Protecting Today

Preparing for Tomorrow

2011 ANNUAL REVIEW

NATIONAL
FUTURES
ASSOCIATION®

". . . the industry is beginning to form a clearer picture of what lies ahead. Here at NFA we have begun taking the steps necessary to ensure that we are ready to assume whatever new regulatory responsibilities we are given."

A Letter from NFA's CEO and Chairman

When the fog rolls in from Lake Michigan, covering the city of Chicago (where NFA's headquarters are located) and the surrounding area with thick layers of clouds and mist, the prudent thing to do is be patient and wait for clearer skies.

Certainly, patience has been needed as a fog of regulatory uncertainty envelops the financial markets. The source of the fog is the Dodd-Frank Act, signed into law in July 2010 and calling for the comprehensive regulation of OTC derivatives.

The Dodd-Frank Act gave the Commodity Futures Trading Commission (CFTC) regulatory authority over the OTC derivatives markets. The CFTC quickly began the process of adopting a complex, inter-connected set of regulations for swap dealers and major swap participants. It has been a daunting task, and the CFTC is to be commended for the extraordinary resources they have invested and the efforts they have expended in this very deliberative rule-making endeavor.

The good news is that the fog is beginning to lift, and the industry is beginning to form a clearer picture of what lies ahead. Here at NFA we have begun taking the steps necessary to ensure that we are ready to assume whatever new regulatory responsibilities we are given.

Based on the CFTC's proposed rules, NFA could see a substantial expansion of its regulatory duties. Specifically, the CFTC has proposed delegating to NFA the responsibility for processing applications for registrations as swap dealers (SD) and major swap participants (MSP) and conducting the background checks on those applicants and their principals. NFA has already made the necessary enhancements to its Online Registration System to accommodate these new registration categories.

The CFTC has also proposed that all registered SDs and MSPs become Members of NFA, requiring NFA to monitor them for compliance with CFTC and NFA regulations. NFA has begun developing audit programs designed specifically to monitor the activities of SDs and MSPs, and we have begun hiring additional staff experienced in the OTC derivatives markets, including a new Vice President of OTC Derivatives to oversee our efforts in this area.

Additionally, swap execution facilities (SEF) will have certain self-regulatory responsibilities, including trade practice and market surveillance. The CFTC has proposed allowing SEFs to outsource their new compliance requirements to other registered entities, such as NFA. NFA has begun discussions with several SEFs to determine what systems we would need to develop in order to assist them in meeting their requirements. NFA also has hired a new Vice President of Market Regulation to oversee our efforts in this area.

Preparing for swaps regulation, however, is just part of the NFA story this year (July 1, 2010 – June 31, 2011). As outlined in the pages that follow, NFA also enhanced the regulatory programs and policies that have served it well for the past 29 years in safeguarding the users of the on-exchange traded futures markets.

In addition, NFA expanded its efforts in the retail off-exchange foreign currency (forex) markets to incorporate the CFTC's final forex rules, which became effective in October 2010. Now, virtually all Retail Foreign Exchange Dealers, Introducing Brokers, Commodity Trading Advisors and Commodity Pool Operators conducting business in the retail forex markets are required to register with the CFTC and become Members of NFA.

NFA amended several existing rules to include forex-related activities and developed new rules specific to our forex Members. To assist us in detecting possible trading violations, NFA built a new order tracking system that monitors the daily trading activities of its Forex Dealer Members. We believe our efforts in this area have increased customer protection and enhanced market integrity.

All of the enhancements NFA has made to its regulatory programs and services over the past year, coupled with the work NFA has done to prepare for the regulation of OTC derivatives, underscore the tremendous pool of talented professionals who make up this organization. We are proud of all of them and are confident they will meet the exciting challenges that lie ahead with their customary level of expertise and enthusiasm.

Daniel J. Roth	W. Robert Felker
President and CEO	Chairman of the Board

November 2011

Enhancing Regulation of the Futures Market

Since 1982, NFA has worked diligently to safeguard the integrity of the U.S. futures markets and protect investors. During Fiscal Year 2011, NFA enhanced its registration, rulemaking, rule enforcement and dispute resolution policies and procedures to ensure that the Association continues to provide efficient and effective regulatory programs and services.

In 2011 NFA amended **Compliance Rule 2-30** regarding customer information and risk disclosure. The amendments expand the definition of customers to include all non-Eligible Contract Participants rather than just individuals. In addition, FCM Members must request at least annually that active customers who are individuals update their information on file if there are any material changes. The FCM, IB or CTA that currently solicits and communicates with the customer must then determine if additional risk disclosure is required to be provided based on any changed information. Finally, the amendments prohibit Members and Associates from making individualized recommendations to those customers whom the Member or Associate has or should have advised that futures trading is too risky for them.

NFA also amended the Interpretive Notice entitled **"NFA Compliance Rule 2-9: Enhanced Supervisory Requirements."** Designed to prevent abusive sales practices, NFA Compliance Rule 2-9 places a continuing responsibility on every Member to diligently supervise its employees and agents in all aspects of their futures activities. Member firms which are identified as having a sales force and/or principals that have been affected by questionable sales practice training and firms which charge commission and fees well above the industry norm are required to adopt enhanced supervisory requirements. The Interpretive Notice sets forth the criteria which obligate a Member to adopt the enhanced supervisory requirements and specifies the enhanced supervisory requirements which are required of firms meeting these criteria.

The amendments to the Interpretive Notice, which became effective in January 2011, include changing the enhanced capital requirements in light of a recent increase in the FCM minimum capital requirement, requiring specific items to be included in a firm's written supervisory procedures and providing limited relief for some Members. NFA believes that these amendments will further the effectiveness of Compliance Rule 2-9.

". . . places a continuing responsibility on every Member to diligently supervise its employees and agents in all aspects of their futures activities."

RISK MANAGEMENT

In Fiscal Year 2010, NFA launched a new Risk Management System, which defines a comprehensive set of risk factors and then evaluates those factors against data from individual firms, allowing NFA to focus its resources on the most high-risk Member firms and react quickly when necessary.

This year, NFA incorporated into the system additional information obtained through the quarterly reports filed by CPOs on behalf of the pools they operate. This new risk assessment data allows NFA to monitor CPOs more closely and assign them a level of risk proportionate to their activities.

ENFORCEMENT

Taking strong, decisive action against those NFA Member firms and individuals who violate the Association's rules is a critical component of NFA's success. During its most recent fiscal year, NFA's Business Conduct Committee issued 41 Complaints against 103 respondents. In the most extreme cases, where there was deemed an imminent threat to the markets and/or customers, NFA's Executive Committee issued 9 Member Responsibility Actions.

Many of the cases taken last year, as in previous years, involved the use of misleading promotional material, fraudulent sales practices and abuses in connection with trading strategies employed by Member firms. In the fraudulent sales practices cases, NFA charged not only several IBs engaged in those strategies but also two FCMs that guaranteed the IBs. The FCMs were charged with failing to effectively review the trading strategies and trade recommendations made by their guaranteed IBs.

DISPUTE RESOLUTION

During Fiscal Year 2011, NFA amended the Code of Arbitration and Member Arbitration Rules to enhance NFA's arbitration program. Previously, when a former Member or Associate failed to satisfy an award or comply with the terms of a settlement agreement, NFA's only recourse was to update the former Member's or Associate's registration record to reflect the failure to pay. The failure to pay alone may not have constituted grounds to deny NFA membership to the firm or individual if they chose to reapply in the future. Effective July 2011, the President of NFA, on 30 days written notice, has the authority to summarily bar from membership or associate membership a former Member or Associate when they fail to comply with an arbitration award or a settlement agreement. The bar would remain in effect until the award is paid or the settlement agreement has been satisfied.

" Effective July 2011, the President of NFA . . . has the authority to summarily bar from membership or associate membership a former Member or Associate when they fail to comply with an arbitration award or a settlement agreement."

Monitoring Members for possible rule violations is an important part of NFA's regulatory operations. Equally important, however, is helping Members avoid rule violations by providing them with tools to help them meet their regulatory requirements.

NFA introduced one such tool this past year when it launched an online system designed to help FCMs and IBs develop anti-money laundering (AML) programs that meet the requirements of the Bank Secrecy Act and NFA compliance rules. Once a Member accesses the system through NFA's website, the system poses a series of questions which help the Member identify the minimum components of an AML program. The system provides guidance, information and examples of suggested language.

NFA also revised its Self-Examination Checklist in 2011 to make the document more useful for both NFA Members and NFA staff. The document was originally developed in 1991 to help Members regularly review the adequacy of their supervisory procedures and identify potential problem areas. If a Member identified a deficiency, the Member could then revise or strengthen their supervisory procedures accordingly.

The Checklist has now been modified to generate a "yes" or "no" answer from Members to applicable questions. The checklist was subsequently renamed the Self-Examination Questionnaire. The new Questionnaire contains a section specifically tailored to a Forex Dealer Member's (FDM) operations, as well as updated questions in other sections to require other Members engaged in forex transactions to review their forex operations.

Continuing its commitment to Member education, NFA produced two new webinars last year. **"The Use and Supervision of Online Social Networking Communications"** discussed the application of NFA compliance rules to new and emerging forms of web-based promotional material, focusing on social networking vehicles such as blogging, tweeting and video sharing. **"Tips for Using NFA's Electronic Disclosure Document Filing System"** outlined common errors made by CPOs and CTAs when filing disclosure documents electronically with NFA and how to correct them.

" NFA . . . launched an online system designed to help FCMs and IBs develop anti-money laundering (AML) programs that meet the requirements of the Bank Secrecy Act and NFA compliance rules."

Expanding Regulation of the Retail Off-Exchange Foreign Currency Market

On August 30, 2010, the Commodity Futures Trading Commission (CFTC) issued its final rules regarding retail off-exchange foreign currency (forex) trading in the United States. The rules created a new category of CFTC registration—the Retail Foreign Exchange Dealer (RFED)—for non-FCMs acting as the counterparty in forex transactions. The rules, which became effective on October 18, 2010, also required certain entities acting as IBs, CTAs and CPOs conducting business in the forex markets to register with the CFTC and become Members of NFA.

In order to be ready for the influx of new registrations, NFA devoted several months to formulating the rules necessary to regulate forex firms and individuals, enhancing existing computer systems to accommodate new categories of registration and new audit modules, and providing educational resources to help forex firms and individuals to assimilate into their new regulatory environment.

REGISTRATION

NFA made several enhancements to its **Online Registration System** in preparation of receiving applications from new forex firms. In addition, NFA developed a new proficiency examination specific to retail forex activity (Series 34 exam). NFA began accepting registration applications from forex firms and individuals on September 2, 2010. Within the first four weeks, NFA received applications from more than 250 forex firms and 1,100 forex associated persons.

RULEMAKING

During the past year, the majority of NFA's rulemaking efforts focused on forex-related activities. NFA made amendments to several of its rules to conform to the CFTC's new forex regulations. The Association also promulgated new rules and interpretive notices on various aspects of retail forex transactions, including promotional material, allocation of bunched orders and the supervision of electronic trading platforms.

Since each FDM operates its own market for its customers and is the counterparty to each transaction, NFA recognized the need for a comprehensive study of each FDM's trading activities on a daily basis. NFA's Board of Directors approved a new NFA Compliance Rule (2-48) which requires all FDMs to file a daily electronic report of trade data with NFA.

To gather and process the data, NFA developed the **Forex Transaction Review System**. Working closely with its FDMs, NFA created a system that analyzes a wide variety of data, including all order transaction records, a list of executed trades, a list of all price adjustments made by the FDM and a list of any unusual events, such as a system outage. Based on this data, the system develops exception reports that identify potential price manipulations and problematic patterns of trading activity.

ENFORCEMENT

Enforcement cases involving forex-related activities continued to require a disproportionate amount of NFA resources last year. Although Forex Members make up approximately 11% of NFA's total membership, over the past three fiscal years, approximately 32% of all complaints issued by NFA's Business Conduct Committee have involved FDMs and intermediary IB, CPO and CTA forex firms.

Trading platform abuse by FDMs was a major focus of NFA's enforcement team this year. NFA issued two complaints against FDMs that utilized asymmetrical price slippage settings for profitable price slippage. These settings meant that customers were far more likely to have their orders filled when there were market movements unfavorable to them as opposed to when they were favorable to them.

DISPUTE RESOLUTION

To ensure that forex arbitration cases are subject to the same rules that govern disputes involving exchange-traded futures, NFA amended the Interpretive Notice entitled "**Standard List of Documents to be Exchanged under Section 8 of NFA's Code of Arbitration**". The amended Notice, effective for all claims filed on or after April 15, 2011, identifies a few additional documents that may be routinely relevant in certain disputes involving forex transactions and now contains all of the documents that may be automatically exchanged in an NFA arbitration proceeding.

" Enforcement cases involving forex-related activities continued to require a disproportionate amount of NFA resources last year."

For many of these new forex firms, October 18, 2010 marked the beginning of a new era for their businesses – an era of promotional material review, ethics training and anti-money laundering programs, as well as developing and adhering to supervisory procedures.

To assist the wave of new forex applicants through the registration process, NFA launched a strategic communication and education initiative. NFA developed a "**Registration Overview for Forex IB, CPO and CTA Applicants**", produced a webinar and four registration-related tutorial videos, held a series of registration and compliance-related workshops for unregistered forex entities, and updated NFA's Self-Examination Questionnaire to include a supplemental checklist for Forex Dealer Members. In addition, NFA published a revised version of its "**Guide to Compliance Rule 2-29**" to include forex-related promotional material rule 2-36 and updated its Forex Regulatory Guide and Disclosure Document Guide.

In the subsequent months, NFA tracked the regulatory areas that forex firms found particularly challenging, and in June 2011, NFA launched an education initiative to help firms understand and comply with their regulatory requirements. NFA held a webinar focusing on areas in which NFA compliance staff members frequently found regulatory deficiencies. In addition, NFA held a full-day workshop in New York giving attendees a more in-depth analysis of their regulatory requirements.

For forex investors, NFA published a Forex Investor Alert and a revised version of the brochure entitled "**Trading Forex: What Investors Need to Know.**" NFA also sponsored an information booth at a Futures and Forex Expo, where NFA staff members answered questions related to the CFTC's final forex rules.

The regulation of retail forex will continue to evolve, and NFA will continue to review its programs and services to ensure that forex investors are protected and forex firms are held to high standards of business conduct.

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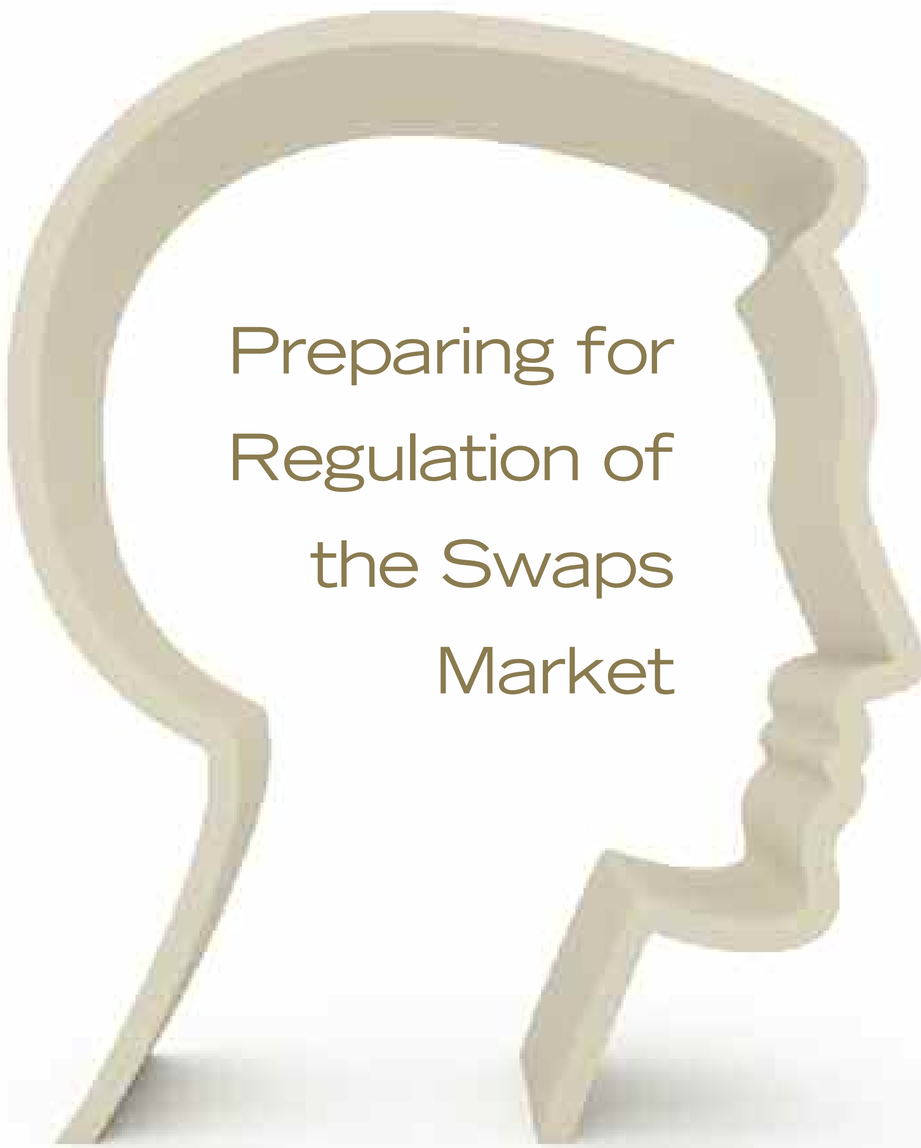
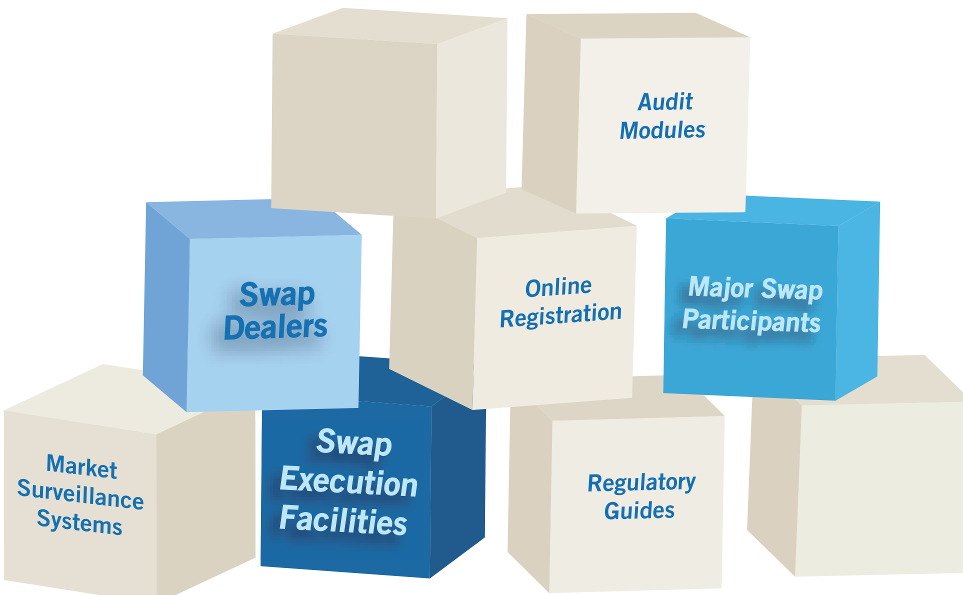
Preparing for Regulation of the Swaps Market



In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The Act gave the CFTC regulatory authority over the OTC derivatives markets. Swap Dealers (SD) and Major Swap Participants (MSP) may soon be required to register with the CFTC and become Members of NFA.



The CFTC immediately began the difficult process of adopting rules for SDs and MSPs, including reporting, recordkeeping and business conduct standards. At the CFTC's request, NFA submitted recommendations on several topics, including registration, business conduct requirements and capital requirements.

As the rulemaking process evolved, the CFTC proposed regulations that could significantly expand NFA responsibilities in three areas. The CFTC has proposed delegating to NFA the responsibility for processing applications for registration as SDs and MSPs, conducting background checks on those applicants and their principals and, as appropriate, granting or denying those applications. The CFTC has also proposed requiring all registered SDs and MSPs to become Members of NFA and requiring NFA to monitor those Members for compliance with regulatory requirements.

In light of these proposals, NFA held long-range planning meetings with the Executive Committee and the Board of Directors to discuss the potential impact on NFA, including governance, management structure, staffing requirements, technology systems, office space requirements and funding. NFA also created two new positions, a Vice President of Market Regulation and a Vice President of OTC Derivatives to oversee the Association's expansion in these areas. In addition, NFA appointed a Swaps Dealer Advisory Committee to help NFA incorporate the swap dealer category of registration into NFA membership. The committee is comprised of representatives of several entities currently engaging in swap activities, including major financial institutions, end users and energy and agricultural firms.

The Dodd-Frank Act also establishes certain core principles for swap execution facilities (SEF), including obligations to perform certain self-regulatory responsibilities. The CFTC has proposed allowing SEFs to outsource those functions to registered futures associations.

NFA has been contacted by numerous potential SEFs that are interested in outsourcing certain compliance requirements to NFA, and the Association has begun developing surveillance systems tailored to the needs of SEF customers.

In the next 12-18 months, NFA will undergo a significant transformation as the CFTC's final rules regarding the regulation of SDs and MSPs are put in place. For example, NFA's Board of Directors will be restructured to include representatives from the SDs and MSPs required to register with the CFTC and become NFA Members, and NFA will receive funding from these new Member firms. NFA's offices (both in Chicago and New York) will be expanded to accommodate new staff hired to monitor the activities of SDs and MSPs. In short, every aspect of NFA's operations will be enhanced to ensure that the Association is well-equipped to function efficiently and effectively in this new era of regulation. ■

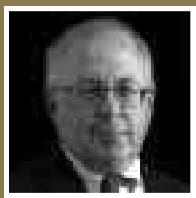
"In the next 12-18 months, NFA will undergo a significant transformation as the CFTC's final rules regarding the regulation of SDs and MSPs are put in place."

NATIONAL FUTURES ASSOCIATION®

Officers & Board of Directors

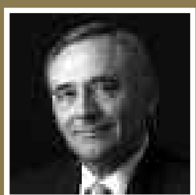
As of June 30, 2011

Officers

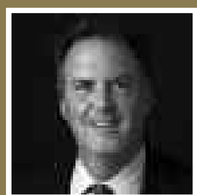


Daniel J. Roth*
President & CEO

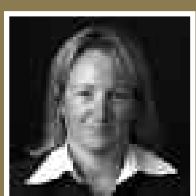
Daniel A. Driscoll
Exec. Vice-President
Chief Operating Officer



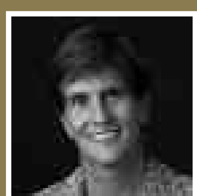
Kenneth F. Haase
Sr. Vice-President
Information Systems



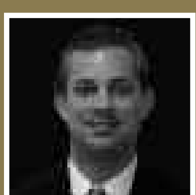
Thomas Sexton III
Sr. Vice-President
General Counsel
& Secretary



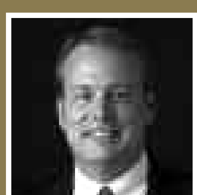
Regina Thoele
Sr. Vice-President
Compliance



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

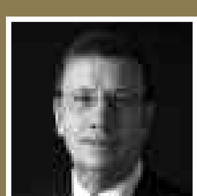


Edward J. Dasso
Vice-President
Market Regulation



David Hawrysz
Vice-President
Chief Financial Officer
Treasurer

Jamila Piracci
Vice-President
OTC Derivatives



Gregory C. Prusik
Vice-President
Registration

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Chairman
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Penson GHCO

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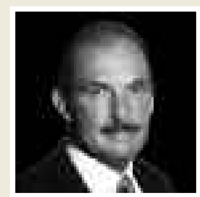

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Co-Chairman & Co-CEO
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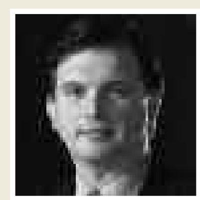
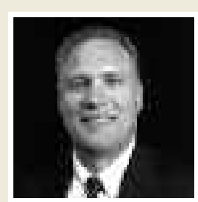


Aleks A. Kins
President and CEO
AlphaMetrix LLC

Introducing Broker Representatives



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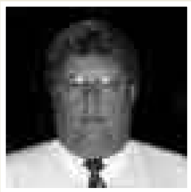
Allendale, Inc.

John A. Vassallo
President
Coquest, Inc.

* *Member of the Executive Committee*

Futures Commission Merchant Representatives



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R.J. O'Brien & Associates, Inc.

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Country Hedging, Inc.

Michael C. Dawley
Managing Director
Goldman Sachs & Co.

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Penson GHCO

William F. McCoy
Managing Director
Morgan Stanley

Special Advisor

Leo Melamed
Permanent Special Advisor to the Board & Executive Committee

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Director, International Center for Finance
Yale School of Management

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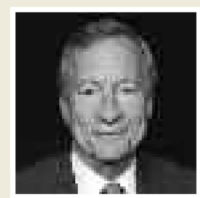
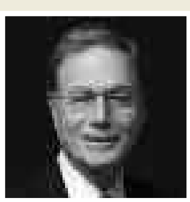
Managing Director
Promontory Financial Group L.L.C.

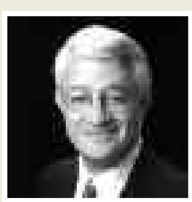
Silas Keehn
Past President
Federal Reserve Bank of Chicago



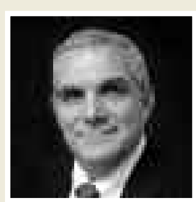
Jim Marshall
Visiting Professor of Public and International Affairs
Princeton University



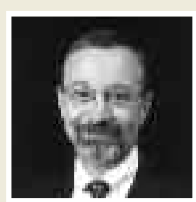
Michael H. Moskow
Vice Chairman and Senior Fellow on the Global Economy
The Chicago Council on Global Affairs



Charles P. Nastro*
New York, N.Y.



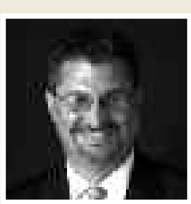
Ronald S. Oppenheimer
Senior Vice President and General Counsel
Vitol, Inc.



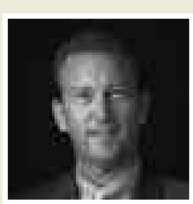
Todd E. Petzel*
Chief Investment Officer
Offit Capital Advisors LLC

Susan M. Phillips*
Former Chairman
Commodity Futures Trading Commission

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.

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

2011 Financials

Report of Independent Certified Public Accountants

Board of Directors
National Futures Association

We have audited the accompanying statements of financial position of National Futures Association (the "Association") as of June 30, 2011 and 2010, and the related statements of unrestricted revenues, expenses and changes in unrestricted net assets, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
October 11, 2011

NATIONAL FUTURES ASSOCIATION

Statements of Financial Position

JUNE 30, 2011 AND 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$6,966,367	$7,045,207
Short-term investments	33,288,655	30,742,995
Accrued interest	–	9,144
Assessments receivable	4,763,454	1,840,997
Other current assets, net	1,530,808	3,645,453
Total current assets	**46,549,284**	**43,283,796**
Furniture, fixtures, equipment, leasehold improvements and software, net	7,909,835	8,896,590
Other assets	968,501	882,068
Total assets	**$55,427,620**	**$53,062,454**
Liabilities and Net Assets		
Current liabilities:		
Unearned dues and fees	$1,359,768	$1,698,032
Accounts payable, accrued expenses and other current liabilities	3,156,333	3,806,440
Total current liabilities	**4,516,101**	**5,504,472**
Deferred rent credit	3,097,619	3,396,859
Other long-term liabilities	4,738,534	4,419,367
Total liabilities	**12,352,254**	**13,320,698**
Unrestricted net assets	43,075,366	39,741,756
Total Liabilities and Net Assets	**$55,427,620**	**$53,062,454**

The accompanying notes are an integral part of these statements.

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

JUNE 30, 2011 AND 2010

	2011	2010
Unrestricted Revenues		
Assessments	$ 28,561,176	$ 18,348,405
Membership dues	7,519,517	7,497,129
Registration and other fees	3,564,380	2,889,324
Regulatory services outsourcing	2,959,410	3,037,652
Investment income	3,021,312	3,417,193
Total unrestricted revenues	**45,625,795**	**35,189,703**
Unrestricted Expenses		
Salaries, wages and employee benefits	30,184,990	28,980,978
Space rental and related expenses	2,074,759	2,183,396
Travel and meetings	1,932,697	2,283,714
Computer expenditures	998,761	1,080,065
Depreciation and amortization	3,291,455	3,374,800
Outside consulting fees and services	1,651,910	1,353,622
Supplies, postage and telephone	240,982	248,265
Outside printing and publications	65,453	64,178
Board and committee fees and expenses	596,411	472,942
Insurance, recruiting, education, dues and other	1,254,767	1,163,677
Total unrestricted expenses	**42,292,185**	**41,205,637**
Change in Unrestricted Net Assets	**3,333,610**	**(6,015,934)**
Unrestricted net assets at beginning of year	**39,741,756**	**45,757,690**
Unrestricted net assets at end of year	**$ 43,075,366**	**$ 39,741,756**

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

JUNE 30, 2011 AND 2010

	2011	2010
Reconciliation of Change in Unrestricted Net Assets to Net Cash Provided by (used in) Operating Activities		
Change in unrestricted net assets	$ 3,333,610	$ (6,015,934)
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Net unrealized gain on investments	(2,165,199)	(1,511,443)
Depreciation and amortization	3,291,455	3,374,800
Changes in assets and liabilities		
Assessments receivable	(2,922,457)	(1,029)
Accrued interest	9,144	34,288
Other assets	2,028,212	(27,440)
Unearned dues and fees	(338,264)	(8,732)
Accounts payable, accrued expenses and other liabilities	(330,940)	1,307,384
Deferred rent credit	(299,240)	(364,252)
Net Cash provided by (used in) Operating Activities	**2,606,321**	**(3,212,358)**
Cash Flows from Investing Activities		
Purchases of fixed assets and software	(2,304,700)	(2,315,134)
Purchase of investments	(27,106,443)	(1,714,801)
Proceeds from sale of investments	26,250,388	6,653,930
Maturities of U.S. Treasury securities	475,594	2,217,824
Net Cash (used in) provided by Investing Activities	**(2,685,161)**	**4,841,819**
Net Change in Cash and Cash Equivalents	**(78,840)**	**1,629,461**
Cash and Cash Equivalents at beginning of year	**7,045,207**	**5,415,746**
Cash and Cash Equivalents at end of year	**$ 6,966,367**	**$ 7,045,207**

The accompanying notes are an integral part of these statements.

NOTE A ORGANIZATION

The Commodity Futures Trading Commission has designated National Futures Association (the "Association") as a registered futures association. Among the Association's activities are qualification screening and registration, financial and trade practice surveillance, enforcement of customer protection rules and uniform business standards, arbitration of disputes and educational activities. The Association is 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 ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Assessments—Assessments are reported monthly and are due within 30 days. 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 accompanying statements of financial position.

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

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

Regulatory Services Outsourcing—Regulatory services outsourcing revenue relates to the Association's trade practice and market surveillance services. This revenue consists of one-time non-refundable 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.

Furniture, Fixtures, Equipment and Leasehold Improvements—The Association capitalizes individual purchases greater than $1,000 and group purchases greater than $10,000.

Furniture, fixtures, equipment 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. Additionally, the Association has artwork that is considered non-depreciable included in note E valued at $246,307 for 2011 and 2010.

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 two to eleven 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, 2011 and 2010, the allowance for doubtful accounts is $85,066 and $93,883, respectively. This allowance is a reduction of receivables, which are included in other current assets on the accompanying statements of financial position.

Fair Value Measurements—The Financial Accounting Standards Board ("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 which are traded in an inactive market or investments that are fairly valued using other securities, the inputs for which can be directly observed.

Level 3 - Securities that are valued using significant unobservable inputs. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are 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 that 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 upon 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 active listed equities, U.S. government and sovereign obligations, and money market securities. 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.

Federal Income Taxes—The Association is exempt from Federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code (the "IRC"), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The Internal Revenue Service has issued a determination letter to that effect. The tax years ending 2008, 2009 and 2010 are still open to audit for both Federal and state purposes.

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. The Association maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the balances in these accounts may exceed the insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

NOTE D INVESTMENTS

The Association's investment portfolio is classified on the statements of financial position as short-term 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. Also included as short-term investments is the Association's investment in equity and fixed income mutual funds. As of June 30, 2011 and 2010, the Association did not own any long-term investments.

The aggregate fair value of investments by major type as of June 30, 2011 and 2010, is as follows:

Short-term investments:	2011	2010
Developed Markets Index Fund	$ 1,693,832	$ 1,744,244
Extended Markets Signal Index Fund	1,710,363	1,812,975
Intermediate Term Treasury Bond Fund	–	23,096,861
U.S. Government agency securities	–	475,594
Short Term Treasury Fund	26,505,180	–
S&P 500 Index Mutual Fund	3,379,280	3,613,321
Total short-term investments	**$ 33,288,655**	**$ 30,742,995**

For its four mutual funds the Association immediately reinvests all interest income, dividend income and capital gains back into the funds. The Association also holds self-directed government securities, which it anticipates holding until maturity. For the years ended June 30, 2011 and 2010, the activities in the funds and the self-directed securities were as follows:

	2011	2010
Income reinvested back into mutual funds	$ 856,054	$ 1,714,801
Net unrealized gain mutual funds	2,165,199	1,697,744
Interest income from self-directed investments	653	47,703
Unrealized loss from self-directed investments	–	(40,231)
Realized loss from self-directed investments	(594)	(2,824)
Total investment return	**$ 3,021,312**	**$ 3,417,193**

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

At June 30, 2011 and 2010, furniture, fixtures, equipment, leasehold improvements and software, and the related accumulated depreciation and amortization are as follows:

	2011	2010
Furniture and fixtures	$ 2,143,283	$ 2,142,149
Equipment	2,066,709	3,635,201
Leasehold improvements	5,472,036	5,472,035
Software	5,285,840	5,148,359
Total	**$ 14,967,868**	**$ 16,397,744**
Less accumulated depreciation and amortization	7,058,033	7,501,154
Furniture, fixtures, equipment, leasehold improvements and software, net	**$ 7,909,835**	**$ 8,896,590**

NOTE F COMMITMENTS & CONTINGENCIES

The Association leases office space in Chicago and New York. The current Chicago lease expires on December 31, 2019. The current New York lease expires on October 31, 2012. The following is a schedule of future payments under both of the operating leases and the disaster recovery service contract that have remaining non-cancelable payment terms as of June 30, 2011:

Years ending June 30,	
2012	$1,452,583
2013	1,076,215
2014	924,769
2015	947,888
2016	971,585
Thereafter	3,592,542
Total operating lease commitments	**$ 8,965,582**

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.

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 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 2010 of $1,097,029 was made in 2011. A profit-sharing contribution for 2009 of $1,102,364 was made in 2010. 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 as follows:

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

At June 30, 2011 and 2010, the actuarial and recorded liabilities for the Plan, none of which has been funded, and the net periodic post-retirement benefit cost and benefits paid for the Plan that are included in other long-term liabilities, were as follows:

	2011	2010
Amounts recognized in the statements of financial position		
Accumulated post-retirement benefit obligations	$ (3,907,712)	$ (3,536,033)
Unrecognized prior service cost	(217,903)	(435,803)
Unrecognized net gain	(677,913)	(519,677)
Unrecognized transition obligation	76,984	96,231
Accrued post-retirement benefit cost	**$ (4,726,544)**	**$ (4,395,282)**

The estimated net periodic post-retirement benefit cost for the Plan for the year ended June 30, 2011, is $369,600 assuming a discount rate of 5.50%. The breakdown of the cost is as follows:

	2011
Net periodic post-retirement benefit cost	
Service cost	$ 382,380
Interest cost	203,905
Amortization of (gain) loss	(18,032)
Amortization of transition obligation	19,247
Amortization of prior service cost	(217,900)
Total net period post-retirement benefit cost	**$ 369,600**

The accumulated post-retirement benefit obligation was determined using an assumed weighted-average discount rate of 5.50% at June 30, 2011 and 5.25% at June 30, 2010. The rate of increase in the gross cost of covered healthcare benefits was assumed to be 8% for fiscal year 2010. The rate of increase is assumed to decline by 0.50% for each year after 2011 to 5.00% in 2017 and after.

The Association also participates in the purchase of life insurance on behalf of certain executive officers ("Executives") 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 Executives with an insured death benefit during employment and after retirement. The insurance policy also allows for capital accumulation through the buildup of cash value.

Upon termination of employment, death or maturity of the policy, the Association receives cash value equal to the cumulative premium paid by the Association. As of June 30, 2011 and 2010, the cumulative premium paid on behalf of the Executives is $915,014 and $3,494,813, respectively, and is classified in other current assets on the statements of financial position in 2011 and other assets in 2010.

NOTE H DEFERRED RENT CREDIT

Effective November 2001, the Association executed a 10-year operating lease for office premises in New York. Also, effective January 2008, the Association executed a 12-year operating lease for office premises in Chicago. 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, 2011 and 2010, was $3,432,528 and $3,761,107, respectively, of which $334,909 and $364,248, respectively, are included in accounts payable, accrued expenses and other current liabilities on the statements of financial position. For the years ended June 30, 2011 and 2010, the Association's rent expense was as follows:

	2011	2010
Cash payments for rent	$ 2,193,222	$ 2,333,387
Less amortization of deferred rent credits	(328,583)	(336,977)
Rent expense	**$ 1,864,639**	**$ 1,996,410**

NOTE I SUBSEQUENT EVENTS

The Association evaluated its June 30, 2011 financial statements for subsequent events through October 11, 2011, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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 futures markets.

Accountability and Organization

Policy Development

28-member Board of Directors

- 14 FCM, IB, CPO, and CTA representatives
- 4 exchange representatives
- 10 public representatives

Policy Supervision

12-member Executive Committee
(including Chairman of the Board)

- NFA President
- 3 directors/FCM or IB representatives
- 2 directors/exchange representatives
- 2 directors/CPO or CTA representatives
- 4 public representatives

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, 2011)

303

Winner
2011, 2010, 2009, 2008, 2007 & 2006
Awarded by the
National Association
for Business Resources

Winner
2011, 2010, 2009, 2008 & 2007
Awarded by the
Best Companies Group

Winner
2011, 2010, 2009, 2008 & 2007
Awarded by the Dave Thomas
Foundation for Adoption

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