial Industry Regulatory Authority
IB	Introducing Broker
ICE	Intercontinental Exchange, Inc.
IFM	Institute for Financial Markets
IOSCO	International Organization of Securities Commissions
MOU	Memorandum of Understanding
NYSE	New York Stock Exchange

“On the subject of positioning NFA for the future, I’d also like to share that, in June, NFA moved into its new Chicago office after almost 16 years at its previous location. The new office was designed with great attention to NFA’s long-term workplace needs.”



Maureen C. Downs
NFA Chair

A LETTER FROM NFA'S CHAIR



Dear NFA Member,

During this past fiscal year, NFA completed several significant initiatives to further its regulatory mission that are highlighted throughout this Annual Review. Staff’s efforts focused on effectively monitoring Members, rigorously enforcing NFA’s rules, modernizing its technology, improving information security and implementing NFA’s new work environment, among other things.

In this letter, I’d like to highlight the governance enhancements recommended by a Board-

appointed Special Committee on NFA Governance that NFA’s Board unanimously approved in November 2022. As a bit of background, [NFA’s Board](#) is its principal governing and policy development body. The Board consists of both Member Directors and Public Directors and is structured to ensure representation of each membership category. It meets quarterly in February, May, August and November.

Since inception, NFA has periodically made changes to its governance structure. In each case, the Board forms a special committee to

review NFA’s governance structure and proposes changes to the Executive Committee and Board. The Board recently noted that the last governance changes occurred almost seven years ago and recognized that aligning NFA’s governance structure to current best practices would allow NFA to operate more effectively and efficiently going forward. Therefore, the Board, in May 2022, established the NFA Governance Special Committee to perform a holistic review of NFA’s governance structure.

Chaired by NFA Board member and FCM representative Thomas R. Kadlec, this Special

Committee comprehensively evaluated NFA’s governance framework. To assist in this evaluative process, the Committee heard from several governance subject matter experts regarding best practices related to Board size, Executive Committee function and role, term limits, and Nominating and Governance Committee function and role, among other topics.

As mentioned above, the Board unanimously approved the Special Committee’s recommendations, including reducing the size of NFA’s Board and Executive Committee,

A LETTER FROM NFA’S CHAIR

adopting term limits, modifying the Executive Committee’s composition and role and establishing a Nominating and Governance Committee. A February 2023 ballot vote overseen by an external tabulation service confirmed NFA Members’ support of the amendments to NFA’s Articles necessary to implement the Special Committee’s recommendations. The CFTC subsequently approved these amendments, which will become effective in February 2024. These improvements will ensure NFA is well-positioned to fulfill its regulatory responsibilities and face any future challenges effectively.

On the subject of positioning NFA for the future, I’d also like to share that, in June, NFA moved into its new Chicago office after almost 16 years at its previous location. The new office was designed with great attention to NFA’s long-term workplace needs. Its layout was driven by best practices and how employees will use the office differently in a post-pandemic work environment. Specifically, NFA reduced its square footage, decreased the number of individual workstations, added more collaboration space and enhanced technology.



↑ For more details about the move, see page 13 and enjoy the pictures throughout this year’s Annual Review.

Finally, as I look forward and consider NFA’s primary responsibility to regulate its Members, I cannot overstate the importance of NFA’s proactive approach to overseeing Members’ digital asset commodities activities. For over five years, NFA has continually adapted the requirements it imposes on its Members in the digital asset arena. This year was no exception. NFA imposed anti-fraud, just and equitable principles of trade and supervision requirements on NFA Members engaging in spot digital asset commodity activities. For more details regarding this recent rulemaking, see page 7.

This letter reflects NFA’s many achievements over the past year. NFA is an extraordinary organization committed to effective regulation that meets the demands of an evolving marketplace. Its thoughtful and forward-looking approach will continue to enhance market integrity and investor protection. In February 2024, I will step down as Chair of NFA’s Board. It has been my great privilege and honor to serve as Chair since February 2020 and as an FCM Director since 2009. I am deeply grateful to my colleagues on NFA’s Board and to NFA’s staff for their support throughout the years.



Sincerely,
Maureen C. Downs
NFA Chair

CYBERSECURITY AND SUPERVISION OF THIRD-PARTY SERVICE PROVIDERS

In January 2023, a third-party technology service provider for several NFA Member FCMs experienced a significant outage from a ransomware attack. Due to this extremely serious disruption, FCMs that utilized this service provider were unable to fully process their cleared derivatives trades, and several other FCMs were impacted because of the industry's interconnectedness.

This incident impacted worldwide exchange-traded derivatives trading and clearing for several days. Coordination among NFA, the CFTC, other regulatory bodies, FIA and the derivatives industry facilitated the adoption of operational measures to mitigate the attack's impact. This cooperation allowed NFA to understand the gravity of the cyber-attack and effectively provide appropriate regulatory relief from NFA requirements.



CYBERSECURITY AND SUPERVISION OF THIRD-PARTY SERVICE PROVIDERS

In the aftermath of the incident, NFA President and CEO Tom Sexton joined other industry leaders at the [CFTC’s Market Risk Advisory Committee meeting](#) for a public examination of this ransomware attack. Tom discussed how the incident both highlighted the risks associated with third-party service providers and illustrated the resiliency of the derivatives industry. He also reminded the Committee of NFA’s existing regulatory requirements for Members in three areas:

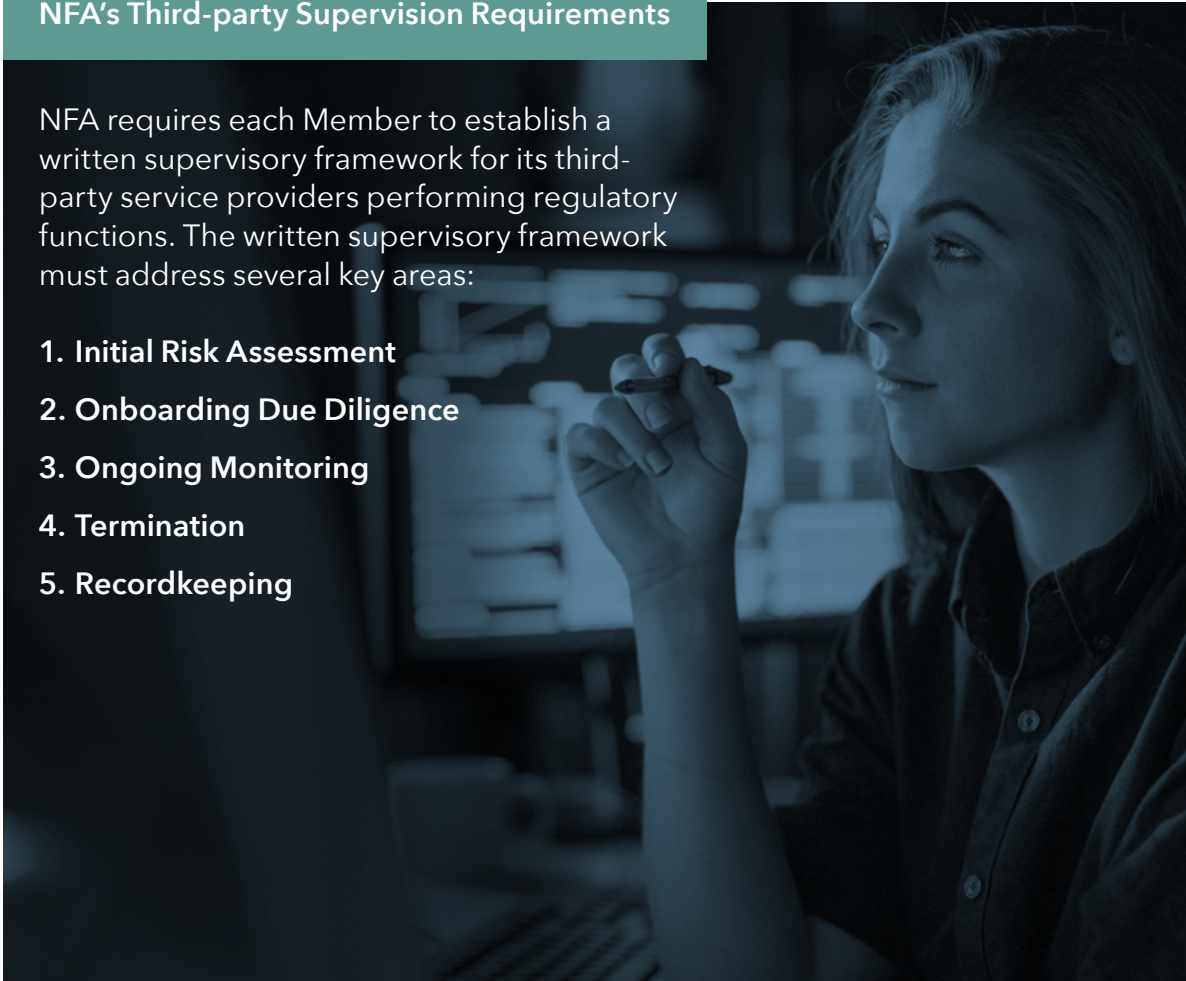
- Business Continuity and Disaster Recovery Plans
- Information System Security Programs
- Supervision of Third-party Service Providers Performing Regulatory Functions

NFA recognizes that coordination among market participants and with regulators is critical to successfully addressing these types of disruptive events in the future. NFA is committed to working with the CFTC, FIA and the broader derivatives industry to ensure markets remain resilient against cyber threats.

NFA’s Third-party Supervision Requirements

NFA requires each Member to establish a written supervisory framework for its third-party service providers performing regulatory functions. The written supervisory framework must address several key areas:

1. Initial Risk Assessment
2. Onboarding Due Diligence
3. Ongoing Monitoring
4. Termination
5. Recordkeeping



“The CFTC and NFA also should be commended for their direct engagement with market participants and the flexibility afforded to some of the reporting requirements for registered entities. These reduced stress without adding risk when the markets were most vulnerable.”



Walt Lukken
President and CEO
FIA

DIGITAL ASSETS

NFA's primary responsibility is to regulate its Members' derivatives activities and, in limited instances, their spot market activities (e.g., retail forex and digital asset commodities) when they pose a risk to retail customers. Over five years ago, due to concerns over Members' engagement in spot digital asset commodity activities, NFA imposed requirements upon Members that continue to expand and evolve.

In 2017, when several CFTC-regulated futures exchanges announced plans to offer futures contracts on digital assets, NFA established additional reporting obligations for its Members generally requiring them to notify NFA of their spot and derivatives digital asset activities.

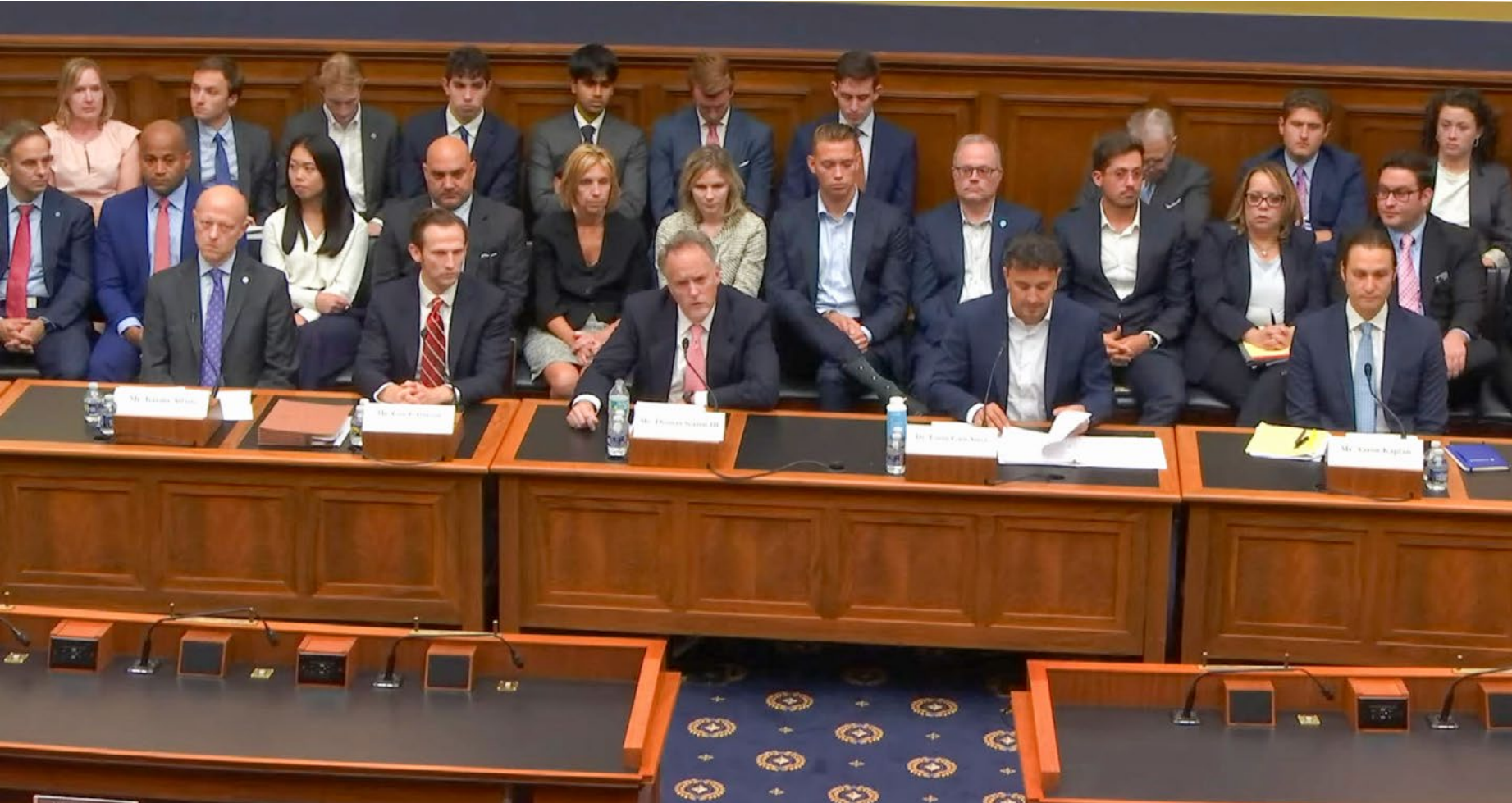
NFA also issued an [Investor Advisory](#) in 2017 entitled *Futures on Virtual Currencies Including Bitcoin*. The Advisory reminds investors that, just like any other investment, trading futures on virtual currencies, including bitcoin, has certain benefits and various risks.

In 2018, NFA adopted an [Interpretive Notice](#) establishing disclosure requirements for FCMs, IBs, CPOs and CTAs engaging in digital asset activities. These disclosure requirements serve to educate investors who do not fully understand the nature of digital assets and digital asset derivatives about the substantial risk of loss that could arise from trading them and the limitations of NFA's regulatory authority over certain spot market digital asset activities.

By FY 2023, over 100 NFA Members reported to NFA that they engage in digital asset-related business activities, in derivatives and/or the spot markets. While NFA rules covered these Members' derivatives activities, they did not generally apply to spot digital asset commodity activities. If an NFA Member committed fraud or similar misconduct with respect to its spot digital asset commodity activities, NFA lacked jurisdiction to prosecute the Member either in an emergency action or disciplinary case.

To proactively ensure NFA has jurisdiction to discipline its Members and, in part, regulate their activities in this area, NFA adopted [Compliance Rule 2-51](#) in March. This new rule imposes anti-fraud, just and equitable principles of trade and supervision requirements on NFA Members and Associates engaging in spot digital asset commodity activities. The rule provides NFA with the ability to discipline a Member or take other action to protect the public. This rule covers those digital assets that are commodities (i.e., bitcoin and ether), and NFA can amend the rule if other digital assets are identified as commodities by Congress, federal regulators or the courts in the future.





NFA's Congressional Testimony

In June, NFA President and CEO Tom Sexton testified before the full U.S. House Financial Services Committee at its hearing entitled "The Future of Digital Assets: Providing Clarity for the Digital Asset Ecosystem." Tom's testimony discussed NFA's role and regulatory responsibilities in the derivatives industry, its record of success addressing retail trading abuses, its strong partnership with the CFTC and its oversight of Members engaging in spot digital asset commodities.

MEMBER ENGAGEMENT

To ensure Members understand and meet their regulatory requirements, each year NFA develops and delivers a variety of educational resources and programs across different media.

FY 2023 marked the return of the in-person [Member Regulatory Workshop](#). Following two years of virtual programming, more than 400 Members attended in-person sessions in Chicago and New York covering important topics ranging from cybersecurity to common exam findings. NFA Public Director Ronald H. Filler opened each workshop with a message about the importance of Members' interaction with NFA.

Regular communication with Members is crucial to NFA's ability to carry out its important regulatory mission. To provide Members with an opportunity to interact directly with NFA's leadership, NFA hosted its seventh annual [Town Hall](#) webinar in May. During the webinar, NFA Board Vice-Chair Don Thompson, President and CEO Tom Sexton, NFA's officers and senior staff provided brief updates on current initiatives before answering questions submitted by participating Members.



Chicago (left) and New York (right) Member workshops.

In FY 2023, NFA began requiring Members to use [multi-factor authentication](#) to access any NFA system with a login. NFA published several educational resources and hosted a webinar to ensure Members were adequately prepared for this new requirement.

Throughout FY 2023, NFA sent more than two dozen [Notices to Members](#) to ensure Members stayed abreast of the latest compliance updates, NFA events and other important news.



NFA also continued publishing its quarterly [Board Update Videos](#) to ensure Members receive timely updates regarding Board actions and priorities.

For Members unable to participate in NFA's workshops or webinars, recordings of these resources are available on [NFA's website](#). Members can use the website to [subscribe](#) to various NFA email communications, as well.

FY 2023 marked the return of the in-person Member Regulatory Workshop.

MEMBER ENGAGEMENT

NFA Information Center

NFA's Information Center is available to answer Member questions and provide important information on the latest NFA developments. During FY 2023, NFA's Information Center received about 17,000 calls and responded to over 4,000 emails.

17,000+ calls
4,000+ emails

NFA Membership

As of June 30, 2023, NFA has 3,006 Members and 41,716 Associates.

3,006 Members
41,716 Associates



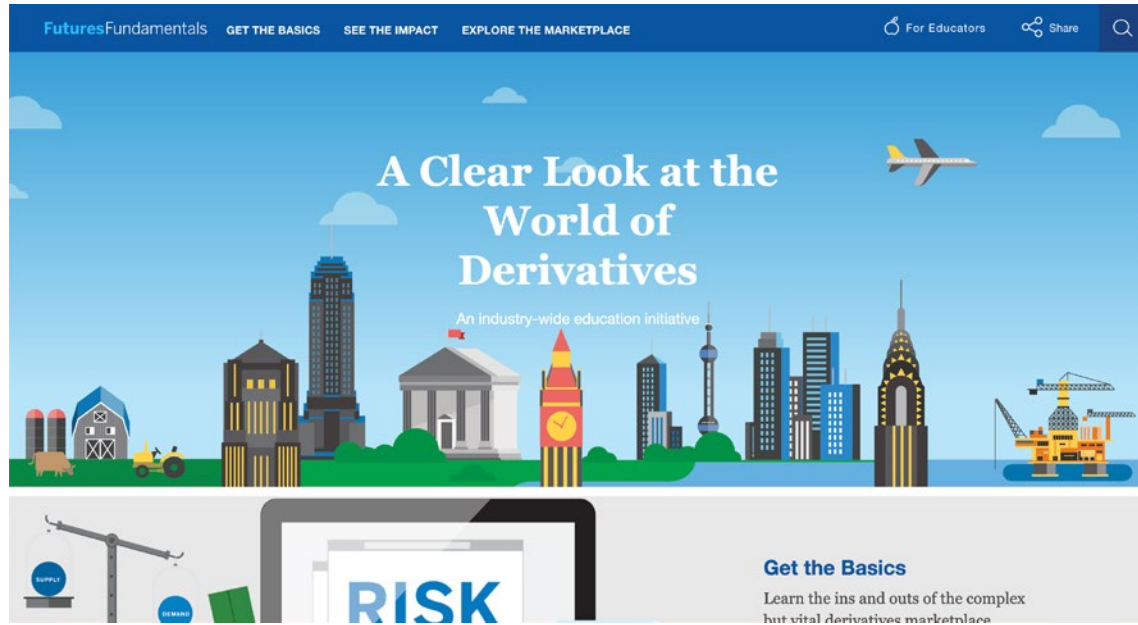
A critical component of NFA's mission is investor protection, which begins with investor education. NFA's primary focus is to arm investors with the necessary tools to make informed investment decisions associated with the derivatives markets and avoid dealings with bad actors. Due to retail customer protection concerns, NFA's has expanded its investor protection efforts beyond derivatives to address scams associated with digital assets.

In the past several years, scams involving digital asset commodities have become particularly common. To educate investors in this area, NFA and the CFTC hosted a webinar entitled [Digital Assets and Customer Protection: Answering Common Questions](#). This most recent initiative builds on the Member disclosure requirements NFA established over five years ago. Specifically, NFA requires Members engaged in digital asset commodity-related activities to provide investors with the NFA Investor Advisory [Futures on Virtual Currencies Including Bitcoin](#) and the CFTC Customer Advisory [Understand the Risks of Virtual Currency Trading](#).

To better assist investors who may have already been harmed, this year, NFA updated its File a

NFA's primary focus is to arm investors with the necessary tools to make informed investment decisions associated with the derivatives markets and avoid dealings with bad actors.

INVESTOR PROTECTION



Futures Fundamentals

Complaint form to better capture customers' complaints about NFA Members, regardless of the products involved. The form now includes fields investors can use to indicate that their complaints pertain to either spot digital assets or digital asset derivative products, in addition to futures and forex, among others.

Aside from digital asset-specific education, NFA continues to publish a quarterly Investor Newsletter discussing important developments and resources for the investing public. In FY 2023, NFA also published two Investor Advisories to notify investors of the latest fraud techniques used by scammers and advise on how to avoid them. The first Advisory, [*Avoiding the Latest Fraud Techniques*](#), covered ways that scammers attempt to feign NFA membership, and thus, legitimacy, to defraud investors. The second Advisory, [*Beware of NFA Imposters*](#), focused on educating the public about scams perpetrated by fraudsters posing as NFA staff or agents.

NFA always encourages investors to use its [BASIC system](#) to conduct research before investing or sharing sensitive information. BASIC is a free, searchable online database containing important information pertaining to firms and

individuals who are either currently conducting or have previously conducted derivatives-related business. By using BASIC, investors can verify a firm or individual's CFTC registration and NFA membership information, regulatory actions, dispute resolution information, contact information and more, all of which they can use to make informed decisions.

To subscribe and receive notifications on the latest fraud trends and educational resources, visit the [Email Subscriptions page](#) on NFA's website.

SUBSCRIBE NOW

CHICAGO OFFICE RELOCATION

After 16 years at 300 South Riverside Plaza, NFA's Chicago headquarters relocated in June to 320 South Canal. NFA capitalized on the adoption of hybrid working arrangements, configuring its new space to reduce its square footage by about 30% while still providing a modern office where staff can work optimally. The relocation was a multi-year, multi-phase effort and culminated in a fresh, new office environment that facilitates flexibility, collaboration and efficiency.

NFA's new space provides an extensive variety of workspaces accommodating a wide range of needs. In addition to home-away-from-home experiences like informal meeting areas and tabletop islands, the office contains workstations and private offices divided by pods of collaboration space, including huddle, phone and conference rooms.

With few exceptions, workstations and private offices are unassigned, allowing NFA to realize space efficiencies introduced with its implementation of a hybrid work policy.



CHICAGO OFFICE RELOCATION



NFA's new space provides an extensive variety of workspaces accommodating a wide range of needs.

CHICAGO OFFICE RELOCATION



NFA employs many Compliance Examiners and Application Developers who conduct both individual work and teamwork throughout the day. To accommodate this workstyle variation, NFA implemented a custom space solution: team rooms. Each team room is equipped with six to eight mobile tables that can either be placed together to create one large conference table, pushed against walls to transform into individual workstations, or reorganized for video conferencing.

To encourage foot traffic throughout the office, NFA's large training room and café are intentionally placed in one area of the floor. This space not only creates opportunity for interaction among staff but also ensures that all employees have access to the office's best views. A dedicated employee photo wall reminds staff of what makes the organization special: the people. Another installation displays a timeline of key accomplishments from NFA's over forty-year history.

NFA's new office celebrates the organization's many accomplishments and accommodates the constantly evolving role of the workplace, while putting NFA's exceptional staff at the center.

REGULATORY COORDINATION & COOPERATION

Throughout its history, NFA has worked closely with the CFTC and other regulators to successfully carry out its important regulatory mission. Collaboration among global regulators and industry partners is crucial to protecting investors and ensuring market integrity.

In FY 2023, NFA and FINRA held a special crypto asset summit in San Francisco and agreed to expand their MOU to address crypto activities that fall within each organization’s respective regulatory mandate. Specifically, the expanded MOU addresses information sharing and collaboration regarding crypto assets, blockchain technology developments and crypto asset regulatory risks.

During the NFA/FINRA summit, crypto and blockchain experts from both organizations shared regulatory intelligence and ways to leverage new technology. NFA discussed the importance of investor protection, as well as potential risks, reporting and supervisory obligations associated with crypto-related activities. This collaborative effort allows NFA to leverage its expertise and enhance its investor protection efforts in light of recent market developments.

“NFA looks forward to collaborating with FINRA as the crypto market continues to evolve. By leveraging our shared expertise, we can continue enhancing our investor protection efforts in light of market developments.”



Regina Thoele
Senior Vice President,
Compliance

With NFA Members located around the globe, NFA has always prioritized establishing relationships and strengthening cooperation with non-U.S. regulatory authorities. NFA’s participation in international bodies such as IOSCO provide meaningful opportunities to provide education regarding NFA’s self-regulatory role for the U.S. derivatives markets.



Since 2018, NFA has served as Chair of IOSCO’s AMCC. The AMCC is composed of nearly 70 members representing securities and derivatives markets, self-regulatory organizations, exchanges, clearing organizations and investor protection and compensation funds from over 30 jurisdictions. During the past year, IOSCO addressed topics including market

fragmentation, fintech, sustainable finance, financial stability, retail customer participation, cybersecurity, investor protection and emerging risks, among others.

NFA’s frequent interactions with regulatory bodies outside the U.S. have helped NFA fulfill its responsibility to oversee non-U.S. Members.

REGULATORY COORDINATION & COOPERATION



Staff appreciates opportunities to discuss industry regulatory issues and to make industry participants aware of NFA, its important mission and responsibilities, and its highly experienced and knowledgeable staff. Earlier in the fiscal year, Karen Wuertz, Senior Vice President, External Affairs and Communications, was a panelist at the FIA Asia Derivatives Conference in Singapore. Ms. Wuertz joined other industry leaders to discuss regional and global regulatory developments in the exchange-traded derivatives industry.

Over the last several years, NFA has made significant progress in establishing regular coordination and information sharing with non-U.S. regulatory bodies. With few exceptions, NFA conducts exams of all non-U.S. Members and, at a high level, coordinates all aspects of its work with the appropriate regulators.

NFA also offers its expertise to organizations representing emerging markets to share insights regarding its important regulatory mission and effective Member oversight. During the last fiscal year, NFA had the unique opportunity to host a regulatory workshop with IFC-Milken Institute Capital Markets scholars. The program, hosted at George Washington University in Washington, D.C., trains mid-career policymakers from central banks, financial regulatory bodies, ministries of finance and stock exchanges from developing and emerging economies.

Prior to the pandemic, NFA staff regularly met with regulators and entities from around the globe to provide education and share regulatory experiences. Unfortunately, the pandemic halted those valuable events. This year, NFA resumed these meetings with emerging market

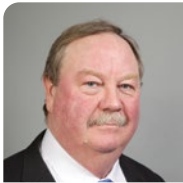
representatives to discuss NFA's history and background, the role of self-regulation, and NFA's essential functions, among other topics. Similarly, staff returned to participating in the CFTC's in-person Annual International Regulators Meeting after it was paused during the pandemic. The event brought nearly 50 regulators from around the world together to discuss digital assets, climate, investor protection and other important regulatory topics. NFA looks forward to continuing these frequent interactions to further strengthen its relationships with non-U.S. entities.

These activities enhance NFA's global recognition and ensure NFA achieves its mission of safeguarding the integrity of the U.S. derivatives markets.

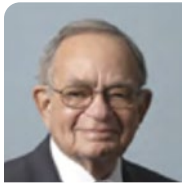
BOARD OF DIRECTORS



Maureen C. Downs*
Chair
Phillip Capital, Inc.



Don Thompson*
Vice-Chair
JPMorgan Chase & Co.



Leo Melamed
Chairman Emeritus
CME Group, Inc.

Futures Commission Merchants



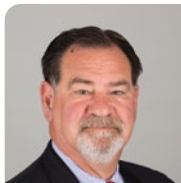
Scott Andersen
Head of Listed Derivatives
and OTC Clearing
SG Americas Securities LLC



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



Maureen C. Downs*
Phillip Capital, Inc.



Thomas R. Kadlec
ADM Investor Services, Inc.

Swap Dealers and Major Swap Participants



Seth P. Bender
Managing Associate
General Counsel
HSBC Bank PLC



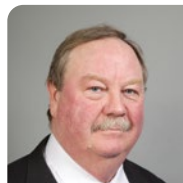
Mark L. Maurer
President and CEO
StoneX Markets



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.

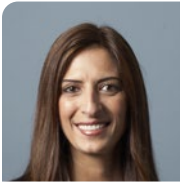
Contract Markets



Mark G. Bagan*
President and CEO
Minneapolis Grain Exchange



Trabue Bland
Senior Vice President, Futures Exchanges
Intercontinental Exchange, Inc.



Julie Holzrichter*
Chief Operating Officer
CME Group, Inc.

BOARD OF DIRECTORS

Public Representatives



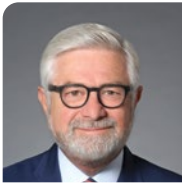
Ana Beskin
Chief Information
Security Officer
*Amazon People Experience
and Tech*



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.



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.

2023 FINANCIALS

NFA Financial Statements and Related Notes

NFA is funded by the derivatives industry, primarily from membership dues and assessment fees on public volume for listed futures contracts.

Grant Thornton LLP has audited NFA’s financial statements, which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

[VIEW FY 2023 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, 2023, NFA had 540 employees.

NFA Leadership



Thomas W. Sexton, III
President and CEO



Edward J. Dasso, III
Senior Vice President,
Market Regulation



David L. Hawrysz
Senior Vice President,
CFO and Treasurer



Timothy J. McHenry
Senior Vice President,
Information Systems



Michael Otten
Senior Vice President,
OTC Derivatives



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



Nancy C. Bohanon
Vice President,
Human Resources



Lauren Brinati
Chief Strategy
and Risk Officer



Yvette Christman
Vice President,
Registration



Dale Spoljaric
Vice President,
Capital and Exams



Daniel A. Driscoll
Special Policy Advisor



Chicago

320 South Canal Street
Suite 2400
Chicago, IL 60606
312-781-1300

New York

One New York Plaza
Suite 4300
New York, NY 10004
212-608-8660

Information Center

1-800-621-3570
1-312-781-1410
information@nfa.futures.org

Website

www.nfa.futures.org

Follow us on **LinkedIn** 