A REFLECTION OF THE PAST
A GUIDE TO THE FUTURE

National Futures Association

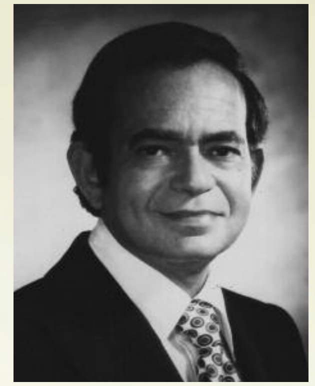
Annual Report 2007

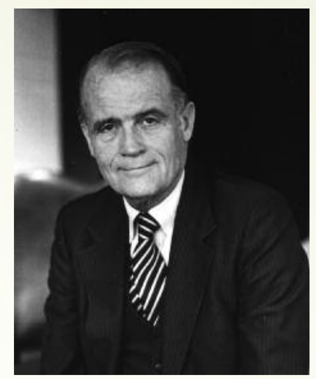
25th anniversary edition

NFA 25

NATIONAL FUTURES ASSOCIATION®

25TH ANNIVERSARY





NFA Leadership Past and Present
Leo Melamed (top)
Robert K. Wilmouth (above)
Michael R. Schaefer and
Daniel J. Roth (below)

On October 1, 1982, a fledgling organization named National Futures Association took its first steps as a nationwide self-regulatory organization for the U.S futures industry. The intervening 25 years have been filled with tremendous regulatory challenges, unprecedented growth in U.S. futures trading, gratifying successes and some disappointing setbacks. What has remained constant, however, is NFA's commitment to provide effective and efficient regulatory programs and services that safeguard the integrity of the U.S. futures markets and protect investors.

In honor of NFA's 25th anniversary, this 2007 Annual Review not only summarizes the Association's accomplishments during its most recent fiscal year (July 1, 2006 through June 30, 2007) but also recounts significant milestones in NFA's 25-year history.

It is impossible in such a brief space to acknowledge the contributions of all of the people who have guided NFA through its first 25 years. However, it is also impossible to write about NFA's history without paying homage to two men. The first is Leo Melamed, the former Chairman of the Chicago Mercantile Exchange, whose leadership and determination convinced Congress to include language in the Commodity Futures Trading Commission Act in 1974 to authorize the creation of "registered futures associations", an essential first step in NFA's development.

The second is the man who served as president and CEO of the Association for the first 20 years of its existence – Robert K. Wilmouth. Coming to NFA from his position as president and chief executive officer of the Chicago Board of Trade, Robert Wilmouth brought not only an extensive background in the futures industry but also a strong commitment to make NFA a success.

He began by hiring an experienced staff of qualified professionals. Those dedicated individuals and the scores of NFA employees who have followed are all a reflection of Robert Wilmouth's vision and leadership. Their achievements throughout the years have convinced the CFTC to delegate additional regulatory responsibilities to NFA. NFA's growth, not only in the scope of its responsibilities but also in its stature within the financial services industry, is a direct result of the work of NFA employees.

There is another group of individuals who have contributed immensely to NFA's success: our Members. Our Board of Directors and Executive Committee have been instrumental in establishing NFA's goals and direction. Advisory Committees representing various categories of membership assist in the development of new rules and the revision of existing rules. Throughout our history, NFA Members have served on committees (Business Conduct, Finance, Membership, Appeals, etc.), served as arbitrators and provided us with guidance on many regulatory issues.

One way to measure NFA's success is to examine the number of customer complaints received through CFTC reparations cases and NFA arbitration claims. Despite record-breaking increases in trading volume on the U.S. futures markets, the number of customer complaints has significantly decreased since 1982.

Another measure of NFA's success, although certainly not a definitive one, is the information contained in a survey we conducted last year with our Members. The survey, sent to approximately 4,800 NFA Member contacts, contained a mixture of questions relating to NFA's audit process, Online Registration System, Information Center and Web site. In addition, the survey asked Members for their views on issues and trends facing the futures industry.

Survey results indicate that Members generally agree with NFA's approach to regulation: identify and prosecute those Members who violate NFA rules, while serving as an information resource to the overwhelming majority of NFA Members who strive to run their business with high standards of professional conduct.

These survey results are encouraging news to NFA. We are confident that our commitment to market integrity and investor protection, along with our philosophy of providing efficient and effective regulatory programs and services, will serve us and the futures industry well as we begin our next 25 years of service.

Michael R. Schaefer
Chairman of the Board

Daniel J. Roth
President and CEO

The idea of a single, industrywide self-regulatory organization for the U.S. futures markets may not seem controversial now, but the concept met with many questions and some resistance when it was introduced in the 1970s. Congress was in the process of passing the Commodity Futures Trading Commission Act in 1974, which established the CFTC as a government oversight agency for the futures industry. It was only the persistence of a few futures industry leaders, most notably Leo Melamed, that persuaded Congress to include language in the legislation to authorize the creation of "registered futures associations".

Knowing that the success of such an association would require the cooperation of the entire industry, Mr. Melamed invited representatives from various industry segments and regions to assist him in the development of NFA. In 1976, this Organizing Committee began the task of developing the organizational framework that would become National Futures Association.

The Committee soon realized that if NFA were to be effective, every firm and individual handling public funds on any U.S. futures exchange must be obligated to follow the Association's rules and regulations. Congress agreed with that concept and amended the CFTC Act in 1978 to sanction NFA's proposed mandatory membership provision. NFA's application for registration was submitted to the CFTC on March 16, 1981 and was approved on September 22 of that year. A little more than one year later, NFA began operations.

Registration

A look back

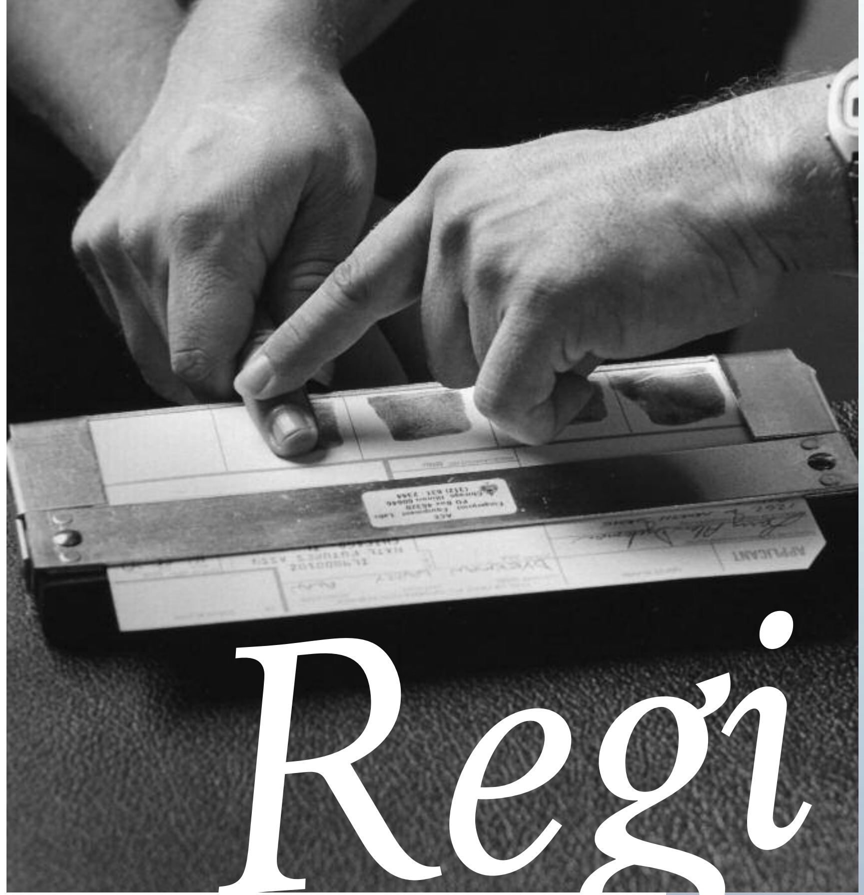
Months before NFA opened its doors in October 1982, NFA staff had begun developing a rigorous membership screening program. They familiarized themselves with the CFTC's registration rules, then developed procedures for processing membership applications and tracking the flow of documents through the process by using a variety of worksheets. By the end of NFA's first year of operations, NFA's membership consisted of 334 Futures Commission Merchants (FCMs), 428 Commodity Pool Operators (CPOs) and 639 Commodity Trading Advisors (CTAs). Additionally, 10 futures exchanges, 3 commercial banks and 2 commercial firms had joined on a voluntary basis.

On August 1, 1983, the CFTC authorized NFA to begin registering a new category of futures professionals: Introducing Brokers (IBs)—persons previously known as agents of FCMs. NFA also assumed responsibility for registering individuals associated with the firm, known as Associated Persons (APs) of IBs. Within two months, NFA had received applications for registration from approximately 650 IBs and 5,000 APs.

In 1984, working closely with the CFTC, NFA developed a Temporary Licensing program which allowed qualified firms and individuals to begin conducting business while their registration forms were being processed. During the same year, NFA implemented a computerized database system known as the Membership Registration Receivables System (MRRS).

Concurrently, NFA's Board of Directors adopted a bylaw requiring all new AP applicants to pass the National Commodity Futures Examination (Series 3), marking the first time any category of applicant had been required to take a competency examination as a condition for CFTC registration. NFA expanded this testing requirement as it assumed registration responsibility for other categories of futures professionals: FCMs, CPOs, CTAs and their APs.

During its first four years, NFA sent all potential disqualification cases to the CFTC for final determination. However, in 1986 the CFTC granted NFA the authority to deny, revoke, suspend, restrict or condition registrations.



In 1988, NFA initiated a Direct Entry Pilot Program, a three-phase program designed to allow direct computer access and entry of registration data by NFA Member firms. This was followed in 2002 by the launch of NFA's Online Registration System (ORS), allowing almost all applicants and registrants to file their registration forms electronically.

Before NFA began operations in 1982, the time required to process applications was measured in weeks, sometimes in months. In 2007, that process takes a matter of days, and in most cases, temporary licenses are granted instantaneously.

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2007

During Fiscal Year 2007, NFA introduced several new enhancements to NFA's Online Registration System (ORS). In January 2007, NFA launched an enhancement that allows users to receive automatic e-mail notifications when registration-related events occur in ORS. This new enhancement helps Member firms manage and monitor their registration activity more effectively.

Responding to a request from the CFTC to require each firm to provide information for an Enforcement/Compliance Contact (ECC), including an e-mail address, NFA created a new ECC information page in the ORS firm application process. This new requirement provides the CFTC and NFA with the ability to communicate with a firm more efficiently.

In February 2007, NFA began requiring CPOs and CTAs that qualify for exemption from registration under the CFTC's part 4 regulations to file their exemption notices with NFA electronically. Registered firms access the electronic filing system through ORS, while non-registrants must complete an authentication process to receive a login ID. Filing exemption notices electronically has reduced NFA staff resources previously devoted to inputting and scanning an average of 300 exemptions every month.

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To give Members and investors easier access to exemption information, NFA enhanced its Background Affiliation Status Information Center (BASIC) to display a firm's exemption status. Members can now comply with NFA Bylaw 1101 by using BASIC to determine whether the firms they are currently doing business with are Members or have filed an applicable exemption. Also, investors can determine if a specific commodity pool they are considering investing in is exempt from certain registration requirements.

Another program administered by the Registration Department is NFA's restitution program. NFA's program usually applies to judgments awarded in cases brought by the CFTC involving commodity fraud. As part of the resolution of the case, NFA is named to administer the restitution process. NFA charges no administrative fees, ensuring that all the money is distributed to investors.

In 2007, the program distributed approximately $4.6 million to 1,411 individuals. In the last 10 years, NFA has distributed more than $14.9 million to over 7,000 investors.

A look back

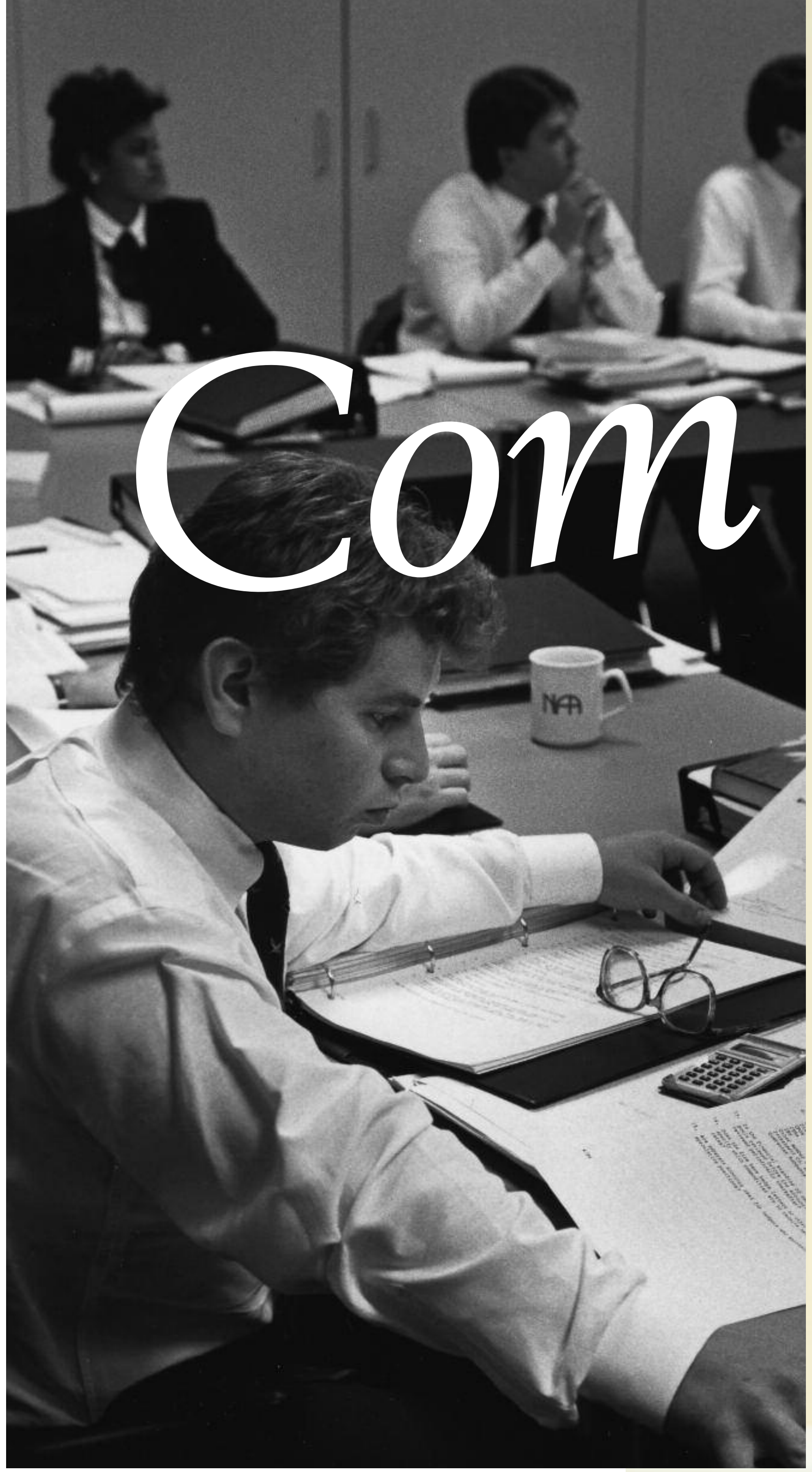
Monitoring compliance with NFA rules and CFTC regulations is one of NFA's primary functions. When establishing its Compliance Department, NFA first hired experienced auditors from the Chicago Board of Trade, Chicago Mercantile Exchange and the CFTC. The Association then developed an intensive auditor training program and audit programs for the newly hired staff to use as they made their initial visits to Member firms.

Like many other procedures during those formative years, audits were conducted manually, using spreadsheets and flow charts. Concurrently, NFA began designing computer programs to increase audit efficiencies. The first system, called the Financial analysis Auditing Compliance Tracking System (FACTS) was implemented in 1985.

Since then, NFA has continually used new technology and work practices to streamline the audit process. NFA introduced laptop computers and computerized audit modules in 1996. More recently, NFA has developed several systems to allow Members to file many of their required documents electronically.

During the past few years, open-outcry method of trading futures has given way to electronic trading at both traditional and new all-electronic exchanges. Reflecting these changes, NFA has developed a variety of regulatory services and programs, including trade practice and market surveillance, to ensure the fair treatment of customers and to maintain orderly markets.

NFA also expanded its Member education initiatives to help Members understand and fulfill their regulatory obligations. Regulatory guides, self-examination checklists, Member meetings and Web-based seminars have all been incorporated into a broad-based Member education program throughout the years.



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2007

Compliance

NFA's Compliance Department began to see increased operational efficiencies in FY 2007, a direct result of the restructuring of the department in July 2006. The new structure focuses on three functional areas: audits, investigations and risk management.

The four audit teams from previous years were merged into one audit group to enable the department to be more flexible and respond more quickly in emergency situations. As a result, NFA conducted over a dozen emergency audits in FY 2007, culminating in 10 emergency enforcement actions.

In addition to field audits, NFA conducted audits of almost 100 applicant FCMs and IBs to ensure that these firms were properly capitalized and had all the procedures in place to operate effectively. This in-office group of auditors is also responsible for following up on late statements, including pool financial statements. As a result of their efforts, the number of late pool statements decreased by over 50% from FY 2006 to FY 2007.

The second group formed as part of the restructuring, the Risk Management Group, has been charged with a three-year project to develop new audit, risk management and relationship tracking systems. During FY 2007, the group completed the design phase of the risk management and relationship tracking systems. The new audit system will be launched in FY 2008.

The third component of the Compliance Department is the Investigations Group. During the past year, this group worked collaboratively with the enforcement staff in the General Counsel's Office to bring a record number of enforcement actions to NFA's Business Conduct Committee.

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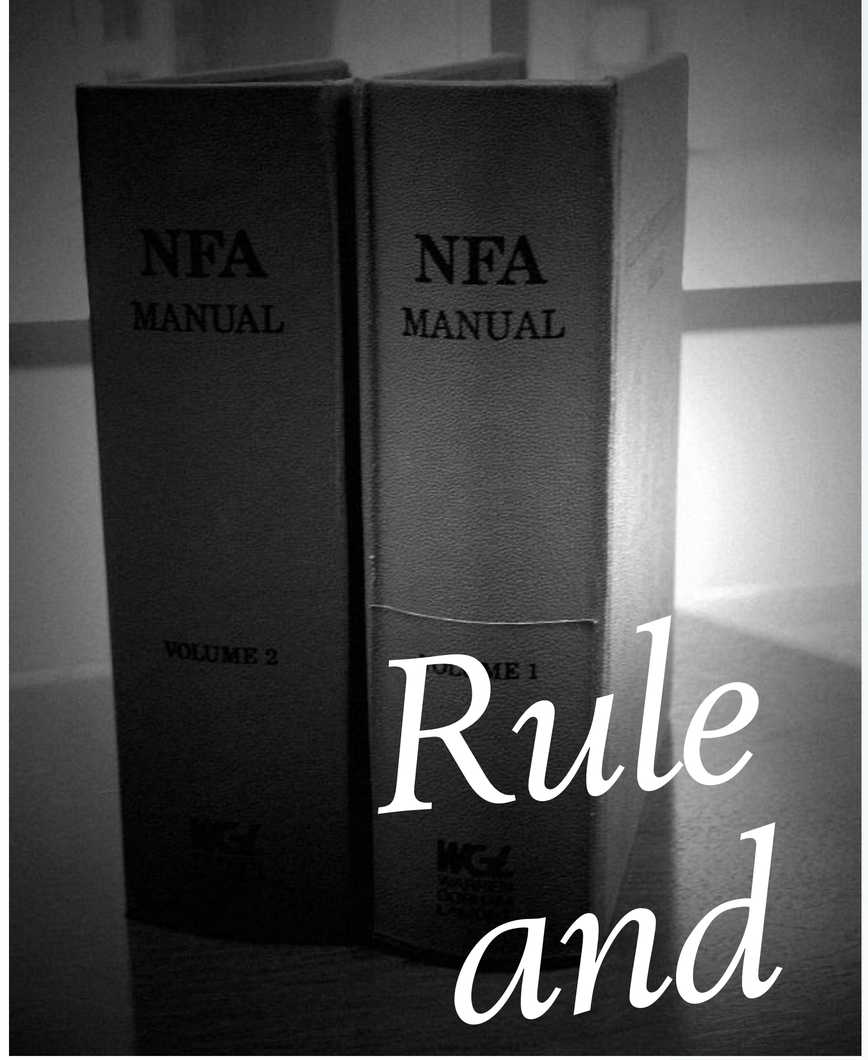

Rule Development and Enforcement

A look back

When first authorized by Congress, NFA promised to enforce industrywide ethical standards. To fulfill that promise, NFA adopted a set of Bylaws and rules that covered a variety of areas, including financial requirements, discretionary accounts, supervision and recordkeeping.

During those early years of operation, the reputation of the futures industry was suffering from problems brought about by a few large firms with many Associated Persons operating without significant regulatory oversight. NFA vigorously pursued these firms by developing and enforcing a series of rules that protect the users of the futures markets.

First, NFA adopted a customer information and risk disclosure rule. This "know-your-customer" rule set forth certain information which, at a minimum, must be obtained from each customer in order to allow firms to provide disclosure of the risks involved in futures trading. In 1985, NFA adopted Compliance Rule 2-29, "Communications with the Public and Promotional Material", prohibiting NFA Members from using communications which are fraudulent, deceitful or involve high pressure sales tactics. And in 1993, NFA adopted an Interpretive Notice to Compliance Rule 2-9, "Enhanced Supervisory Requirements", requiring firms that have hired a set percentage or more of their sales force from firms closed by NFA or the CFTC for telemarketing fraud to tape record their employees' sales calls for one year.

The result of these rules and interpretive notices is that many of the "problem" firms and individuals have either been expelled from the industry or have voluntarily ceased doing business.

Early on, NFA realized that rule development, when done in a vacuum, is not effective rule development. Within its first year of operation, NFA formed three industry advisory committees, representing Futures Commission Merchants, Commodity Pool Operators/Commodity Trading Advisors and Introducing Brokers. With the constructive input from these committees, NFA has developed rules and regulations that reflect the realities of the futures industry.

Concurrently, NFA recognized the need for a strong rule enforcement program to deal swiftly and appropriately with violations of its rules. NFA established an array of disciplinary actions ranging from Warning Letters for minor rule infractions to formal Complaints in cases where rule violations warrant prosecution to Member Responsibility Actions for situations where there exists an immediate risk to customers or to the markets.

NFA also established penalties resulting from Complaints that include expulsion, suspension for a fixed period, prohibition from future association with any NFA Member, censure, reprimand and a fine of up to $250,000 per violation.

Comprehensive rule development and a vigorous program to enforce those rules have helped NFA strengthen the integrity of the U.S. futures markets for the past 25 years.

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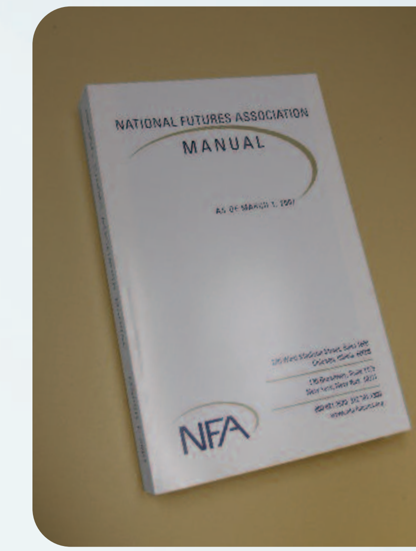
2007

The continuing increase in retail off-exchange foreign currency (forex) trading was the driving force behind most of NFA's rule development and enforcement efforts in 2007. During the past year, NFA drafted new rules and amended existing ones on a variety of forex-related issues, including promotional material, supervision, minimum capital requirements and electronic trading systems.

As part of its continuing efforts to help Members meet their regulatory obligations more efficiently, NFA amended its Financial Requirements Rules to require independent Introducing Brokers that are not also broker-dealers to file their Form 1-FR-IB certified financial statements electronically.



NFA also amended rules listing anti-money laundering requirements for customer identification programs, requiring an FCM's U.S. office to be under the supervision of an AP/principal, revising the enhanced supervisory requirements to expand the definition of "Disciplined Firms" and add compensation-based criteria, and establishing annual registration update requirements.

Additionally, NFA's Board of Directors approved an Interpretive Notice to provide guidance on commissions, fees and other charges. The Notice describes the types of sales practices relating to commissions, fees and other charges that have been found to be deceptive and misleading. It also describes relevant factors NFA uses to determine whether a Member or Associate has presented retail customers with a distorted and misleading view of the likelihood of earning profits by investing with a Member.

The number of enforcement cases increased dramatically in FY 2007. NFA's Business Conduct Committee issued 57 Complaints during the past fiscal year, an 80 percent increase over cases filed the previous year. NFA's disciplinary committees issued 102 Decisions last year pertaining to 135 respondents. The inordinately large number of Decisions was due in part to a number of large sales practice cases involving multiple respondents.

NFA also issued an unprecedented 10 Member Responsibility Actions (MRAs) against firms whose actions posed immediate threats to the markets and their customers. The majority of the MRAs were taken against forex firms.

Collaborative enforcement activities have always been a cornerstone of NFA's rule enforcement program. In 2007, these collaborative efforts resulted in a number of indictments brought by other regulatory and law enforcement agencies.

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A look back

When NFA began developing an arbitration program in 1982, its goal was to provide a convenient, inexpensive and prompt method for customers to resolve futures-related disputes. NFA introduced its arbitration program, an alternative to the CFTC's more formal reparations program, in 1983.

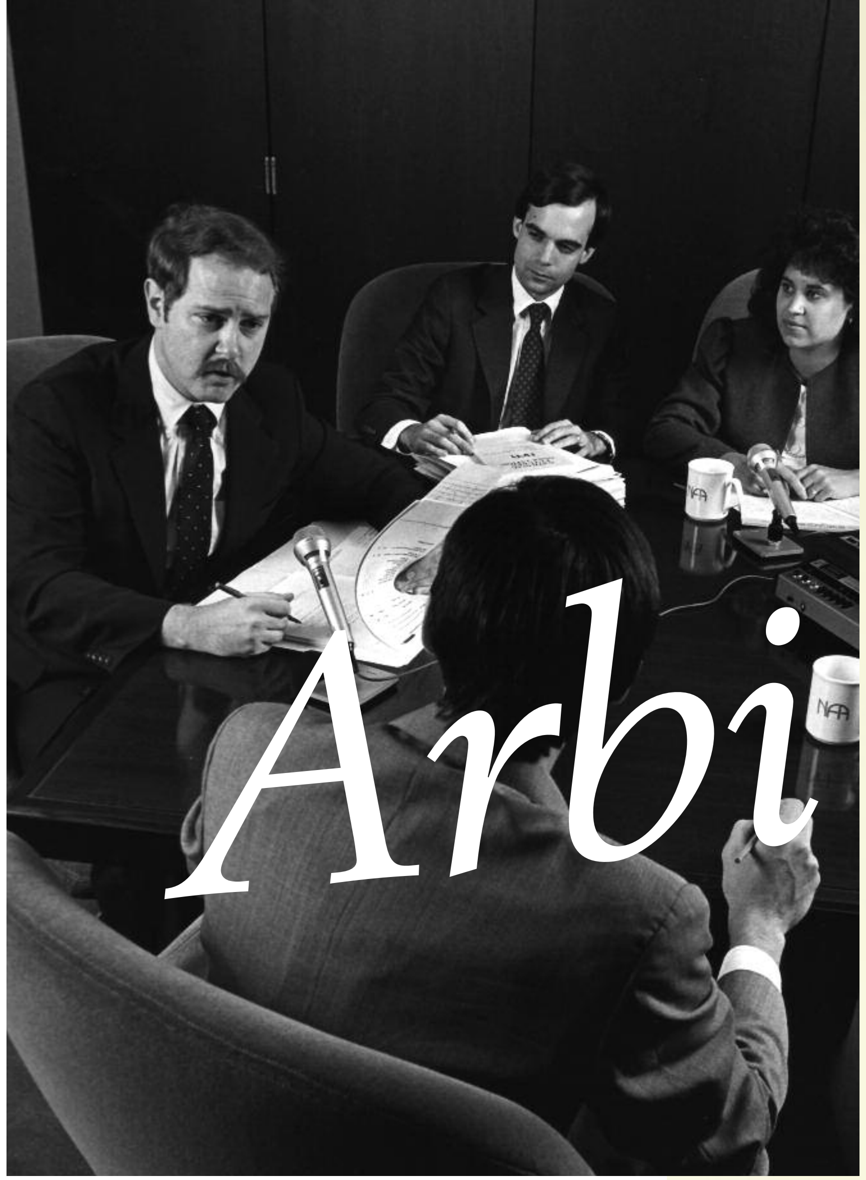
During its first full year of operation, NFA's arbitration program received 124 Demands for Arbitration, while the number of CFTC reparations cases totaled approximately 800. Currently, the combined total of NFA arbitration and CFTC reparations cases filed annually is less than 250.

In 1991, NFA incorporated mediation into the program, adding another low-cost alternative to dispute resolution. With the introduction of mediation into the early stages of the arbitration process, the number of settlements increased from 30 percent to 60 percent of all cases.

In October 2001, NFA became the first regulatory organization in the financial services industry to accept arbitration claims online. Customers are able to file their initial arbitration or mediation claims on NFA's Web site. As the claim progresses, claimants and respondents can check the status of the case online.

Educating the arbitrators and the parties has always been an essential component of the program's success. Over the years, NFA has produced educational videos, arbitration guides, an arbitrator newsletter, a handbook for persons who chair arbitration panels, in-person training sessions and Web seminars.

By offering a low-cost, easy-to-use program, NFA arbitration has become the primary choice for dispute resolution by most customers in the futures industry.



Arbitration

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2007

NFA's Arbitration Department was also impacted this past year by the increase in retail forex trading. The department closed out 200 cases in FY 2007, representing a 67% increase from the prior fiscal year and the highest number of cases closed during a fiscal year since 1999. Of the 200 cases last year, 25% of them were forex-related.

Despite the increased number of cases, the department decreased the overall turnaround time for an arbitration case by almost two months without increasing the number of case administrators.

Education was a major initiative for the Arbitration Department last year. The department published three new arbitration guides and produced an arbitrator training Web seminar.

The department closed out 200 cases in FY 2007, representing a 67% increase from the prior fiscal year and the highest number of cases closed during a fiscal year since 1999.

A look back

Education is one of NFA's four congressionally-mandated areas of responsibility, and NFA has always built its educational programs around two specific audiences: NFA Members and the investing public.

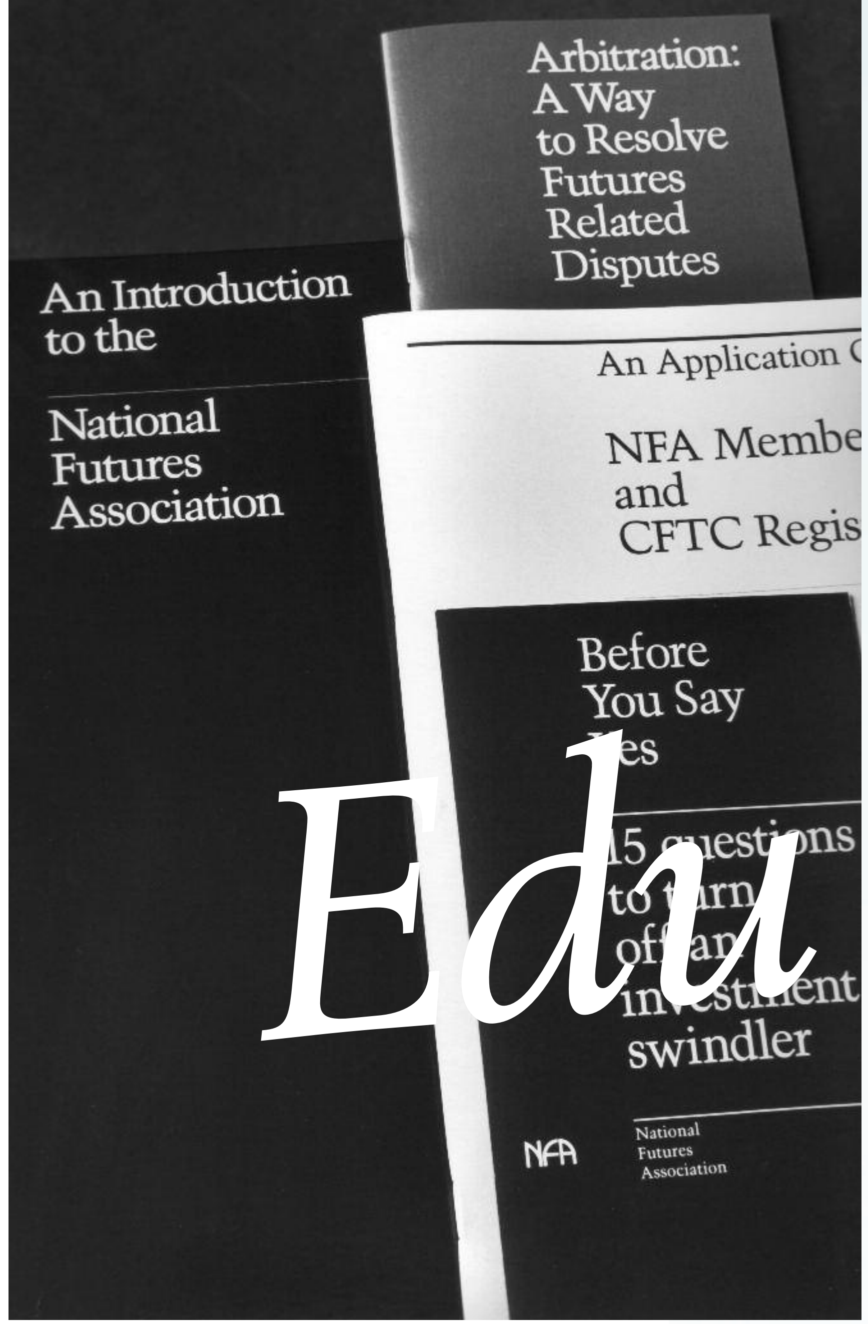
As early as 1983, NFA published monthly updates of the NFA Manual, a bi-monthly newsletter and a quarterly report on registration/membership and disciplinary actions. NFA also began producing several publications to assist NFA Members in meeting their regulatory obligations.

In the same year, NFA began an aggressive campaign against commodity fraud. In conjunction with the U.S. Office of Consumer Affairs, NFA launched a "Coordinated Campaign Against Commodity Fraud" and introduced its first investor protection publication, "Before You Say Yes: 15 Questions to Turn Off an Investment Swindler." This commitment to investor education has continued through the past 25 years with the publication of additional brochures, on-line learning programs, and participation in investor education seminars and conferences.

In 1985, NFA inaugurated the Information Center, a department created exclusively for the purpose of providing futures-related information to industry participants, other regulatory and enforcement agencies and the general public.

In 1991, NFA introduced the Disciplinary Information Access Line (DIAL), the nation's first clearinghouse of disciplinary information about futures firms and salespeople. Using a toll-free number, individuals could get the disciplinary history and other background of 150,000 individuals and 10,000 firms in the futures industry.

NFA moved this database of information online in 1998 with the launch of the Background Affiliation Status Information Center (BASIC). Investors and other industry participants access BASIC through NFA's Web site. During FY 2007, more than one million searches were conducted through BASIC.



Education

NFA has always built its educational programs around two specific audiences: NFA Members and the investing public.

2007

During FY 2007, NFA's Communications and Education staff utilized new technology and initiated new distribution policies to adapt to changes in the ways people and businesses communicate with each other.

In the Spring of 2007, NFA migrated all of the materials usually sent to new Members (regulatory guides, NFA Manual, etc.) from a 3-ring binder to a compact disc. By providing Members with indexed pdf versions of NFA publications on a CD, NFA significantly reduced the cost of producing and shipping new Member packages.

NFA expanded its Member education programs in FY 2007 by producing two CPO/CTA workshops. The full-day workshops covered a variety of topics, including registration requirements and exemptions, promotional material, disclosure documents and recordkeeping.

In addition, NFA produced Web seminars on anti-money laundering and electronic filing of exemptions, conducted "Issues and Answers" meetings in Chicago, New York, Las Vegas and San Diego, and provided educational programs at industry conferences throughout the year.

In the area of investor education, NFA published a new brochure entitled "Scams and Swindles: An Educational Guide to Avoiding Investment Fraud" and launched a new electronic Investor Newsletter. The newsletter is published quarterly and contains current investor-related items as well as a list of the firms and individuals disciplined by NFA during the preceding three months.

NFA also participated in two events as part of Money Smart Week in May 2007. The annual event, coordinated by the Federal Reserve Bank of Chicago, offers more than 300 free educational classes, seminars and activities focusing on financial topics.

NFA published a new brochure entitled "Scams and Swindles: An Educational Guide to Avoiding Investment Fraud" and launched a new electronic Investor Newsletter.

During the process of reauthorizing the CFTC in 1982, Congress established what it characterized as "ambitious" performance goals for NFA. In October 1985, NFA sent a "Three-Year Report" to Congress, assessing its progress. The report stated:

> *"This Three-Year Report demonstrates that NFA has fulfilled the expectations of Congress and the promise of the futures industry. NFA fulfilled its promise to fill regulatory gaps. NFA fulfilled its promise to protect the public interest. NFA fulfilled its promise to raise ethical standards in the industry by development of new standards and by vigorous enforcement of all standards. NFA fulfilled its promise to be efficient and avoid regulatory duplication. And NFA fulfilled its promise to achieve all of its ambitious goals without spending a single cent of the taxpayer money."*

The landscape of the futures industry has changed since NFA published that report. The volume of contracts traded on U.S. futures exchanges has dramatically increased – from 143 million in calendar year 1983 to more than 2.5 billion in calendar year 2006.

New exchanges have opened – and some have closed. Some existing exchanges have been acquired by larger ones. Electronic trading has eclipsed floor trading as the trading method of choice. New products, such as single stock futures, have been introduced to varying degrees of success. Undoubtedly, the U.S. futures markets have become a vibrant, integral part of the country's economic system.

This vibrancy is due in no small part to the confidence customers have in the integrity of the marketplace. And this customer confidence is due in no small part to the efforts of NFA, the CFTC, and the exchanges to ensure that the users of the marketplace operate at the highest levels of professional behavior.

Through all of the changes that have occurred, and will continue to occur, in the futures industry, NFA's mission of safeguarding market integrity and protecting investors has remained constant. That mission will continue to guide NFA through the next 25 years.

NFA
NATIONAL
FUTURES
ASSOCIATION®

Officers & Board of Directors

As of June 30, 2007

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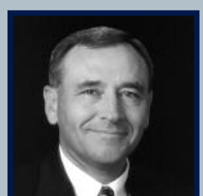
Daniel J. Roth*
President & CEO

Daniel A. Driscoll
Exec. Vice-President
Chief Operating Officer



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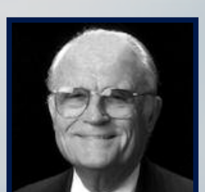

Robert K. Wilmouth
Special Policy Advisor

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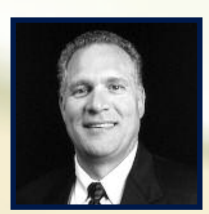

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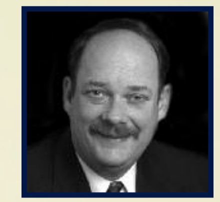

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Managing Director
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Michael R. Schaefer*
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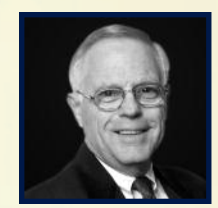
Citigroup Global Markets, Inc.

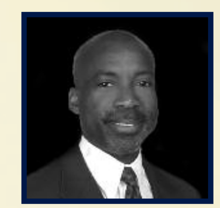
Special Advisor

Leo Melamed
Permanent Special Advisor to the Board & Executive Committee

Public Representatives



Thomas W. Ewing
Attorney
Davis & Harman LLP



Douglas E. Harris
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Silas Keehn
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Todd E. Petzel*
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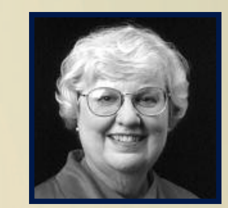
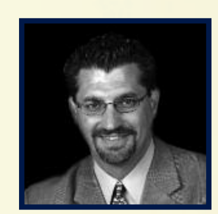


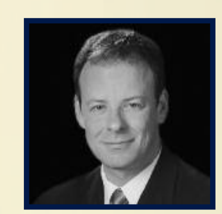
Susan M. Phillips
Dean
School of Business
The George Washington University

Exchange Representatives

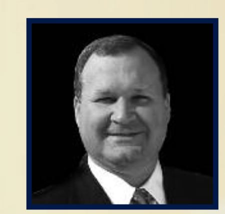


Mark G. Bagan
President & CEO
Minneapolis Grain Exchange

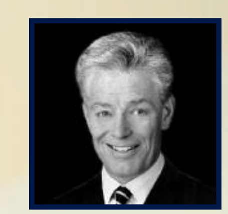
Jeffrey C. Borchardt*
President & CEO
Kansas City Board of Trade



David S. Goone
Senior Vice President & Chief Strategic Officer
IntercontinentalExchange, Inc.



James E. Newsome
President
New York Mercantile Exchange



John F. Sandner*
Special Policy Advisor & Retired Chairman of the Board
CME Group Inc.

*Member of the Executive Committee

2007 FINANCIALS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Futures Association

We have audited the accompanying statement of financial position of National Futures Association (the "Association") as of June 30, 2007, and the related statements of unrestricted revenues, expenses and changes in unrestricted net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association as of and for the year ended June 30, 2006, were audited by other auditors whose report dated August 10, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements present fairly, in all material respects, the financial position of National Futures Association as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
November 5, 2007

Statements of Financial Position

JUNE 30, 2007 AND 2006

	2007	2006
Assets		
Current Assets:		
Cash and cash equivalents, including $12,458,892 and $5,380,559 of interest-bearing deposits in 2007 and 2006, respectively	$13,183,892	$5,554,980
Short-term investments	20,944,273	13,299,892
Accrued interest	365,793	257,840
Assessments receivable	3,368,545	3,208,869
Other current assets, net	1,085,673	1,155,000
Total Current Assets	**38,948,176**	**23,476,581**
Long-Term Investments:	9,654,129	18,363,856
Furniture, Fixtures, Equipment and Leasehold Improvements and Software– At cost less accumulated depreciation and amortization	3,846,376	4,808,134
Other Assets	2,760,534	2,498,142
Total Assets	**$55,209,215**	**$49,146,713**
Liabilities and Net Assets		
Current Liabilities:		
Unearned dues and fees	$1,476,152	$1,031,137
Accounts payable, accrued expenses and other current liabilities	2,115,955	2,645,393
Total Current Liabilities	**3,592,107**	**3,676,530**
Deferred Rent Credit	271,386	464,452
Other Long-Term Liabilities	3,813,332	3,667,240
Total Liabilities	**7,676,825**	**7,808,222**
Unrestricted Net Assets	47,532,390	41,338,491
Total Liabilities and Net Assets	**$55,209,215**	**$49,146,713**

The accompanying notes are an integral part of these statements.

Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets

YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Unrestricted Revenues		
Assessments	$31,052,289	$24,364,786
Membership dues	4,010,756	3,383,049
Registration and other fees	3,099,875	2,824,229
Regulatory services outsourcing	2,316,101	1,908,336
Investment income	2,034,618	970,930
Total Unrestricted Revenues	**42,513,639**	**33,451,330**
Unrestricted Expenses		
Salaries, wages and employee benefits	24,689,096	22,410,151
Space rental and related expenses	2,613,348	2,607,543
Travel and meetings	2,239,201	2,256,332
Computer expenditures	872,677	831,837
Depreciation and amortization	2,496,492	2,501,750
Outside consulting fees and services	1,093,886	1,011,855
Supplies, postage and telephone	350,025	357,101
Outside printing and publications	103,815	153,259
Board and committee fees and expenses	494,793	513,797
Insurance, recruiting, education, dues and other	1,366,407	1,399,171
Total Unrestricted Expenses	**36,319,740**	**34,042,796**
Increase (Decrease) in Unrestricted Net Assets	**6,193,899**	**(591,466)**
Unrestricted Net Assets at beginning of year	**41,338,491**	**41,929,957**
Unrestricted Net Assets at end of year	**$47,532,390**	**$41,338,491**

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Increase (decrease) in unrestricted net assets	$6,193,899	$(591,466)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Net unrealized (gain) loss on investments	(742,754)	47,104
Net realized loss on investments	184,406	222,822
Depreciation and amortization	2,496,492	2,501,750
Changes in assets and liabilities:		
Assessments receivable	(159,676)	(900,574)
Accrued interest	(107,953)	12,429
Other assets	(193,065)	(257,738)
Unearned dues and fees	445,015	480,769
Accounts payable, accrued expenses and other liabilities	(383,346)	130,539
Deferred rent credit	(193,066)	(241,473)
Net Cash Provided by Operating Activities	**7,539,952**	**1,404,162**
Cash Flows from Investing Activities		
Purchases of fixed assets and software	(1,534,734)	(2,036,651)
Purchases of securities	(52,975,039)	(33,477,130)
Proceeds from sale of securities	44,562,003	16,560,739
Maturities of U.S. Treasury securities	10,036,730	13,089,794
Net Cash Provided by (used in) Investing Activities	**88,960**	**(5,863,248)**
Net Increase (Decrease) in Cash and Cash Equivalents	**7,628,912**	**(4,459,086)**
Cash and Cash Equivalents at beginning of year	**5,554,980**	**10,014,066**
Cash and Cash Equivalents at end of year	**$13,183,892**	**$5,554,980**

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

JUNE 30, 2007 AND 2006

NOTE A ORGANIZATION

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

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The preparation of financial statements in conformity with generally accepted accounting principles 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 the estimates.

Federal Income Taxes—The Association is exempt from federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code. The Internal Revenue Service has issued a determination letter to that effect.

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

Investments—Investments are carried at fair value based on quoted market prices. Changes in fair values are included in investment income.

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

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

Regulatory Services Outsourcing—Regulatory services outsourcing revenue relates to the Association's market and trade practice surveillance services. This revenue consists of one-time nonrefundable fees and monthly fees for ongoing services for each customer. One-time fees are used by the Association to purchase hardware and software necessary to perform surveillance services for a given customer and are recognized as revenue when paid by the customer. Monthly fees and a transaction fee for ongoing surveillance and other regulatory services are recognized as revenue on a monthly basis as services are performed.

Depreciation and Amortization—Fixed assets and leasehold improvements are 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.

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 that 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 seven months to five years. The Association computed an average monthly rental for the entire term of each lease and charged 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.

Allowance for Doubtful Accounts—The allowance for doubtful accounts, related to membership dues receivable, assessment receivable and regulatory fines, is maintained at a level that in management's judgment is adequate to provide for estimated probable losses related to 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, 2007 and 2006, the allowance for doubtful accounts is $634,793 and $368,339, respectively, and is included in other current assets on the statements of financial position.

Statement of Cash Flows—For the purpose of this statement, cash and cash equivalents include cash and money market funds.

NOTE C CASH AND CASH EQUIVALENTS

The Association considers money market accounts and investments with an original maturity of less than three months to be cash equivalents.

NOTE D INVESTMENTS

The Association's investment portfolio is classified on the statements of financial position as short-term and long-term investments. Short-term investments consist of securities with maturity dates of one year or less. Long-term investments consist of securities with maturity dates greater than one year. Expected maturities will differ from contractual maturities because borrowers may have a right to call or prepay obligations with or without call or prepayment penalties. Also included as a long-term investment is the Association's investment in an equity mutual fund.

In 2006, a portion of the Association's investable funds was outsourced to a professional money manager. Beginning in January 2007 through June 2007, the Association liquidated its professionally managed bond portfolio into a self-directed bond portfolio. The Association does utilize a professional investment advisor.

The aggregate fair value of investments by major type as of June 30, 2007 and 2006, is as follows:

Short-term:	**2007**	**2006**
U.S. Treasury securities	$18,811,715	$5,805,700
U.S. Government Agency securities	1,829,844	2,484,207
Corporate debt obligations	-	5,009,985
Asset-backed securities	274,463	-
Mortgage-backed securities	28,251	-
Total short-term	**$20,944,273**	**$13,299,892**
Long-term:	**2007**	**2006**
U.S. Treasury securities	$1,455,594	$2,866,218
U.S. Government Agency securities	3,021,986	6,054,184
Corporate debt obligations	-	5,996,452
Asset-backed securities	-	2,654,591
Mortgage-backed securities	-	792,411
Investment in S&P 500 Index Mutual Fund	5,176,549	-
Total long-term	**$9,654,129**	**$18,363,856**
TOTAL	**$30,598,402**	**$31,663,748**

Corporate debt obligations are rated at least A and asset-backed and mortgage-backed securities at least AA or Aa by Standard & Poor's or Moody's. There are no concentrations greater than 5% of total investments with one issuer associated with the investments in corporate debt obligations and asset-backed and mortgage-backed securities. As of June 30, 2007 and 2006, the average effective duration of the Association's portfolio was approximately .55 years and 1.09 years, respectively.

The composition of investment income, which includes interest-bearing cash and cash equivalent holdings, for the years ended June 30, 2007 and 2006, is as follows:

	2007	**2006**
Interest income	$1,476,270	$1,240,856
Net realized loss (includes management fee of $43,973 and $40,197 in 2007 and 2006, respectively)	(184,406)	(222,822)
Net unrealized gain (loss)	742,754	(47,104)
TOTAL	**$2,034,618**	**$970,930**

NOTE E FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE

At June 30, 2007 and 2006, furniture, fixtures, equipment, leasehold improvements and software, and the related accumulated depreciation and amortization is as follows:

	2007	2006
Furniture and fixtures	$2,217,047	$2,267,769
Equipment	2,563,372	2,697,749
Leasehold improvements	6,018,544	5,770,367
Software	2,585,240	2,416,927
Total	**$13,384,203**	**$13,152,812**
Less accumulated depreciation and amortization	9,537,827	8,344,678
Furniture, fixtures, equipment, leasehold improvements and software, net	**$3,846,376**	**$4,808,134**

NOTE F COMMITMENTS AND CONTINGENCIES

The Association leases office space in Chicago and New York. The current Chicago lease expires on January 31, 2008, and the Association has executed a lease, expiring on December 31, 2019, for a new location. The current New York lease expires on August 31, 2012. The Association has a 36 month contract with a disaster recovery service provider that expires August 28, 2008. The following is a schedule of future payments under both of the operating leases and the disaster recovery service contract that have remaining noncancellable payment terms in excess of one year as of June 30, 2007:

Years ending June 30,

2008	1,886,468
2009	1,534,728
2010	1,510,908
2011	1,531,853
2012	1,104,579
Thereafter	7,338,997
Total	**$14,907,533**

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.

In fiscal 2008, the Association will be relocating its headquarters within Chicago. The Association has committed to capital spending associated with the relocation of approximately $8,100,000 in fiscal 2008. This spending is comprised of $5,300,000 for space build-out, $2,100,000 for furnishing the space and $700,000 for a new telecommunication and data network. Offsetting these costs is a landlord cash credit, which is expected to be approximately $3,500,000.

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. The Association will match, dollar-for-dollar, 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 2006 of $853,538 was made in 2007. A profit-sharing contribution for 2005 of $687,066 was made in 2006. 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 Retiree Medical Benefits Plan (the "Plan"), which covers substantially all retirees and their dependents. Effective December 31, 1993, 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 are entitled to receive benefits from the Plan. Individuals who attained age 65 on or before December 31, 1993, who have been employed by the Association on a full-time basis for at least five years, and who retired after July 1, 1993, were grandfathered under the Plan. The Plan pays a stated percentage of the cost of medical coverage for employees who retire prior to age 65. Coverage for employees who have retired and have reached age 65 is provided under a Medicare Supplemental Plan. Under the Medicare Supplemental Plan, the Association pays a stated percentage of the supplemental costs. Subsequent to July 1, 2003, the eligibility requirement was amended to reflect that employees can retire at age 55 or older but must have at least 10 years of service since their 45th birthday. All employees will retire having at least 10 years of service preceding their retirement.

Subsequent to July 1, 2003, the structure is based on age at retirement:

	Retiree's Share	
Age	Pre-65	Post-65
55-59	70%	40%
60-64	60%	30%
65 plus	50%	20%

At June 30, 2007 and 2006, the actuarial and recorded liabilities for the Plan, none of which has been funded, and the net periodic postretirement benefit cost and benefits paid for the Plan were as follows:

Amounts recognized in the statements of financial position	2007	2006
Accumulated postretirement benefit obligations	$(2,251,137)	$(2,163,937)
Unrecognized prior service cost	(1,089,503)	(1,307,406)
Unrecognized net gain	(598,351)	(338,222)
Unrecognized transition obligation	153,972	173,219
Accrued postretirement benefit cost	**$(3,785,019)**	**$(3,636,346)**

The estimated net periodic postretirement benefit cost for the Plan for the year ending June 30, 2008, is $171,343 assuming a discount rate of 6.25%. The breakdown of the cost is as follows:

Net periodic postretirement benefit cost	2008
Service cost	$254,830
Interest cost	155,394
Amortization of (gain) loss	(40,228)
Amortization of prior service cost	(217,900)
Amortization of transition obligation	19,247
Total net period postretirement benefit cost	**$171,343**

The June 30, 2007 and 2006, accumulated postretirement benefit obligation was determined using an assumed weighted-average discount rate of 6.25%. The rate of increase in the gross cost of covered healthcare benefits was assumed to be 8.00% and 9.00% for fiscal years 2007 and 2006, respectively. The rate of increase is assumed to decline by 1.00% for each year after 2007 to 6.00% in 2009. It is assumed that the rate will then decrease by 0.50% to 5.50% for 2010 and remain at 5.50% for 2011. Then the rate is assumed to decrease 0.50% to 5.0% for 2012 and after.

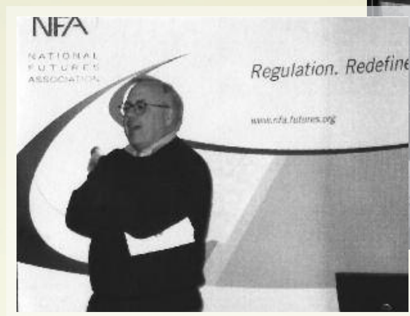
During the year ended June 30, 2007, the Association adopted Financial Accounting Standards Board ("FASB") Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Statement No. 158 requires organizations to recognize the funded status of defined benefit pension and postretirement plans as an asset or liability on the statement of financial position, even when the plan is unfunded. The adoption of this new standard had no effect on the financial statements of the Association.

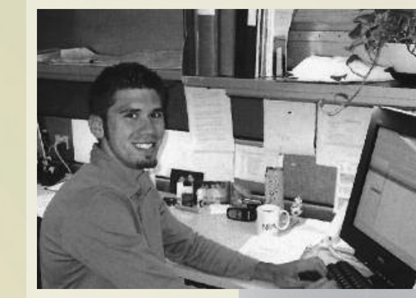
The Association also participates in the purchase of life insurance on behalf of certain executive officers as part of the National Futures Association Split Dollar Life Insurance Plan (the "Split Dollar Plan"). The purpose of the Split Dollar Plan is to provide participating executive officers with an insured death benefit during employment and after retirement. The insurance policy also allows for capital accumulation through the buildup of cash value. As of June 30, 2007 and 2006, the cash surrender value is $2,696,952 and $2,437,480, respectively, and is classified in other assets on the statements of financial position. The increase in cash surrender value approximately equals the premiums paid, and approximately all premiums paid increase the buildup of the cash surrender value.

NOTE H DEFERRED RENT CREDIT

Effective November 2001, the Association executed a 10-year operating lease for office premises in New York. Also, effective February 1996, the Association executed a 12-year operating lease for office premises in Chicago. The leases include rent incentives, and, accordingly, the Association is recognizing such abatement as a reduction of rent expense over the terms of the lease on the straight-line basis. The total deferred rent credit at June 30, 2007 and 2006, was $439,574 and $717,679, respectively, of which $168,190 and $253,228, respectively, are included in accounts payable, accrued expenses and other current liabilities on the statements of financial position. For the years ended June 30, 2007 and 2006, the Association's rent expense was as follows:

	2007	2006
Cash payments for rent	$2,424,197	$2,529,000
Less amortization of deferred rent credits	(278,106)	(212,000)
Rent expense	**$2,146,091**	**$2,317,000**

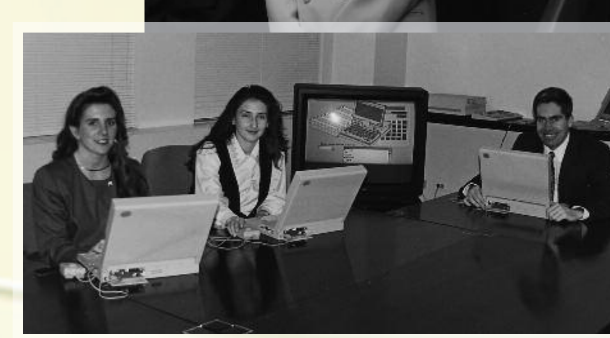




NFA Employees

Past and Present

1982-2007



National Futures Association has been designated by the Commodity Futures Trading Commission (CFTC) as a registered futures association. NFA is the premier independent provider of innovative and efficient regulatory programs that safeguard the integrity of the derivatives markets.

Accountability and Organization

Policy Development

25-member Board of Directors

- 14 FCM, IB, CPO, and CTA representatives
- 6 exchange representatives
- 5 public representatives

Policy Supervision

10-member Executive Committee

- NFA President
- NFA Chairman of the Board
- 3 directors/FCM or IB representatives
- 2 directors/exchange representatives
- 2 directors/CPO or CTA representatives
- 1 public representative

Policy Implementation

NFA officers and staff

Funding

NFA is totally self-financed with funds derived from membership dues and fees and from assessments paid by Members and users of the futures markets.

Total Employees (As of June 30, 2007)

277

NATIONAL FUTURES ASSOCIATION®

25TH ANNIVERSARY

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1-800-621-3570

Disciplinary Information Access Line (DIAL):
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