

BGC Partners, Inc.  
Form 10-K  
March 16, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-28191

**BGC Partners, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of Incorporation)

**499 Park Avenue, New York, NY**  
(Address of Principal Executive Offices)

**(212) 610-2200**

(Registrant's telephone number, including area code)

**13-4063515**  
(I.R.S. Employer Identification No.)

**10022**  
(Zip Code)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Class A Common Stock, \$0.01 par value</b>	<b>The NASDAQ Stock Market LLC</b>

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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The aggregate market value of voting common equity held by non-affiliates of the registrant, based upon the closing price of the Class A common stock on June 30, 2009 as reported on NASDAQ, was approximately \$208,612,068.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 8, 2010
Class A Common Stock, par value \$0.01 per share	57,025,365 shares
Class B Common Stock, par value \$0.01 per share	26,448,107 shares

**DOCUMENTS INCORPORATED BY REFERENCE.**

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**BGC Partners, Inc.**

**2009 FORM 10-K ANNUAL REPORT**

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**SPECIAL NOTE ON FORWARD-LOOKING INFORMATION**

This Annual Report on Form 10-K ( Form 10-K ) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as may, will, should, estimates, predicts, potential, continue, believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to:

pricing and commissions and market position with respect to any of our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers and consolidation;

liquidity, clearing capital requirements and the impact of recent credit market events;

market conditions, including trading volume and volatility, and further deterioration of the debt capital markets;

our relationship with Cantor Fitzgerald, L.P. and its affiliates ( Cantor ) and any related conflicts of interest, competition for and retention of brokers and other managers and key employees, support for liquidity and capital and other relationships;

economic or geopolitical conditions or uncertainties;

the extensive regulation of the Company s businesses, changes in regulations relating to the financial services industry, and risks relating to compliance matters;

factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, counterparty failure, and the impact of fraud and unauthorized trading;

the costs and expenses of developing, maintaining and protecting intellectual property, including judgments or settlements paid or received in connection with intellectual property, or employment or other litigation and their related costs;

certain financial risks, including the possibility of future losses and negative cash flow from operations, potential liquidity and other risks relating to the ability to obtain financing or refinancing of existing debt and risks of the resulting leverage, as well as interest and currency rate fluctuations;

the ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;

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the ability to enter into marketing and strategic alliances and other transactions, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures, and the integration of any completed transactions;

the ability to hire new personnel;

the ability to expand the use of technology for hybrid and fully electronic trading;

effectively managing any growth that may be achieved;

financial reporting, accounting and internal control factors, including identification of any material weaknesses in our internal controls and our ability to prepare historical and pro forma financial statements and reports in a timely manner;

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the effectiveness of risk management policies and procedures, and the impact of unexpected market fluctuations and similar events;

the ability to meet expectations with respect to payments of dividends and repurchases of our common stock or purchases of BGC Holdings, L.P. ( BGC Holdings ) limited partnership interests or other equity interests in our subsidiaries, including from Cantor, our executive officers, and our employees; and

the risks and other factors described herein under the heading Item 1A Risk Factors in this Form 10-K and as amended from time to time in our quarterly reports on Form 10-Q.

The foregoing risks and uncertainties, as well as those risks discussed under the headings Item 1A Risk Factors , Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 7A Quantitative and Qualitative Disclosures About Risk and elsewhere in this Form 10-K, may cause actual results to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-K with the Securities and Exchange Commission (the SEC ), and future events or circumstances could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**WHERE YOU CAN FIND MORE INFORMATION**

Our Internet website address is [www.bgcpartners.com](http://www.bgcpartners.com). Through our Internet website, we make available, free of charge, the following reports as soon as reasonably practicable after electronically filing them with, or furnishing them to, the SEC: our annual reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our quarterly reports on Form 10-Q; our current reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D and 13G filed on behalf of Cantor, our directors and our executive officers; and amendments to those reports. In addition, our Internet website address is the primary location for press releases regarding our business, including our quarterly and year-end financial results.

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**PART I**

**ITEM 1. BUSINESS**

*Throughout this document BGC Partners, Inc. is referred to as BGC and, together with its subsidiaries, as the Company, we, us or our.*

**Our Business**

We are a leading global financial intermediary to the financial markets specializing in the brokering of a broad range of financial products globally, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commodities, futures, structured products and other instruments. We also provide a full range of services, including trade execution, broker-dealer services, clearing, processing, information, and other back office services, to a broad range of financial and non-financial institutions. Through our eSpeed and BGCantor Market Data brands, we also offer financial technology solutions, market data, and analytics related to select financial instruments and markets. Our customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments and investment firms. Our integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, hybrid, or, where available, fully electronic brokerage services in connection with transactions executed either OTC or through an exchange.

We have offices in New York and London, as well as in Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Sao Paulo, Sarasota, Seoul, Singapore, Sydney, Tokyo and Toronto. As of December 31, 2009, we had 1,553 brokers and salespeople across more than 150 desks and products (approximately triple the number we had in October 2004). In 2009, we processed approximately 15.7 million transactions, totaling almost \$125 trillion notional on our hybrid and fully electronic platforms.

**Our History**

Our voice brokerage business originates from one of the oldest and most established inter-dealer franchises in the financial intermediary industry. Cantor started our brokerage operations in 1972 and in 1996 launched the eSpeed system, revolutionizing the way government bonds are traded in the inter-dealer market by providing a fully electronic trading marketplace. eSpeed, Inc. (eSpeed) completed an initial public offering in 1999 and began trading on NASDAQ, yet remained one of Cantor's controlled subsidiaries. Following eSpeed's initial public offering, Cantor continued to operate its inter-dealer voice brokerage business separately from eSpeed.

Prior to the events of September 11, 2001, our brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world with a rich history of developing innovative technological and financial solutions. After September 11, 2001 and the loss of the majority of our U.S.-based employees, our brokerage business operated primarily in Europe.

In August 2004, Cantor announced the reorganization and separation of its inter-dealer voice brokerage business into a subsidiary called BGC, in honor of B. Gerald Cantor, a pioneer in screen brokerage services and fixed income market data products. Over the past several years, we have re-established our U.S. presence and have continued to expand our global presence through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, we have been able to expand our presence in key markets and position our business for sustained growth. These acquisitions include:

May 2005 Eurobrokers, a U.S. and international inter-dealer brokerage firm;

September 2005 ETC Pollack, an inter-dealer broker in Paris;

November 2006 Aurel Leven, an independent inter-dealer broker in France, active in the equities, equity derivatives and fixed income markets;



December 2006 AS Menkul, an established broker in Turkey;

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August 2007 Marex Financial's emerging markets equity derivatives business;

December 2007 we and several other leading financial institutions announced the establishment of a fully electronic futures exchange. We hold an approximate 25% interest in the exchange's operating limited partnership, ELX Futures, L.P., and its holding company general partner, ELX Futures Holdings LLC (together ELX). Affiliates of Bank of America/Merrill Lynch, Barclays Capital, Breakwater, Citigroup, Credit Suisse, Deutsche Bank Securities, GETCO, Goldman Sachs, JPMorgan, Morgan Stanley, PEAK6, and The Royal Bank of Scotland also hold a minority interest in each such entity;

March 2008 Radix, an OTC energy broker based in Singapore;

March 2009 we announced that we were granted preliminary approval by the China Banking Regulatory Commission (CBRC) to establish a money broking joint venture company with China Credit Trust Co., Ltd. (CCT). The joint venture, named China Credit BGC Money Broking Company Limited (China Credit BGC), sought final approval from CBRC in late 2009. China Credit BGC will be based in Beijing, China and will be the first broking company of its kind to operate in that city as part of a Chinese government pilot program. Subject to final approval, China Credit BGC plans to provide domestic and international broking services for foreign exchange, bond, money market, and derivatives products. We will hold a 33% stake in China Credit BGC, which is the highest percentage shareholding currently permitted to be held by a foreign investor in a Chinese money broker;

June 2009 we acquired Liquidez Distribuidora de Titulos e Valores Mobiliarios Ltda. (Liquidez), a Brazilian financial institution and interdealer broker with offices in Sao Paulo and Rio de Janeiro. This acquisition enabled us to enter the Brazilian market, which is fast becoming one of the world's major economies, and will provide a platform for further expansion in Brazil and Latin America; and

November 2009 we opened a new office in Moscow, which is located at Smolenskya. This office provides brokerage services to clients based locally as well as internationally.

### **The Merger**

On April 1, 2008, BGC Partners, LLC (BGC Partners OldCo) merged with and into eSpeed, to form BGC Partners, Inc. The merger combined eSpeed's electronic marketplaces and related electronic trading technology expertise in the government bond and other markets with our inter-dealer brokerage businesses. Our management believes this combination has positioned us as one of the few inter-dealer brokers with hybrid capabilities and technology, thus enabling us to offer superior execution to our clients and drive higher trading volumes. Prior to the merger, BGC Partners, Inc. and eSpeed had a strong relationship through a joint services agreement under which revenues for certain services were shared. One of the primary motivations for our merger was our strategy of better focusing eSpeed's technology on supporting BGC Partners brokerage services.

### **Industry Overview**

Wholesale market participants and institutions, such as major banks, investment banks and broker-dealer firms, continue to look to marketplace firms that are able to meet the bulk of their outside trading needs in a broad range of products across geographies. These wholesale market participants continue to display a willingness to use the services of inter-dealer brokers who are able to provide timely and valuable pricing information, strong execution capabilities and the liquidity necessary for such market participants to execute their desired transactions.

Derivatives are increasingly being used to manage risk or to take advantage of the anticipated direction of a market by allowing holders to guard against gains or declines in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by large corporate and sovereign debtors and changes in the prices of commodity products. Demand from financial institutions, financial services intermediaries and large corporations have increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for inter-dealer brokers such as us.



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The OTC markets have grown faster than exchange-traded markets over the past few years. According to the Bank for International Settlements (the BIS), the underlying OTC and exchange-traded derivative markets traditionally served by inter-dealer brokers have experienced compound annual growth rates, which we refer to as CAGR, of approximately 25.0% and 16.3%, respectively, based on notional amounts outstanding from December 31, 2002 through June 30, 2009.

According to the BIS, as of June 30, 2009, the notional amounts outstanding for all OTC derivatives was \$604.6 trillion, up 10.5% from \$547.4 trillion in December 2008, and up 326.8% from \$141.7 trillion in December 2002. The notional amounts outstanding for all exchange traded derivatives was \$63.4 trillion on June 30, 2009, up 9.6% from \$57.9 trillion on December 31, 2008 and up 166.3% from \$23.8 trillion on December 31, 2002.

In liquid financial markets, the presence of a large number of market participants and facilitators of liquidity and the availability of pricing reference data and standardized terms allow market participants to trade financial instruments quickly and with minimal price disturbance. In these markets, there is substantial competition, efficient execution and high trading volume. While most of the liquid markets are found on listed exchanges, several liquid products continue to be traded OTC, including U.S. Treasuries and spot foreign exchange. The primary liquidity provider for such OTC markets is an inter-dealer broker.

To the extent the trading of a financial instrument requires customization, the relevant market tends to be more illiquid. Illiquid markets generally have fewer market participants, less price transparency, higher spreads and lower trading volumes. Complex financial instruments that are traded OTC tend to be illiquid and are traded primarily by more sophisticated buyers and sellers. Inter-dealer brokers facilitate trading in less liquid markets by providing price discovery, preserving anonymity in matched principal trades, matching buyers and sellers on a name give-up basis in agency transactions and providing market intelligence to their customers. Name give-up transactions refer to those transactions where the inter-dealer broker acts as an agent and the identity of the two counterparties is disclosed once the trade is completed as opposed to matched principal trades where anonymity is preserved even after the transaction is completed. In a matched principal transaction BGC Partners agrees to simultaneously buy securities or derivatives from one client and to sell them to another client. In both agency and matched principal transactions, customers decide to execute a trade and inter-dealer brokers effectively source the counterparties for those trades. Inter-dealer brokers are particularly helpful in facilitating large or non-standardized transactions due to their in-depth market knowledge and access to potential counterparties.

An illiquid market for a financial instrument may evolve over a period of time into a more liquid one, creating new market opportunities for all participants; however, the evolution of a relatively illiquid market for a financial instrument to a more liquid market is not necessarily inevitable. If a market for a particular financial instrument develops and matures, more buyers and sellers may enter the market, resulting in more transactions (greater liquidity) and increased pricing information. As the market for an illiquid financial instrument evolves into a more liquid market, the characteristics of trading, the preferred mode of execution and the size of commissions that market participants pay and, more specifically, inter-dealer brokers charge, may change. In some instances, pure voice execution may be replaced by hybrid execution services. Hybrid models satisfy customer preferences to trade on a voice, hybrid, or, where available, fully electronic basis.

For more liquid markets, such as certain U.S. Treasury and cash foreign exchange products, electronic marketplaces have emerged as the primary means of conducting transactions and creating markets. In an electronic marketplace, substantially all of the participants' actions are facilitated through an electronic medium, such as a private electronic network or over the Internet, which reduces the need for actual face-to-face or voice-to-voice participant interaction to those functions where people provide the greatest value. For many market participants, the establishment of electronic marketplaces has created access to new opportunities, while increasing trading profits, investment returns and market volumes, all while making possible the creation of new financial products and strategies that have further contributed to increased market volumes. These increased trading volumes have in turn driven increased demand for newer, ever-more sophisticated financial technology products.

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Most large exchanges worldwide, including certain exchanges in the U.S., France, Canada, Germany, Japan, Sweden, Switzerland and the U.K., are now partially or completely electronic. Additionally, even in markets for less commoditized products where customers place orders through a voice-broker who implements a transaction electronically, the customers of inter-dealer brokers may benefit from liquidity, pricing, robust interactive trading, post-trade processing and other technology services. Further, we believe that market participants will seek to outsource customized solutions for the electronic distribution of their products to avoid the difficulty and cost of developing and maintaining their own electronic solutions, and to improve the quality and reliability of these solutions.

While some products may evolve from illiquid markets to liquid markets, new products are continually being developed. Historically, as markets evolve and participants look to separate or isolate risks, certain products will tend to exhibit correlations and pricing relationships leading to the development of new derivative products.

The chart below presents the growth of OTC and exchange-traded markets from December 31, 2002 to June 30, 2009.

Source: The BIS, except for CDS source: International Swaps and Derivatives Association.

Over the last several years, all of the above market categories have experienced significant growth, with four out of seven of the above categories experiencing compound annual growth of at least of 24%. We believe that much of this growth has been, and in many cases over the long term will continue to be, driven by the following trends:

Fluctuating levels of volatility in commodity, currency, interest rate, equity and credit markets have led to sustained demand for hedging and risk mitigation by market participants, which, in turn, has led to growth in commodity, equity, interest rate and credit derivatives and currency options markets.

For period from 2002 through the middle of 2008, the increased allocation of capital for trading and position-taking by banks and hedge funds and the search for yield among global investors led to growth in structured credit and equity products, thereby creating and reinforcing the need for efficient execution. In the aftermath of the collapse of Lehman Brothers and the government takeover of AIG, a

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global credit crises ensued, as banks and other lending organizations became more reluctant to extend credit to costumers and each other.

The credit crisis and ensuing global economic slowdown, has resulted in consolidation among some of the larger market participants. In some cases, our customers now have large ownership stakes held by the U.S., U.K., and other governments. During the second half of 2008 and first half of 2009, most of our large customers and their clients curtailed risk taking, de-levered, and/or saw a decline in trading activity across many of their more opaque and less liquid products, while allocating a larger percentage of their capital towards the trading of more liquid asset classes.

As a result, there was an industry-wide slowdown or outright decline in the volumes for many of the structured OTC and listed products we broker. At the same time, for the first nine months of 2009, the continued high volatility by historical standards and decrease in the number of market participants has led to widening spreads in certain markets, which benefited many of our customers, as they often earn more money with wider bid-offer spreads. As a result, most of our largest customers reported record or near-record capital markets revenues.

Since the third quarter of 2008, the largest banks, trading firms, and their institutional customers have allocated more of their trading capital away from structured products and into more liquid asset classes and those with relatively lower margin requirements, such as corporate bonds, equity derivatives, interest rate swaps, and government bonds. As a result, these products have generally performed better than more structured and bespoke products for our largest customers over the last few quarters.

With yields at historical lows, many industrialized countries, including the United States, France, Germany and the United Kingdom, have increased their issuance of sovereign debt, taking advantage of low interest rates to help finance growing budget deficits. Because G-20 governments continue to fund financial system rescues and fiscal stimulus packages in order to deal with the global recession. For example, the Securities Industry and Financial Markets Association estimated for the year ended December 31, 2009, U.S. Treasury and Agency debt issuance increased by 59.0% versus the year-earlier period, while the European Commission estimates the gross governmental debt for all European Union countries will increase from 61.5 percent of GDP in 2008 to 83.7 percent in 2011. We expect global sovereign debt issuances to increase dramatically through at least 2011.

During the fourth quarter of 2009 and in the month of January 2010, leverage levels and risk-taking by our largest customers and their clients rose from the low levels seen in depths of the credit crises. In addition, debt issuance by governments, government agencies, and corporations rose substantially over the course of 2009 versus 2008.

As a result of these trends, volumes for most exchange-traded derivatives and OTC markets improved year-over-year in the fourth quarter of 2009 and for the month of January 2010. For example, in January 2010, monthly U.S. equity option average daily volumes increased by approximately 25% year over year according to the Options Clearing Corporation, while the CME and ICE reported year-over-year increases in overall average daily futures volumes of approximately 19% and 18%, respectively, for the same timeframe. Similar, according to the Federal Reserve, average daily primary dealer volume for U.S. treasuries was up year-over-year by approximately 29% in December 2009 and 20% in January 2010.

Strong gross domestic product growth over the past decade in key emerging market countries such as Brazil, Russia, India, and China has led to increased demand for basic commodities such as copper, platinum, crude oil, gas and natural gas. While the recent slowdown in the global economy briefly lowered aggregate demand for many such commodities globally, volatility in these markets for most of 2009 was high by historical standards, all of which has led to higher demand for hedging instruments such as energy and commodity futures and derivatives.

The continued liberalization of emerging markets, increases in global cross-border trading in goods and services, and the opening and growth of local currency and fixed income markets have led to increased global demand for currency and fixed income hedging

instruments as global trade continues to expand.

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We saw levels of volume and volatility in the markets in which we transact oscillate rapidly (though generally decrease) both sequentially and year-over-year by varying amounts above their historical averages during the period from July 2007 through September 2009. This reflected the general deceleration of growth experienced in the global rates, credit, and equity markets as subprime mortgage and housing market concerns spread to the broader markets; as investors responded to the Federal Reserve and other central banks lowering key lending rates unexpectedly and by a larger than anticipated amounts; as credit spreads continue to widen; and as hedge funds, proprietary trading operation of banks, and other market players respond to uncertainty in capital markets by curtailing trading in all but the most riskless of asset classes.

Because some of our largest customers reduce their staffing levels in many of the markets in which we operate, while increasing them in others, and as smaller banks and dealers expand their staff, full-service inter-dealer brokers may see increased opportunity to be the outsourced provider of market intelligence, operational expertise and liquidity to help our clients as these seek to operate in the current uncertain economic climate.

Finally, over the course of 2009, regulators and legislators in the U.S. and E.U. worked to create new laws and regulations for the global OTC derivatives markets. The proposals have mainly called for additional transparency, position limits and collateral or capital requirements, as well as for central clearing of most standardized derivatives. We believe that uncertainty around the final form such new rules might take may have negatively impacted trading volumes in certain markets in which we broker. However, based on the proposals discussed so far, we believe that the overall impact on revenues and profitability for the largest IDBs including BGC would be neutral at worst.

## **Our Market Opportunity**

We believe the financial markets in which we operate present us with the following opportunities to provide value to our customers as a financial intermediary, inter-dealer broker, marketplace developer, technology provider and market data supplier:

***Increasing Use of Hedging and Risk Management.*** Inter-dealer brokers work with market participants who trade financial products, generally on behalf of their clients, to hedge risks associated with interest rate movements, equity ownership, fluctuations in the value of foreign currency, credit defaults by large corporate and sovereign debtors and volatility in the commodity markets. These hedging activities account for a growing proportion of the daily trading volume in derivative products. We believe that broadening familiarity with derivative products and the growing need for hedging and risk management will continue to drive higher trading volumes in financial products we broker including interest rate derivatives, credit derivatives, foreign exchange and listed futures products.

***Introduction of New Products.*** As market participants and their customers strive to mitigate risk, new types of securities and derivatives are introduced which are not immediately ready for more liquid and standardized electronic markets. As these require broker-assisted execution, we believe that these new products provide opportunities for inter-dealer brokers to expand their trading volumes and create product niches. We believe that these products generally have higher commissions than more liquid instruments.

***Growth in Algorithmic and Computerized Trading.*** In recent years, computerized trading has seen tremendous growth spurred by increasing liquidity and lower operating costs. As our customers increase their use of computerized trading, and as fully electronic trading becomes widespread in more asset classes, volumes should rise on our electronic platforms.

***Market Demand for Global Execution and Presence.*** We believe that the continuing globalization of trading and the liberalization of capital markets are propelling growth in trading volumes in products across the globe. In addition, we believe that economic growth in emerging markets such as Brazil, Russia, India, and China is fueling demand for inter-dealer brokered currency and fixed income and commodity hedging for customers across the globe. These factors and others are driving the demand for brokerage services in new markets. We also



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believe our presence in multiple financial centers across the globe positions us to capitalize on such demand. We also believe our recent expansion into France, Turkey, Russia, Brazil and throughout Asia further enhances our global market positions.

**Market Demand for Superior Execution.** Inter-dealer brokers act as important price discovery agents and valuable liquidity providers in both liquid and illiquid markets. The presence of a broker provides customers with market intelligence and aids in the execution process. The flow of information inter-dealer brokers provide to market participants is critical, enhancing liquidity and resulting in improved prices. Furthermore, the combination of hybrid execution with straight-through processing has significantly improved confirmation and settlement processes and has resulted in cost savings for customers. Hence, we expect to see continued demand in the wholesale markets for inter-dealer brokers due to their ability to provide price discovery, liquidity and superior execution.

**Desire for Anonymity.** Leading financial market participants frequently seek to trade anonymously to reduce market impacts. We expect to see an increasing demand for inter-dealer brokers to provide trade anonymity.

**Increasing Demand for Market Data.** Demand for reliable, real-time market data is growing as new financial products are introduced and trading volumes increase.

## **Our Competitive Strengths**

We believe that the following principal competitive strengths will help us enhance our position as a leading global inter-dealer broker:

**We are a Leading Inter-Dealer Broker with Specific Strengths in Key Markets.** We have displayed leadership in a multitude of markets globally, including the markets for certain interest rate derivatives, foreign exchange and credit products. The Company has been recognized within the industry, including by *Risk* magazine, for our strong presence in such interest rate products as interest rate swaptions, exotic interest rate products, interest rate caps/floors, interest rate swaps and repurchase agreements, as well as U.S. Treasuries. Over the past three years, *Asia Risk* magazine has named us as a leading broker in numerous product categories, including interest rate swaps, currency derivatives, equity derivatives and credit derivatives, as well as for overall Technology Development. The *Risk* and *Asia Risk* rankings are based on each magazine's annual survey of broker-dealers in their respective readership markets. In addition, BGC Partners was named by *Waters* magazine as Best Interdealer Broker in its 2009 European Financial IT Awards for the performance of BGC's fully electronic trading across multiple asset classes. We believe the leadership position that we have in our markets and our access to a broad customer base help us to locate the best price and to deliver the best execution for our customers, in both liquid and illiquid markets.

**We Have Strong Core Relationships.** We believe that our long-standing relationships with some of the world's largest financial institutions enhance our role as a liquidity provider. These relationships provide access to significant pools of liquidity, which is a key component of attracting new customers and enhancing our role as a provider of liquidity, price discovery and efficient execution. These strong relationships also allow us to participate in growth opportunities as these institutions begin to use newer products for risk management and trading. In addition, we believe these relationships allow us to sell our current and new products to our customers.

**We Have a Full Scale, Hybrid Brokerage Platform.** For many of our products, our hybrid platform allows our customers to trade on a voice, hybrid, or fully electronic basis, regardless of whether the trade is OTC or exchange-based, and to benefit from the experience and market intelligence of our worldwide brokerage network.

**We Have Proprietary Technology.** Since 1999, we have heavily invested in creating and maintaining our infrastructure, technology, and innovations in multiple markets. We believe our technology gives us an

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advantage over our competitors, which more often depend on third party vendors to support their functionality. Also, as a result of the merger, our technology capabilities are more closely aligned with our brokerage efforts and will be focused on new and emerging screen based market solutions to support our brokers. Finally, our technology, unlike that of many of our competitors, is generally designed and developed in-house, and is thus tailored to specifically suit the needs of our brokers and clients.

***We Provide Quality Software, Market Data and Analytics Products.*** Our leading position and liquidity in brokerage markets allow us to provide our customers with high quality, market data and analytics products. In addition, our proprietary software leverages our global infrastructure, software and systems, portfolio of intellectual property and electronic trading expertise to provide customers with electronic marketplaces, exchanges and real-time auctions to enhance securities issuance and to customize trading interfaces. Our ability to offer these products not only helps support our leadership position in several key markets but also provides us with a stable source of non-brokerage revenues.

***We Have Demonstrated the Ability to Identify, Recruit and Retain Key Talent.*** In October 2004, when Cantor began the restructuring of its inter-dealer brokerage business, we employed approximately 500 brokers and salespeople. As of December 31, 2009, we had 1,553 brokers and sales people across over 150 desks and products, which is roughly triple the amount we had in October of 2004. In a competitive environment, we have demonstrated our ability to successfully develop, attract and retain leading brokers, including through acquisitions of new businesses, in order to expand and enhance our brokerage staff. We believe that our ability to attract talent across the globe will enable us to grow our business and provide our customers with trading execution that is superior to that provided by many of our competitors.

***Our Partnership Structure Creates Long-Term Incentives.*** Our partnership structure is one of the unique strengths of our business. We believe that it provides long-term incentives and is an effective tool in recruiting, motivating and retaining our key employees. Key professionals who are invited to be partners are generally required to make a capital contribution to establish their partnership account. As of the December 31, 2009, we had 583 founding and working partners, including holders of REUs and RPUs. We believe that the ability to participate in the ongoing success of the enterprise acts as a strong motivator for brokers to perform and aligns their interests with stockholders.

***We Have a Proven Acquisition Track Record.*** In June 2009, we completed the acquisition of Liquidez. The merger of eSpeed and BGC Partners was completed on April 1, 2008. In August 2007, we acquired the emerging markets equities derivatives business of Marex Financial. In December 2006, we acquired AS Menkul, an established broker in Turkey, and, in November 2006, we acquired Aurel Leven, an independent inter-dealer broker in France, active in the equities, equity derivatives and fixed income markets. Finally, in 2005, we acquired Euro Brokers and ETC Pollak, and have integrated these established brokerage companies into our business. These acquisitions allowed us to expand our broker headcount, product offerings, technology capabilities and geographic footprint. We believe that this ability to successfully identify, acquire and integrate high quality brokerage companies will provide us with the opportunity to strengthen and enhance our franchise and to continue the rebuilding of our U.S. business and expand in local markets around the world.

***We Have Experienced Senior Management.*** We are led by a core senior management team, each of whom has many years of experience in the wholesale financial markets. Howard W. Lutnick, who serves as our Chairman and Chief Executive Officer, guided the BGC Division, eSpeed, and Cantor through the aftermath of the events of September 11, 2001, and was instrumental in the initial public offering of eSpeed in 1999. Shaun Lynn, our President, and Sean Windeatt, our Chief Operating Officer, have presided over the addition of more than 1,000 new brokers and salespeople and the expansion and growth of our business in the United States, Europe and Asia over the past five years. Our executives are supported by a highly experienced and qualified team of managers. We believe that our experienced management team gives us a competitive advantage in executing our business strategy.

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### **Our Strategy**

We seek to enhance our position as a leading global inter-dealer broker by increasing our market share in existing markets and expanding into new markets. We intend to achieve this goal by employing the following strategies:

***Leading Positions in Targeted Traditional, Liquid Markets.*** We intend to strengthen our position as a leading provider of inter-dealer brokerage services, technology infrastructure and market data products in the markets in which we focus. We believe that in these selected markets, we have the scale to continue to be a top participant, and we believe underlying macro fundamentals allow additional room for growth.

***Build and Develop Less Liquid Markets.*** We continue to build and expand in markets for selected emerging asset classes. We believe that our role as a top participant in certain underlying securities will be helpful in building liquidity in the higher growth, higher margin businesses associated with these underlying securities. We intend to leverage our position in traditional markets to build these new businesses.

***Expand in Attractive Markets Where Local Presence and Expertise Are Required.*** We plan to continue to expand into new geographies and build local presence in those markets. We believe that having local presence and expertise in targeted markets will provide us with a competitive advantage over our competitors. For example, we established local market presence in continental Europe through acquisitions of ETC Pollak and Aurel Leven in France and in emerging markets through the acquisitions of AS Menkul in Turkey and the emerging markets equities derivatives business of Marex Financial in the U.K. and South Africa. Additionally, we have significantly expanded our Asian platform from approximately 50 brokers and salespeople as of January 2005 to over 375 brokers and salespeople as of December 31, 2009.

***Leverage Existing Developed Infrastructure to Drive Margins.*** We have made substantial investments in brokers and technology in our targeted markets. We believe that the infrastructure in place is scalable, which provides us an opportunity for margin improvement as brokers increase production, we increase brokerage headcount, and as marketplaces become increasingly electronic. Due to the fixed cost nature of the back office functions and real estate-related expenses, each additional transaction we broker or sale we make adds incremental margin to our business. Our market data offerings should also provide opportunities for margin improvement as brokers increase production or as trading volumes rise.

***Expand our Broker Workforce Through Acquisitions and Recruitment.*** Since October 2004, we have expanded our front office workforce by over 1,000 people. As of December 31, 2009, we had 1,553 brokers and salespeople. We have a proven track record of growing our global network of brokers through business acquisitions and recruiting efforts and believe we are well-positioned to continue to do so. We intend to continue to selectively acquire companies and hire experienced brokers and salespeople with the goal of further developing our market position in various products, accelerating our growth and enhancing our profitability.

***Leverage our Proprietary Technology to Pursue New Products, Software Solutions, and Offerings.*** We believe that our ability to develop and build our own technology allows us to be at the forefront of new products and offerings. We also plan to capitalize on our global infrastructure, intellectual property and electronic trading expertise to provide a complete outsourced solution to customers to enable them to access exchanges and electronic markets.

***Further Develop and Expand our Market Data Services and Analytics Products.*** We intend to further develop our market data services and analytics products by integrating proprietary information generated by our inter-dealer brokerage business into new market data products designed to meet the needs of a greater number of customers. Sophisticated quantitative approaches to risk management as well as customer time sensitivity have created new needs, uses and demands for trading-related data and analytics. We intend to create new value-added services for customers to complement these products, including databases, analytical tools and other services to assist end-users.

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### **Overview of our Products and Services**

#### *Inter-Dealer Brokerage*

We are focused on serving three principal brokerage markets:

traditional, liquid brokerage markets, such as government bonds;

high margin, and often illiquid markets, such as credit default swaps and OTC equity derivatives; and

targeted local markets throughout the world, such as fixed-income and equities in France.

We believe that the strong long-term growth prospects for these markets, combined with our continued addition of brokers in other markets where we are currently strengthening our position and building scale, provide us with significant opportunities to increase revenues. We also plan to expand into additional product categories and seek to grow our market share in illiquid markets. Due to the complexity of newer and illiquid markets, customers are generally willing to pay a brokerage commission for liquidity and for the ability of experienced brokerage professionals to provide market intelligence and create structuring solutions.

We provide electronic marketplaces in several financial markets through our eSpeed- and BGC Trader- branded trading platform. These electronic marketplaces include government bond markets (U.S. Treasury securities, European government bonds, and Canadian government securities,) spot foreign exchange, foreign exchange options, and credit default swaps. We believe that eSpeed/BGC Trader is a comprehensive trading platform providing volume, access, speed of execution and ease of use. Our trading platform establishes a direct link between our brokers and customers and occupies valuable real estate on traders' desktop, which is difficult to replicate. We believe that we can leverage our platform to offer fully electronic trading as additional products transition from voice to electronic execution.

We have leveraged our hybrid platform to provide real-time product and pricing information through our BGC Trader application. We also provide straight-through processing to our customers for selected products. Our end-to-end solution includes real-time and auction-based transaction processing, credit and risk management tools and back-end processing and billing systems. Customers can access our trading application through our privately managed global high speed data network, over the internet, or third party communication networks.

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The following table identifies the key securities and financial products which we broker:

<b>Products</b>	<b>Description</b>
Agency Bonds	Securities issued or pooled, serviced and, sometimes, guaranteed by government agencies or quasi-governmental agencies to finance their activities ( <i>e.g.</i> , credit support of home mortgages). Examples of such agencies include the Government National Mortgage Association, the Federal National Mortgage Association and Freddie Mac.
Asset-Backed	Securities that represent either an ownership claim in a pool of securities or an obligation that is secured by a pool of securities where these securities are collateralized by hard assets such as automobile loans or credit card receivables.
Asset Swaps	An exchange of two assets. Asset swaps are done most often in order to achieve a more favorable payment stream and typically involve debt obligations.
Basis Swaps	An exchange of cash flows based on the difference between the cash price and the futures price of a given commodity.
Commodity Futures Contract	An agreement to buy or sell a set amount of a commodity at a predetermined price and date. Buyers often use these to avoid the risks associated with the price fluctuations of the product or raw material, while sellers try to lock in a price for their products.
Commodity Swap	A swap where exchanged cash flows are dependent on the price of an underlying commodity. This is usually used to hedge against the price of a commodity.
Convertible Bonds	Debt obligations that can be converted into shares of stock in the issuing company, usually at some pre-announced ratio.
Corporate Bonds	Debt obligations issued by private corporations (includes high yield bonds and convertible bonds).
Credit Derivatives	Contractual agreements entered into between two counterparties under which each agrees that one party will make payment to another party if the underlying security or bond defaults for an agreed upon period based on a notional amount of principal.
Emerging Market Bonds	Securities issued by governments and other issuers (including supranational and corporate bonds) in countries with developing economies.
Energy Derivatives	Derivative instrument in which the underlying asset is based on energy products such as crude oil, natural gas and electricity, which trade either on an exchange or over-the-counter. Energy derivatives can be options, futures or swap agreements, among others. The value of a derivative will vary based on the changes of the price of the underlying asset.
Equity Derivatives	A class of financial instruments whose value is at least partly derived from one or more underlying equity securities. Market participants generally trade equity derivatives in order to transfer or transform certain risks associated with the underlying securities.
Equity Index Futures	Instruments that call for the delivery of the cash equivalent of a stock index at a specific delivery (or maturity) date for an agreed upon price (the future price) to be paid at contract maturity.
Eurobonds	Securities syndicated and sold internationally that may be issued in a currency other than that of the country of the issuer.

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<b>Products</b>	<b>Description</b>
Floating Rate Notes	Debt obligations that have a variable coupon equal to a money market reference rate, like LIBOR or the federal funds rate, plus a spread. The spread generally remains constant and the market reference rate fluctuates.
Foreign Exchange Futures	Instruments that call for the delivery of foreign currency at a specific delivery (or maturity) date for an agreed upon price (the future price) to be paid at contract maturity.
Foreign Exchange (Spot)	Large-scale currency trading, usually with a minimum trade size of \$1 million, traded with an expectation that the transaction will price at the real-time market price and close within two days.
Foreign Exchange Swap/Forwards	A foreign exchange swap is an agreement between two parties to exchange a given amount of one currency for another and, after a specified period of time, to give back the original amounts swapped. The obligation to close the swap is a forward contract.
Global Repurchase Agreements and Reverse Repurchase Agreements	Short-term sales/purchases of securities with a promise to repurchase/sell back the securities at a higher price. Repurchase agreements and reverse repurchase agreements are typically overnight transactions although many transactions are for periods up to one year. These agreements are the preferred method of financing government bonds and agency bonds and investing cash (with government bonds and agency bonds as collateral) that are used by banks and investment banks.
Government Bonds	Debt obligations issued and backed by the issuing government ( <i>i.e.</i> , issued in the country's own currency). Examples include U.S. Treasury bonds, German Bunds, and U.K. Gilts.
High Yield Bonds	Debt obligations that are rated below investment grade on their date of issuance.
Inflation Swaps	Contractual agreements entered into between two counterparties under which one agrees to pay amounts against an underlying interest rate benchmark and the other pays an amount linked to an inflation index, like the Consumer Price Index, for an agreed upon period based on a notional amount of principal.
Interest Rate Futures	Instruments that call for the delivery of interest-bearing securities or interest rate products or their cash equivalent at a specific delivery (or maturity) date for an agreed upon price (the future price) to be paid at contract maturity.
Interest Rate Swaps	Contractual agreements entered into between two counterparties under which each party agrees to make periodic payments to each other for an agreed upon period based on a notional amount of principal and an underlying interest rate benchmark.
Options on Interest Rate Swaps	Options on Interest Rate Swaps - Also known as a swaption. The buyer of a swaption has the right to enter into an interest rate swap agreement on a specified date and with a specified strike rate. The swaption agreement can be right to pay fixed, right to receive fixed, but the most common is right to do both, which is called a straddle. The writer of the swaption becomes the counterparty to the swap if the buyer exercises.
Money Market Products	Full range of interest-bearing, short-term investments with maturities of less than one year, including certificates of deposit and commercial paper.
Mortgage-Backed	Securities that represent either an ownership claim in a pool of mortgages or an obligation that is secured by a pool of mortgages. For example, the Government National Mortgage Association and the Federal National Mortgage Association issue such securities.

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<b>Products</b>	<b>Description</b>
Off-The-Run U.S. Treasury Securities	Treasury bonds and notes that were formerly on-the-run benchmarks but have been supplanted by more recently issued securities. When a new on-the-run benchmark is issued, the current on-the-run becomes an off-the-run.
Options on Equity Products (a common type of equity derivative)	Contractual obligations that give the holder the right to buy or sell the cash equivalent of a single equity share or equity index, like the Standard & Poor's 500, at a specified exercise price on or before a specified expiration date. An investor also can buy or sell an option on an equity future or an equity index future.
Options on Foreign Exchange Products	Contractual obligations that give the holder the right to buy or sell a quantity of a foreign currency for a specific amount of domestic currency at a specified exercise price on or before a specified expiration date.
Options on Interest Rate Products	Contractual obligations that give the holder the right to buy or sell interest-bearing debt, such as Treasury notes, at a specified exercise price on or before a specified expiration date (includes bond options).
Sovereign Bonds	Debt obligations issued by a national government.
Supranational Bonds	Debt obligations issued and backed by supranational agencies such as the World Bank or the European Union.
U.S. Treasury Spreads	Financial products (e.g., interest rate swaps) that trade in relation to U.S. Treasury on-the-run benchmarks, the most recently issued Treasury securities that are the standard trading instruments in the bond market. A Treasury spread is derived from the price or yield difference between the financial product being traded and the benchmark.
U.S. Treasury Inflation Protection Securities	Debt issued by the U.S. Treasury that offer protection against inflation because their principal and interest payments are linked to inflation.
When-Issued U.S. Treasury Securities	New issues that will be created through the auction process and will become the new on-the-run benchmarks. A when-issued instrument has been authorized and may be traded although it has not yet been issued.

All trades executed on the eSpeed platform settle for clearing purposes against Cantor Fitzgerald & Co. ( CFC ), a BGC affiliate. CFC is a member of FINRA (formerly NASD) and the Fixed Income Clearing Corporation, a subsidiary of the Depository Trust & Clearing Corporation. CFC, BGC, and other affiliates participate in U.S. Treasuries as well as other markets by posting quotations for their account and by acting as principal on trades with platform users. Such activity is intended, among other things, to assist CFC, BGC, and their affiliates in managing their proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow.

***Market Data***

We also provide our proprietary market data to our customers. BGCantor Market Data is the exclusive source of real-time proprietary pricing and other data we derive for certain U.S. and European securities and derivatives. BGCantor Market Data develops and markets real-time, indicative and historical fixed income, foreign exchange and derivative market data services based on price data from us.

Our G3 product provides real-time graphs of relevant data with respect to the U.S. Treasury cash and futures markets. Distribution channels include Bloomberg, Reuters, CQG, DTN, eSignal, and SunGard, in addition to direct distribution. Products include data on interest rate swaps, options, US Treasuries, BGCantor G3,

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SwapSight, Interest Rate Swaps, SwapMarker, European Government Bonds, BGCantor Eye, US Treasury Historical Data, End of day Pricing, AutoSpeed 2.0, FX Options, and Credit Default Swaps. We also offer customized and packaged data solutions to meet specific clients' needs.

### ***Software Solutions***

Through our Software Solutions business, we provide customized screen-based market solutions to both related and unrelated parties. Using Software Solutions, our clients are able to develop a marketplace, trade with their customers, issue debt, trade odd lots, access program trading interfaces and access our network and our intellectual property. We can add advanced functionality to enable our customers to distribute branded products to their customers through online offerings and auctions, including private and reverse auctions, via our trading platform and global network. Through our Kleos Managed Services business, we provide system co-location service to a number of financial firms which use our infrastructure to run their high velocity and algorithmic trading strategies through access to our markets.

We have signed Software Solutions agreements with a number of U.S. and international enterprises, including the following:

For the World Bank, our trading engine and network connect the World Bank to its dealer customers anonymously through our Internet-based, real-time auction platform. This system was released in June 2003 and has handled over \$22 billion of the World Bank's interest rate swap volume as of December 31, 2009.

The Inter American Development Bank, which was established in 1959 to support the process of economic and social development in Latin America and the Caribbean, is the main source of multilateral financing in the region. Since 2005, this agency has transacted notional values of over \$30 billion in interest rates swaps, using our Treasury Connect product.

The Federal Home Loan Bank is a U.S. government-sponsored enterprise and one of the largest issuers in the global short-term securities market. Our electronic auction-based technology has powered The Federal Home Loan Bank's primary discount note auctions since August 2002.

We also use our technology to offer services such as automated spreading through our eSpeed network front-end trading software.

Our Software Solutions business provides the software and technology infrastructure for the transactional and technology related elements of Freedom International Brokerage Company's (Freedom) marketplace as well as certain other services in exchange for specified percentages of transaction revenues from the marketplace. It also provides software development, software maintenance, customer support, infrastructure, and internal technology services to support ELX's electronic trading platform.

### ***Aqua Business***

In October 2007, we spun off our former eSpeed Equities Direct business to form Aqua, a business owned 51% by Cantor and 49% by us. Aqua's purpose is to provide access to new block trading liquidity in the equities markets. The SEC has granted approval for Aqua to operate an Alternative Trading System in compliance with Regulation ATS.

### **Customers**

We primarily serve the wholesale inter-dealer market, including many of the world's largest banks that regularly trade in capital markets, brokerage houses, investment firms, hedge funds, and investment banks. Customers using our eSpeed branded products also include professional trading firms, futures commission merchants and other professional market participants and financial institutions. Our BGCantor Market Data



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products and services are available through many platforms and are available to a wide variety of capital market participants including banks, investment banks, brokerage firms, asset managers, hedge funds, investment analysts and financial advisors. We also license our intellectual property portfolio and Software Solutions to various financial markets participants.

For the year ended December 31, 2009, our top 10 customers, collectively, accounted for approximately 42.8% of our total revenue on a consolidated basis and our largest customer accounted for approximately 5.1% of our total revenue on a consolidated basis.

## **Sales and Marketing**

Our brokers and salespeople are the primary marketing and sales resources to our customers. Thus, our sales and marketing program is aimed at enhancing the ability of our brokers to cross-sell effectively in addition to informing our customers about our product and service offerings. We also employ product teams and business development professionals. We leverage our customer relationships through a variety of direct marketing and sales initiatives and build and enhance our brand image through marketing and communications campaigns targeted at a diverse audience, including traders, potential partners and the investor and press communities. We may also market to our existing and prospective customers through a variety of co-marketing/co-branding initiatives with our partners.

Our brokerage product team is composed of product managers, who are each responsible for a specific part of our brokerage business. The product managers seek to ensure that our brokers, across all regions, have access to technical expertise, support and multiple execution methods in order to grow and market their business. This approach of combining marketing with our product strategy has enabled us to turn innovative ideas into deliverable hybrid solutions, such as BGC Trader, our multi-asset hybrid offering to our customers for voice and electronic execution.

Our team of business development professionals is responsible for growing our global footprint through raising awareness of our products and services. The business development team markets our products and services to new and existing customers. As part of this process, they analyze existing levels of business with these entities in order to identify potential areas of growth and also to cross-sell our multiple offerings.

Our eSpeed and BGCantor Market Data branded products and services are promoted to our existing and prospective customers through a combination of sales, marketing and co-marketing campaigns.

## **Technology**

**Pre-Trade Technology.** Our brokers use a suite of pricing and analytical tools which have been developed both in-house and in cooperation with specialist software suppliers. The pre-trade software suite combines proprietary market data, pricing and calculation libraries, together with those outsourced from what we believe to be the best-of-breed providers in the sector. The tools in turn publish to a normalized, global market data distribution platform allowing prices and rates to be distributed to our proprietary network, data vendor pages, secure websites and trading applications as indicative pricing.

**Inter-Dealer Trading Technology.** We utilize a sophisticated proprietary electronic trading platform to distribute prices to our customers. Price data are transmitted over our proprietary global private network and also by third-party providers of connectivity to the financial community. Prices are in turn displayed by our proprietary trading desktop application, BGC Trader. BGC Trader is our multi-asset BGC Partners-branded hybrid offering to our customers for voice and electronic execution. This product combines the benefits of our existing hybrid system with a new concept of creative, customer-focused and front-end design. The first asset groups to be incorporated under the BGC Trader banner were foreign exchange options, European corporate bonds, European CDS and iTraxx. We plan to expand the number of products it supports, including other

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tradable and view-only products in our portfolio. The majority of our global products are supported by this platform in a view only, hybrid/managed, or fully electronic mode. Trades executed by our customers in any mode are eligible for immediate electronic confirmation to straight-through processing hubs. Our proprietary graphical user interface is deployed on thousands of user desktops at hundreds of major banks and institutions.

**Fully Electronic Trading Technology.** Our eSpeed-branded fully electronic trading system is accessible to our customers through (1) our proprietary front-end trading software, (2) our proprietary application programming interface, which we refer to as API, a dedicated software library enabling customers to incorporate our platform directly into their own applications, (3) the Internet, via a browser interface or Java application and (4) software developed in collaboration with Independent Software Vendors and (5) Financial Information eXchange (FIX). Our system runs on large-scale hardware located in data centers in the U.S. and the U.K. and is distributed either over our multiple-path global network or via the Internet through links to multiple global Internet service providers.

Our eSpeed-branded electronic marketplaces operate on a technology platform and network that emphasizes scalability, performance, adaptability and reliability. Our technology platform consists of our proprietary, internally developed real-time global network distribution system; our proprietary transaction processing software, which includes interactive matching auction engines, fully integrated credit and risk management systems, pricing engines, analytics and associated middle and back-office operations systems; and customized inventory distribution and auction protocols designed to be used by our customers and partners in their distribution and trading systems and customer interfaces, including Windows, Java, Unix, Linux, our API and Independent Software Vendor access.

Together, these components enable our customers to effect transactions virtually instantaneously, with straight-through processing. Our trading system accepts orders and postings and distributes responses, generally in under 100 milliseconds.

**Post-Trade Technology.** Our platform automates previously paper and telephone-based transaction processing, confirmation and other functions, substantially improving and reducing the cost of many of our customers' back offices and enabling straight-through processing. In addition to our own system, confirmation and trade processing is also available through third-party hubs including Swapswire, T-Zero, Reuters RTNS, Logicscope and direct straight-through processing in (FIX) for various banks.

We have electronic connections to most mainstream clearinghouses, including the Fixed Income Clearing Corporation (FICC), The Depository Trust & Clearing Corporation, Continuous Linked Settlement, Euroclear, Clearstream, Monte Titoli, LCH.Clearnet, Eurex and the CME. We intend to expand the number of clearinghouses to which we connect in the near future.

**Systems Architecture.** Our systems are implemented as a multi-tier hub and spoke architecture comprised of several components, which provide matching, credit management, market data distribution, position reporting, customer display and customer integration. The private network currently operates from four concurrent data centers (two of which are in London, one of which is in Rochelle Park, New Jersey and one of which is in Trumbull, Connecticut) and 12 hub cities throughout the world acting as distribution points for all private network customers. eSpeed network hubs beyond the core data centers are in Amsterdam, Brussels, Chicago, Frankfurt, Hong Kong, Madrid, Milan, Paris, Singapore, Tokyo, Toronto, and Zurich. The redundant structure of our system provides multiple backup paths and re-routing of data transmission if one spoke of a hub fails.

In addition to our own network system, we also receive and distribute secure trading information from customers using the services of multiple, major Internet service providers throughout the world. These connections enable us to offer our products and services via the Internet to our global customers.

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### **Software Development**

We devote substantial efforts to the development and improvement of our hybrid and electronic marketplaces and licensed software products and services. We work with our customers to identify their specific requirements and make modifications to our software, network distribution systems and technologies that are responsive to those needs. Our efforts focus on internal development, strategic partnering, acquisitions and licensing. As of December 31, 2009, we employed over 425 technology professionals.

### **Our Intellectual Property**

We have adopted a comprehensive intellectual property program to protect our proprietary technology. We currently have licenses covering various Cantor patents in the United States, including patents relating to (1) a system and method for auction-based trading of specialized items such as fixed income instruments, (2) a fixed income portfolio index processor and (3) a system for shared remote access of multiple application programs by one or more computers. Foreign counterpart applications for some of these U.S. patents have been filed.

We also have agreements to license technology covered by several pending U.S. patent applications relating to various other aspects of our electronic trading systems, including both functional and design aspects. We have filed a number of patent applications to further protect our proprietary technology and innovations, and have received patents for some of those applications.

In July 2004, we entered into an agreement with NYBOT, expiring in 2017, which provided among other things for payments from NYBOT in respect of NYBOT's electronic futures trading through 2017. As a result of the agreement with NYBOT, we are the sole owner of the Cantor Financial Futures Exchange and the Commodity Futures Clearing Corporation of New York. Additionally, we have agreed with NYBOT that NYBOT will provide processing services for futures contracts or options on futures contracts listed on the Cantor Financial Futures Exchange or other exchange designated by us.

Our patent portfolio is growing and consists of numerous patents and patent applications relating to our core business and relating to other businesses. We continue to look for opportunities to license and/or otherwise monetize these and other patents in our portfolio.

We cannot determine at this time the significance of any of the foregoing patents, or patent applications, if issued, to our business. We can give no assurance that any of the foregoing patents will be found by a court to be valid and enforceable, or that any of these patents would not be infringed by a third party competing or seeking to compete with our business. Our business strategy may or may not include licensing such patents for royalties, joint ventures with other marketplaces or exchanges or exclusively using the patents in our marketplaces and other product and service offerings.

### **Risk Management**

A significant portion of our revenue is generated through brokerage, where we do not act as principal in transactions. In this case our risk is limited to the brokerage commission earned. Where we act as principal on transactions, our business model focuses on intermediation between buyer and seller for short-dated settlement rather than on positioning securities for sale. As such, our risk profile is limited. We closely monitor and manage our counterparty risk and market risk where it exists. Where we act as principal, trading is primarily conducted on a matched principal basis.

Both risk management professionals and management at all levels take a hands-on approach to identifying and minimizing risk as part of our business culture. We employ a number of risk management processes to monitor our credit, market and operational risk. A global staff of experienced risk management professionals interacts daily with the business units to help ensure that we know our trading counterparties and make informed decisions in this challenging environment.

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Our primary risk is counterparty risk. Credit risk arises should a trading partner not deliver or fail to take delivery of a security upon settlement. A credit loss would occur in this event if the cost to replace the trade is greater than the existing trade. We manage this risk by evaluating our trading partners in a number of ways to assess their ability to meet these obligations. These evaluations are based on fundamental credit analysis of the firm's financial condition, industry conditions and current events. This analysis results in the assignment of obligor credit ratings to our counterparties. Credit ratings are intended to assess the counterparty's probability of default and are derived using methodologies generally consistent with those employed by external rating agencies. Trading limits are evaluated and sized to take into account our credit assessment of the counterparty, estimated trading activity and potential exposure of the instruments traded.

Market risk is limited since we do not hold material trading inventory or take material proprietary trading positions. From time to time, we may have unmatched positions. These unmatched positions are intended to be disposed of in the short-term. Risk Management monitors our trading desks to assure that trading activities are within the scope of this mandate.

Operational risk refers to the risk of financial or other loss, or potential damage to a firm's reputation, resulting from inadequate or failed internal processes, people, resources, systems or from external events. We may incur operational risk across the full scope of business activities and support functions. Operational risk policies are designed to reduce the likelihood and/or impact of operational incidents as well as to mitigate legal, regulatory and reputational risks. The framework continually responds to the changing regulatory and business environment. Primary responsibility for the management of operational risk is with the business segments, the control groups and the business managers. The business managers generally maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk.

In addition, our processes address disaster recovery concerns. We operate most of our technology from dual-primary data centers at our two different London locations. Either site alone is capable of running all of our essential systems. In addition, we have technology running from data centers in New Jersey and Connecticut. Replicated instances of this technology are maintained in our London data centers. All data centers are built and equipped to best-practice standards of physical security with appropriate environmental monitoring and safeguards. Failover for the majority of our systems are automated.

## **Competition**

We encounter competition in all aspects of our businesses and compete primarily with other inter-dealer brokers, including for both brokers and suitable acquisition candidates.

### ***Inter-Dealer Brokers***

We primarily compete with four major, diversified inter-dealer brokers. These inter-dealer brokers are ICAP plc, Tullett Prebon plc, GFI Group Inc. and Compagnie Financière Tradition (which is majority owned by Viel & Cie), all of which are currently publicly traded companies. Other inter-dealer broker competitors include a number of smaller, private firms that tend to specialize in specific product areas or geographies.

Demand for services of brokers is directly affected by national and international economic and political conditions, broad trends in business and finance, the level and volatility of interest rates, changes in and uncertainty regarding tax laws and substantial fluctuations in the volume and price levels of securities transactions. Other significant factors affecting competition in the brokerage industry are the quality and ability of professional personnel, the depth and pricing efficiency of the market displayed by a broker, the strength of the technology used to service and execute on those markets and the relative prices of services and products offered by the brokers and by competing markets and trading processes.

The majority of our large inter-dealer broker competitors also sell proprietary market data which compete with our market data offerings. In addition to direct sales, we resell market data through large market data and

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information providers. These companies have established significant presences on the vast majority of trading desks in our industry. Some of these companies have expanded their product mix to include electronic trading and execution in addition to their traditional market data offerings.

### ***Exchanges***

Although our business will often use exchanges to execute transactions brokered in OTC markets, we believe that exchanges have sought and will seek to migrate products traditionally traded in OTC markets by inter-dealer brokers to exchanges. However, we believe that when a product goes from OTC to exchange-traded, the underlying OTC market often continues to experience growth in line with the growth of the exchange-traded contract. As ELX grows its business, we expect it to directly compete with other exchanges in the trading of certain contracts. In addition, IntercontinentalExchange, Inc. ( ICE ) operates both regulated exchanges and OTC execution services, and in the latter it competes directly with inter-dealer brokers in energy, commodities, and credit products. ICE entered these OTC markets primarily by acquiring independent OTC brokers, and we believe that its likely ICE or other exchange operators may seek to compete with us in the future by acquiring other such brokers.

### ***Software Vendors and Others***

Certain exchanges and market data companies, such as NASDAQ OMX, license their technology for use by other market participants, including inter-dealer brokers and other exchanges. Such technology is potentially competitive insofar as we may attempt to license our technology in a similar manner as we have to ELX, or as we may to any company or organization that wishes to create or improve a trading system or exchange.

Overall, we believe that we may also face future competition from other large computer software companies, market data and technology companies and some securities brokerage firms, some of which are currently our customers, as well as from any future strategic alliances, joint ventures or other partnerships created by one or more of our potential or existing competitors.

Our existing and potential competitors in fully electronic trading are numerous and include other inter-dealer brokerage firms, multi-dealer trading companies, technology companies and market data and information vendors, securities and futures exchanges, electronic communications networks, crossing systems, software companies, consortia, business-to-business marketplace infrastructure companies and niche market energy and other commodity Internet-based trading systems.

### ***Banks and Broker-dealers***

According to TABB Group, for a large percentage of all OTC derivatives trades, banks and dealers trade directly between each other without the use of an IDB or other intermediary. In addition, many OTC transactions are conducted entirely in-house using only the bank or broker-dealer's internal liquidity pools. Therefore, for many potential OTC transactions, IDBs essentially compete with their own customers.

In addition, in certain products and markets, such as in listed equity-related products globally, and a variety of OTC and listed products in smaller markets like Turkey, IDBs sell, broker, and trade products on behalf of both wholesale and institutional customers. Consequently, BGC and its publicly-traded IDB peers can at times both service and compete with its bank and broker-dealer customers. This is generally not the case in the U.S. and U.K. in Rates, Credit, and Foreign Exchange.

Finally, banks and broker dealers have in the past created and/or funded consortia to compete with exchanges and Inter-dealer brokers. For example, ICAP's inter-dealer businesses for fully electronic trading of U.S. Treasuries and spot foreign exchange both began as dealer-owned consortia before being acquired by ICAP. An example of a current and similar consortium is Tradeweb. Currently, several large banks hold stakes in Tradeweb, an internet-based market intermediary. Thomson Reuters Corporation is Tradeweb's single largest

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shareholder. Although Tradeweb operates primarily as a dealer to customer platform, one of its offerings include a voice and electronic inter-dealer platform for mortgage-backed and U.S. Agency securities. Tradeweb's management has said that it would like to expand into other inter-dealer markets, and as such may compete with BGC in other areas over time.

### **Partnership Overview**

We believe that our partnership structure is one of the unique strengths of our business. Many of our key brokers have their own capital invested in our business, aligning their interests with our stockholders.

We believe that our partnership structure is an effective tool in recruiting, motivating and retaining key employees. Many brokers are attracted by the opportunity to become partners because the partnership agreement entitles partners to quarterly distributions of income from the partnership. While BGC Holdings limited partnership interests entitle founding/working partners and REU partners to participate in distributions of income from the operations of our business, upon leaving BGC Holdings (or upon any other redemption or purchase of such limited partnership interests as described below), any such founding/working partner or REU partners are, only entitled to receive over time, and provided he or she does not violate certain partner obligations, an amount for his or her BGC Holdings limited partnership interests that reflects such partner's capital account, excluding any goodwill or going concern value of BGC Partners' business unless Cantor, in the case of the founding partners, and we, as the general partner of BGC Holdings, otherwise determine. Founding/working partners and REU partners can receive the right to exchange their BGC Holdings limited partnership interests for shares of BGC Partners common stock (if, in the case of founding partners, Cantor so determines (as Cantor has determined to do with respect to a portion of the founding partner interests immediately after the merger) and in the case of working partners and REU partners, the BGC Holdings general partner, with Cantor's consent, determines otherwise) and thereby realize any higher value associated with BGC Partners common stock. See *Certain Relationships and Related Transactions* Amended and Restated BGC Holdings Limited Partnership Agreement Exchanges. We believe that, having invested their own capital in us, partners feel a sense of responsibility for the health and performance of our business and have a strong incentive to maximize our revenues.

### **Relationship Between BGC Partners and Cantor**

See *Certain Relationships and Related Transactions*.

### **Regulation**

#### ***U.S. Regulation***

The financial services industry in the United States is subject to extensive regulation under both federal and state laws. As registered broker-dealers and a Futures Commissions Merchant, certain of our subsidiaries are subject to laws and regulations which cover all aspects of financial services, including sales methods, trade practices, use and safekeeping of customers' funds and securities, minimum capital requirements, recordkeeping, business practices, securities lending and financing of securities purchases and the conduct of associated persons. We and our subsidiaries also are subject to the various anti-fraud provisions of the Securities Act, the Exchange Act, the Commodity Exchange Act, certain state securities laws and the rules and regulations thereunder. We also may be subject to vicarious and controlling person liability for the activities of our subsidiaries and our officers, employees and affiliated persons.

The SEC is the federal agency primarily responsible for the administration of federal securities laws, including adopting rules and regulations applicable to broker-dealers (other than government securities broker-dealers) and enforcing both its rules regarding broker-dealers and the Treasury's rules regarding government securities broker-dealers. Broker-dealers are also subject to regulation by state securities administrators in those states in which they conduct business or have registered to do business. In addition, Treasury rules relating to

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trading government securities apply to such activities when engaged in by broker-dealers. The CFTC is the federal agency primarily responsible for the administration of federal commodities future laws, including the adoption of rules applicable to Futures Commissions Merchants and Designated Contract Markets such as ELX.

Much of the regulation of broker-dealers' operations in the United States has been delegated to self-regulatory organizations. These self-regulatory organizations adopt rules (which are subject to approval by the SEC) that govern the operations of broker-dealers and government securities broker-dealers and conduct periodic inspections and examinations of their operations. In the case of BGC Partners' U.S. broker-dealer subsidiaries, the principal self-regulatory organization is FINRA. FINRA is a new self-regulatory organization that commenced operations in the third quarter of 2007. It was formed from the consolidation of the NASD's member regulation operations and the regulatory arm of the NYSE Group to act as the self-regulatory organization for all broker-dealers doing business within the United States. Accordingly, BGC Partners' U.S. subsidiaries will be subject to both scheduled and unscheduled examinations by the SEC and FINRA. In our futures-related activities, our subsidiaries are also subject to the rules of the CFTC, futures exchanges of which they are members and the NFA, a futures self-regulatory organization.

The changing regulatory environment, new laws that may be passed by Congress, and rules that may be promulgated by the SEC, the Treasury, the Federal Reserve Bank of New York, the CFTC, the NFA, FINRA and other self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, if adopted, may directly affect our mode of operation and profitability, of our competitors and our customers and of the securities markets in a way that could adversely affect our business.

The SEC, self-regulatory organizations and state securities administrators conduct informal and formal investigations of possible improprieties or illegal action by broker-dealers and their associated persons, which could be followed by the institution of administrative, civil and/or criminal proceedings against broker-dealers and/or associated persons. Among the sanctions that may result if administrative, civil or criminal proceedings were ever instituted against us or our associated persons, are injunctions, censure, fines, the issuance of cease-and-desist orders or suspension or expulsion from the industry and, in rare instances, even imprisonment. The principal purpose of regulating and disciplining broker-dealers is to protect customers and the securities markets, rather than to protect broker-dealers, creditors and equity holders. From time to time, our associated persons have been and are subject to routine investigations, none of which, to date, have had a material adverse effect on our business.

Throughout 2007, the U.S. securities industry implemented a number of new rules contained in Regulation NMS which made a number of changes to the U.S. national market structure for equity securities. Among other things, Regulation NMS governs how market centers provide access to their quotations in sub-penny increments. Regulation NMS also contains a Trade-Through Rule which generally prevents a market center from trading a stock at a price that is worse than an electronically accessible quote for the same security displayed on a competing market.

Additionally, recent events in the credit markets have led to increasing calls by legislators and regulators for increased government oversight of the OTC markets. In particular, portions of the swap market may be required to be centrally cleared through a central clearing organization. Furthermore, it is possible that regulators in some jurisdictions may also require that parts of the swap market to trade on regulated exchanges or through alternative swap execution facilities. In the event that government authorities were to mandate exchange trading for large portions of the OTC markets and we were unable to post on an exchange and execute transactions for us and our customers, or operate as an alternative swap execution facility to intermediate swap transactions for our customers this could negatively impact our business.

***U.K. and European Regulation***

The Financial Services and Markets Act 2000, which we refer to as the FSMA 2000, along with secondary legislation provides the framework in which all forms of financial services business are authorized and regulated.

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The FSA is the statutory regulator for the United Kingdom financial services industry. The FSA is an independent non-governmental body that has been given statutory powers by the FSMA 2000. Currently, we have subsidiaries and branches regulated by the FSA (BGC Brokers L.P., BGC International and the U.K. branch of Aurel BGC).

The FSA regulates the financial services industry through its Handbook of Rules and Guidance, which consist of a number of sourcebooks and manuals and is prepared under powers granted by FSMA 2000.

A number of powers are conferred on the FSA by the FSMA 2000. These include the power to investigate, discipline or prosecute breaches of FSMA 2000. For example, the FSA can institute criminal proceedings for market abuse subject to restrictions imposed by the Treasury. Once a firm is authorized by the FSA, it is under an obligation to meet the standards set by the FSA, and the FSA can take disciplinary action against an authorized person. Such disciplinary action may include the imposition of a fine, issuance of public censures, withdrawal or amendment of authorization or prosecution.

As a result of the FSA's risk assessment of the BGC Partners group's regulated entities in 2005, the FSA asked that a skilled person be appointed to report on various aspects of the finance department's responsibilities. This process has now been finalized to the satisfaction of the FSA. In February 2010, FSA issued a draft requirement notice under Section 166 of FSMA 2000 to appoint a Skilled Person. The scope of the work is currently being determined but will cover a review of the systems and controls in place relating to client asset and client monies.

There are a number of European directives that have been implemented by European Union member states that affect the financial services industry. These include The Market Abuse Directive, the MIFID, The Third Money Laundering Directive, The Financial Groups Directive and the Capital Requirements Directive. Some of these directives have caused significant changes to the way the financial services industry is regulated in Europe. These directives are important developments in the regulatory environment of the European Union.

Our European regulated group (Aurel BGC, BGC Brokers L.P., BGC International L.P., BGC International, and other intermediate non-regulated holding entities) is subject to The Financial Groups Directive. To meet the FSA's requirements under this directive, the corporate structure of our European regulated group was reorganized as of July 1, 2007. The restructuring of the regulated European entities under BGC European Holdings does not affect their day-to-day operations as European Holdings is a holding entity.



**Table of Contents****Other Regulation**

Our subsidiaries that have foreign operations are subject to regulation by the relevant regulatory authorities and self-regulatory organizations in the countries in which they do business. The following table sets forth certain jurisdictions, other than the United States, in which we do business and the applicable regulatory authority or authorities of each such jurisdiction:

<b>Jurisdiction</b>	<b>Regulatory Authorities/Self-Regulatory Organizations</b>
Australia	Australian Securities and Investments Commission and Australian Futures Exchange
Brazil	Brazilian Securities and Exchange Commission, the Central Bank of Brazil and BM&F BOVESPA.
Canada	Ontario Securities Commission
China	China Banking Regulatory Commission
Denmark	Danish Financial Supervisory Authority
France	Banque de France and subsidiary agencies, CECEI (Comité des Établissements de Crédit et des Entreprises d'investissement), CCLRF (Comité Consultatif de la Législation et de la Réglementation Financière), Commission Bancaire and AMF (Autorité des Marchés Financiers)
Hong Kong	Hong Kong Securities and Futures Commission and The Hong Kong Monetary Authority
Japan	Japanese Financial Services Agency
Korea	Ministry of Finance and Economy
Mexico	Banking and Securities National Commission
Russia	Federal Service for Financial Markets
Singapore	Monetary Authority of Singapore
South Africa	Johannesburg Stock Exchange
Switzerland	Swiss Federal Banking Commission
Turkey	Capital Markets Board of Turkey
United Kingdom	Financial Services Authority

**Capital Requirements****U.S.**

Every U.S.-registered broker-dealer is subject to the Uniform Net Capital Requirements. Similarly, FCMs such as ELX are subject to CFTC capital requirements. The Uniform Net Capital Requirements is designed to ensure financial soundness and liquidity by prohibiting a broker or dealer from engaging in business at a time when it does not satisfy minimum net capital requirements.

In the United States, net capital is essentially defined as net worth (assets minus liabilities), plus qualifying subordinated borrowings and less certain mandatory deductions that result from excluding assets that are not readily convertible into cash and from conservatively valuing certain other assets, such as a firm's positions in securities. Among these deductions are adjustments, which we refer to as haircuts, in the market value of securities positions to reflect the market risk of such positions prior to their liquidation or disposition. The Uniform Net Capital Requirements also imposes a minimum ratio of equity to subordinated debt which may be included in net capital.

Regulations have been adopted by the SEC that prohibit the withdrawal of equity capital of a broker-dealer, restrict the ability of a broker-dealer to distribute or engage in any transaction with a parent company or an affiliate that results in a reduction of equity capital or to provide an unsecured loan or advance against equity capital for the direct or indirect benefit of certain persons related to the broker-dealer (including partners and affiliates) if the broker-dealer's net capital is, or would be as a result of such withdrawal, distribution, loan or advance, below specified thresholds of excess net capital. In addition, the SEC's regulations require certain

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notifications to be provided in advance of such withdrawals, distributions, reductions, loans and advances that exceed in the aggregate 30% of excess net capital within any 30 day period, and the SEC has the authority to restrict, for up to 20 business days, such withdrawal, distribution or reduction of capital if the SEC concludes that it may be detrimental to the financial integrity of the broker-dealer or may expose its customers or creditors to loss. Notice is required following any such withdrawal, distribution, reduction, loan or advance that exceeds in the aggregate 20% of excess net capital within any 30 day period. The SEC's regulations limiting withdrawals of excess net capital do not preclude the payment to employees of reasonable compensation.

Two of our subsidiaries, including BGC Financial, Inc., are registered with the SEC and are subject to the Uniform Net Capital Requirements and, accordingly, must maintain minimum net capital and comply with the Uniform Net Capital Requirements in all respects. One of such entities uses the basic method of calculating net capital and must maintain net capital of not less than the greater of \$100,000 or 6.66% of certain of its liabilities and other obligations. BGC Financial, Inc. uses the alternative method of calculating net capital and must maintain net capital of not less than the greater of \$250,000 or 2% of its aggregate debit items (primarily receivables from customers and other broker-dealers). BGC Financial, Inc. is also a member of the FICC, which imposes capital requirements on its members.

Compliance with the Uniform Net Capital Requirements may limit the extent and nature of our operations requiring the use of our registered broker-dealer subsidiaries' capital, and could also restrict or preclude our ability to withdraw capital from our broker-dealer subsidiaries.

### ***Non-U.S.***

Outside the United States, non-U.S. net capital requirements are essentially defined as statutory capital and reserves, plus qualifying subordinated borrowings less liquidity adjustments arising from the liquidity of non-trading book assets. Further deductions are then taken pertaining to trading book assets and exposures to capture credit, market, foreign exchange and concentration risks. A further requirement is ordinarily imposed on most non-U.S. regulated entities which requires the firm to provide for capital equal to at least its operational costs for a three-month period.

A regulated entity which is dormant or conducts primarily non-trading book activities will still have a minimum capital requirement. This normally takes the form of a solvency test, expenditure-based requirement or is prescribed by the local regulator dependent upon its authorized activities.

In the United Kingdom, the FSA imposes regulatory capital requirements on its regulated entities. Additionally, certain other of our foreign subsidiaries are required to maintain non-U.S. net capital requirements. In Hong Kong, BGC Securities (Hong Kong), LLC and BGC Capital Markets (Hong Kong), Limited are regulated by the Securities and Futures Commission and The Hong Kong Monetary Authority, respectively. BGC Securities (Hong Kong), LLC is subject to non-U.S. net capital requirements. BGC Capital Markets (Hong Kong), Limited does not currently have a capital requirement and is only required to be solvent. In France, ETC Pollak SAS, EPP Holdings SAS and Aurel Leven; in Denmark, BGC Brokers L.P.'s Danish branch; in Australia, BGC Partners (Australia) Pty Limited; in Japan, BGC Shoken Kaisha Limited; in Singapore, a BGC International branch; and in Turkey, AS Menkul, all have non-U.S. net capital requirements imposed upon them by local regulators. In addition, the Eurex and LCH (LIFFE/LME) clearing organizations, of which BGC Partners is a member, also impose minimum capital requirements.

BGC Partners had equity capital for its regulated subsidiaries of \$237.6 million and \$411.0 million for the years ended December 31, 2009 and 2008, respectively.

### **Employees**

As of December 31, 2009, we employed 1,553 brokers and 30 salespeople and related staff (front office) and another 941 employees (back office). Approximately 33.6% of BGC Partners' brokers are based in the

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Americas, approximately 44.1% are based in Europe, Middle East and Africa (including Turkey) and the remaining approximately 22.3% are based in the Asia-Pacific region. As of December 31, 2009, we had 2,524 total employees. Generally, our employees are not subject to any collective bargaining agreements, except our employees in certain of our European offices, including France, who are covered by national, industry-wide collective bargaining agreements.

## **Legal Proceedings**

See Part I Item 3. Legal Proceedings.

## **Our Organizational Structure**

On April 1, 2008, BGC Partners OldCo and eSpeed merged and the surviving entity was renamed BGC Partners, Inc. Immediately prior to the merger, pursuant to a separation agreement, Cantor transferred certain assets and liabilities to BGC Partners OldCo and/or its subsidiaries.

We are a holding company and our business is operated through two operating partnerships, BGC U.S., which holds our U.S. businesses, and BGC Global, which holds our non-U.S. businesses. In connection with the separation, Maxcor was contributed to BGC Partners OldCo in exchange for BGC Partners OldCo units that became shares of our common stock in the merger and the remainder of the BGC businesses were contributed to the Opcos in exchange for limited partnership interests in the Opcos. In connection with the merger, eSpeed contributed the eSpeed businesses to the Opcos in exchange for limited partnership interests in the Opcos.

The limited partnership interests of the Opcos are held by us and BGC Holdings and the limited partnership interests of BGC Holdings are currently held by Cantor and the founding/working partners. We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC Global, and serves as the general partner of BGC U.S. and BGC Global, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. and BGC Global. BGC Holdings holds its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited.

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The following diagram illustrates our ownership structure as of March 1, 2010. The following diagram does not reflect the various subsidiaries of ours, BGC U.S., BGC Global, BGC Holdings or Cantor, or the results of any exchange of BGC Holdings exchangeable limited partnership interests or, to the extent applicable, BGC Holdings founding partner interests or BGC Holdings REUs:

\* Shares of Class B common stock are convertible into shares of Class A common stock at any time in the discretion of the holder on a one-for-one basis. Accordingly, if Cantor converted all of its Class B common stock into Class A common stock, Cantor would hold 33.2% of the voting power and the public stockholders would hold 66.8% of the voting power (and the indirect economic interests in BGC U.S. and BGC Global would remain unchanged).

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**Stock Ownership**

As of March 1, 2010, there were approximately 56,428,098 shares of our Class A common stock outstanding, of which 1,081,369 were held by Cantor and CF Group Management Group, Inc. ( CFGM ), Cantor's managing general partner. Each share of Class A common stock is generally entitled to one vote on matters submitted to a vote of our stockholders. In addition, as of March 1, 2010, Cantor and CFGM held 26,448,107 shares of our Class B common stock (which represents all of the outstanding shares of our Class B common stock), representing, together with our Class A common stock held by Cantor and CFGM, approximately 83% of our voting power. Each share of Class B common stock is generally entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock is entitled to 10 votes. The Class B common stock generally votes together with the Class A common stock on all matters submitted to a vote of our stockholders.

We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Global, and serves as the general partner of each of BGC U.S. and BGC Global, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. and BGC Global. BGC Holdings holds its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited. In addition, as of March 1, 2010, we indirectly, through wholly-owned subsidiaries, held BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of approximately 82,572,238 units and 82,572,238 units, representing approximately 44.3% and 44.3% of the outstanding BGC U.S. limited partnership interests and BGC Global limited partnership interests, respectively. We are a holding company that holds these interests, serves as the general partner of BGC Holdings, and, through BGC Holdings, acts as the general partner of each of BGC U.S. and BGC Global. As a result of our ownership of the general partnership interest in BGC Holdings and BGC Holdings' general partnership interest in each of BGC U.S. and BGC Global, we consolidate BGC U.S.'s and BGC Global's results for financial reporting purposes.

Founding/working partners and REU partners directly and Cantor indirectly hold BGC Holdings limited partnership interests. BGC Holdings, in turn, holds BGC U.S. limited partnership interests and BGC Global limited partnership interests and, as a result, founding partners, REU partners and Cantor indirectly have, and working partners have interests in BGC U.S. limited partnership interests and BGC Global limited partnership interests.

Since the merger, and through March 1, 2010, Cantor has distributed an aggregate of 3,164,400 shares of Class A common stock (2,745,482 shares with respect to retained partners and 418,918 shares with respect to founding partners) and is scheduled to distribute the remaining 22,981,340 shares by April 1, 2011. As of March 1, 2010, partners of Cantor owning an aggregated of 10,618,345 shares have elected to defer receipt of their shares and receive a distribution equivalent. In addition, as of March 1, 2010, there were 28,752,712 REUs and 2,723,174 RPUs outstanding. These share amounts reflect the fact that certain retained partners have terminated service since the completion of the merger, with the result that they are not eligible to receive an accelerated distribution of their distribution rights shares.

The BGC Holdings limited partnership interests held by Cantor will be exchangeable with us for our Class B common stock (or, at Cantor's option or if there are no additional authorized but unissued shares of our Class B common stock, our Class A common stock) on a one-for-one basis (subject to customary anti-dilution adjustments). Upon certain circumstances, certain of the outstanding founding/working partner units, REUs and RPUs may become exchangeable.

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On March 12, 2010, our Audit Committee authorized us or our subsidiaries to sell \$150,000,000 aggregate principal amount of 8.75 % Convertible Senior Notes due 2015 to Cantor or one of its affiliates which may include up to \$25,000,000 to Howard W. Lutnick and/or his related designees. On March 16, 2010, we executed an agreement with respect to this transaction. We and our affiliates intend to use the proceeds to repay at maturity our outstanding \$150.0 million notes due April 1, 2010.

In March 2010, the Amended and Restated BGC Holdings, L.P. limited partnership agreement was further amended by its general partner and Cantor to create two new types of Working Partner Units, PSUs and PSIs. PSUs and PSIs are identical to REUs and RPUs, respectively, except that they have no associated post-termination payments. These new units are expected to be used by us for future compensatory grants, compensation modifications, redemptions of partnership interests and other purposes.

We have commenced a program directed initially at partners based in the United Kingdom (excluding executive officers) to be effected through a redemption, and separate compensation modification proposals, in which PSUs and PSIs would be substituted for REUs and RPUs, respectively. If the redemption is effected, the REUs and RPUs held by the affected partners who participate in the redemption would be redeemed in return for PSUs and PSIs, respectively, and cash. The compensation modification proposals, if effected, would principally result in an additional redemption for cash or the exchangeability of certain of the units received by partners in the redemption or retained by partners who are not subject to the redemption (as well as certain Founding Partner Units held by such partners). This program increases the likelihood that we will pay future compensation in PSUs and PSIs. We currently expect the effect of this redemption will be to reduce our fully-diluted share count by between 1 and 3 percent.

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**ITEM 1A. RISK FACTORS**  
**RISKS RELATED TO OUR BUSINESS**

**Our business has been and may continue to be adversely affected by conditions in the global financial markets and economic conditions generally.**

Since mid-2007, and particularly during the second half of 2008 and into 2009, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by low levels of liquidity. This was initially triggered by declines in the values of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initially in financial institutions, but more recently in companies in a number of other industries and in the broader markets. Declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase credit default swap spreads, to cause rating agencies to lower credit ratings, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant declines in central bank borrowing rates and other government actions. These market conditions have adversely affected our business and financial condition as customers or potential customers liquidate or consolidate, our ability to borrow money is restricted, the price of our common stock declines and capital and margin requirements for our business lines increase. In addition, our operations may suffer to the extent that ongoing market volatility causes individuals and institutional traders and other market participants to curtail or forego trading activities.

In 2008 and 2009, governments, regulators and central banks in the United States and worldwide have taken numerous steps to increase liquidity and to restore investor confidence, but asset values continued to decline and access to liquidity continued to be very limited through the first half of 2009. Overall, during fiscal 2008, and the first three quarters of 2009, the market environment was adverse for our business. Although market conditions improved during the fourth quarter of 2009 and in January of 2010 when compared to the year-earlier periods, there can be no assurance that these conditions will continue to improve in the near term. Therefore, our results of operations may continue to be adversely affected.

**Because competition for the services of brokers is intense, we may not be able to attract and retain highly skilled brokers, which could adversely impact our revenues and as a result could materially adversely affect our business, financial condition and results of operations.**

Our ability to provide high-quality brokerage services and maintain long-term relationships with our customers depends, in large part, upon our brokers. As a result, we must attract and retain highly qualified brokerage personnel. In recent years, we have significantly grown the number of brokers in our business through new hires and acquisitions of existing businesses, and we expect to continue to do so in the future. Competition for the services of brokers is intense, especially for brokers with experience in the specialized markets in which we participate or we may seek to enter. If we are unable to hire or retain highly qualified brokers, including retaining those employed by businesses we acquire in the future, we may not be able to enter new brokerage markets or develop new products. If we lose one or more of our brokers in a particular market in which we participate, our revenues may decrease and we may lose market share in that particular market.

In addition, recruitment and retention of qualified brokers could result in substantial additional costs. We have been and are currently a party to, or otherwise involved in, several litigations and arbitrations involving competitor claims in connection with employee hires and/or departures. We may also pursue our rights through litigation when competitors hire our employees who are under contract with us. We believe such proceedings are common in our industry due to its highly competitive nature. An adverse settlement or judgment related to these or similar types of claims could have a material adverse effect on our business, financial condition and results of operations. Regardless of the outcome of these claims, we generally incur significant expenses and substantial management time in dealing with these claims.

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If we fail to attract new personnel, or fail to retain and motivate our current personnel, or if we incur increased costs associated with attracting and retaining personnel (such as litigations, arbitrations, sign-on or guaranteed bonuses or forgivable loans), our revenues and expenses could be adversely impacted and, as a result, our business, financial condition and results of operations could be materially adversely affected.

**We may pursue strategic alliances, acquisitions or joint ventures or hire brokers for new or existing brokerage desks, which could present unforeseen integration obstacles or costs and could dilute the common stock owned by our stockholders. We may also face competition in our acquisition strategy, which may limit our number of acquisitions and growth opportunities.**

We have explored a wide range of strategic alliances, acquisitions or joint ventures with other brokers and with other companies that have interests in businesses in which there are brokerage or other strategic opportunities. For example, in December 2007, the Company together with other leading financial institutions announced the establishment of a new joint venture, ELX. We also may seek to hire brokers for new or existing brokerage desks. In addition, from time to time, we have and we expect to continue to evaluate and potentially pursue possible strategic alliances, acquisitions, joint ventures or broker hires. These acquisitions or new hires may be necessary in order for us to enter into or develop new product and geographic areas.

Strategic alliances, acquisitions, joint ventures and new hires involve a number of risks and present financial, managerial and operational challenges, including:

potential disruption of our ongoing business and product development and distraction of management;

difficulty retaining and integrating personnel and integrating financial and other systems;

the necessity of hiring additional management and other critical personnel and integrating them into current operations;

litigation and/or arbitration associated with hiring brokerage personnel;

increasing the scope, geographic diversity and complexity of our operations;

potential dependence upon, and exposure to liability, loss or reputational damage relating to systems, controls and personnel that are not under our control;

potential unfavorable reaction to our strategic alliance, acquisition or joint venture strategy by our customers;

to the extent that we pursue business opportunities outside the United States, exposure to political, economic, legal, regulatory, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities;

the upfront costs associated with recruiting brokerage personnel, including those costs associated with establishing a new brokerage desk;

conflicts or disagreements between any strategic alliance or joint venture partner and us; and



exposure to additional liabilities of any acquired business, strategic alliance or joint venture.

In addition, we expect to face competition for acquisition candidates, which may limit the number of acquisitions and growth opportunities and may lead to higher acquisition prices. There can be no assurance that we will be able to identify, acquire or manage profitably additional businesses or to integrate successfully any acquired businesses without substantial costs, delays or other operational or financial difficulties.

As a result of these risks and challenges, we may not realize any anticipated benefits from strategic alliances, acquisitions, joint ventures or new hires, and such strategic alliances, acquisitions, joint ventures or new hires may in fact materially adversely affect our business, financial condition and results of operations. In addition, future strategic alliances, acquisitions or joint ventures or the hiring of new brokerage personnel may involve the issuance of additional shares of our common stock, which may dilute your ownership of us or may involve litigation.

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**We face strong competition from brokerages, broker-dealers, financial services firms and exchanges, many of which have greater market presence, marketing capabilities and technological and personnel resources than we have, which could lead to pricing pressures that could adversely impact our revenues and as a result could materially adversely affect our business, financial condition and results of operations.**

The brokerage and financial services industries are intensely competitive, and are expected to remain so. We primarily compete with four major, diversified inter-dealer brokers and financial intermediaries. These inter-dealer brokers are ICAP plc, Tullett Prebon plc, GFI Group Inc. and Compagnie Financière Tradition (which is majority owned by Viel & Cie), all of which are currently publicly traded companies. Other inter-dealer broker and financial intermediary competitors include a number of smaller, private firms that tend to specialize in specific product areas or geographies. We also compete with companies that provide alternative products, such as contracts traded on futures exchanges, and trading processes, such as the direct dealer-to-dealer market for government securities and stock exchange markets for corporate equities and other securities. We increasingly compete with exchanges for the execution of trades in certain products, mainly in derivatives such as futures, options and options on futures. Certain exchanges have made and will likely continue to make attempts to move certain OTC-traded products to exchange-based execution. Some of our competitors have greater market presence, marketing capabilities and financial, technological and personnel resources than we have and, as a result, our competitors may be able to:

develop and expand their network infrastructures and service offerings more efficiently or more quickly than we can;

adapt more swiftly to new or emerging technologies and changes in customer requirements;

identify and consummate acquisitions and other opportunities more effectively than we can;

hire our brokers and other key employees;

devote greater resources to the marketing and sale of their products and services;

more effectively leverage existing relationships with customers and strategic partners or exploit more recognized brand names to market and sell their services;

provide a lower cost structure and lower commissions;

provide access to trading in products or a range of products that at any particular time we do not offer; and

develop services similar to our new services that are preferred by our customers.

In addition, new competitors may emerge and entire product lines may be threatened by new technologies or market trends that reduce the value of our existing product lines. If we are not able to compete successfully in the future, our revenues could be adversely impacted and as a result our business, financial condition and results of operations could be materially adversely affected.

Competition for brokerage transactions also has resulted in substantial commission discounting by brokers that compete with us for our brokerage business. Further discounting could adversely impact our revenues and margins and as a result could materially adversely affect our business, financial condition and results of operations. The market for hiring brokers of various securities and financial products is also highly competitive and, from time to time, may result in litigation and/or arbitration.

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Our operations also include the sale of pricing and transactional information produced by our brokerage operations to securities information processors and/or vendors. There is a high degree of competition in pricing and transaction reporting products and services, and such businesses may become more competitive in the future. Competitors and customers of our brokerage businesses have together and individually offered market information services in competition with those offered and expected to be offered by us.

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**Consolidation in the brokerage, exchange and financial services industries could materially adversely affect our business, financial condition and results of operations because we may not be able to compete successfully.**

In recent years, there has been substantial consolidation and convergence among companies in the brokerage, exchange and financial services industries, resulting in increased competition. Further, in recent months, credit conditions worsened considerably and the landscape of the U.S. financial services industry changed dramatically. During 2008 and 2009, many major U.S. financial institutions consolidated. For example, Bear Stearns was acquired by J.P. Morgan Chase, Lehman Brothers Holdings Inc. declared bankruptcy, Bank of America Corp. acquired Merrill Lynch & Co., Inc. and Wells Fargo acquired Wachovia.

These and other financial services firms are our customers. Continued consolidation in the financial services industry and especially among our customers could lead to the exertion of additional pricing pressure by our customers, impacting the commissions we generate from our brokerage services. Further, the recent consolidation among exchange firms, and expansion by these firms into derivative and other non-equity trading markets, will increase competition for customer trades and place additional pricing pressure on commissions and spreads. These developments have increased competition from firms with potentially greater access to capital resources than we have. Finally, consolidation among our competitors other than exchange firms could result in increased resources and product or service offerings for our competitors. If we are not able to compete successfully in the future, our business, financial condition and results of operations could be materially adversely affected.

As we continue to develop our system and infrastructure and expand our brand recognition and customer base through increased hiring of brokers and other personnel, we may incur losses in the future. If our revenues do not increase sufficiently, or even if our revenues increase but we are unable to manage our expenses, we may not achieve and maintain profitability in future periods.

**Our liquidity and financial condition have been and could continue to be adversely affected by recent U.S. and international markets and economic conditions.**

Liquidity is essential to our business. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of particular importance to our trading business and perceived liquidity issues may affect our customers and counterparties' willingness to engage in brokerage transactions with us. Our liquidity could be impaired due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our trading customers, third parties or us. Further, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

Our ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has been and could continue to be adversely affected by conditions in the U.S. and international markets and economy. Global market and economic conditions have been, and continue to be, disrupted and volatile, and in recent months the volatility has reached unprecedented levels. In particular, our cost and availability of funding have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. As a result of concern about the stability of the markets generally and the strength of counterparties specifically, many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers. To the extent we are not able to access the capital markets on acceptable terms in the future, we may seek to raise funding and capital through equity issuance or other means. Continued turbulence in the U.S. and international markets and economy may adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with each other or with us.

Current cash balances substantially exceed the sum of upcoming debt maturities plus unsecured letters of credit. All of the cash on the balance sheet, some of which is held at regulated broker dealer subsidiaries, would not be available to meet these potential liquidity needs. We have been evaluating our options with respect to the \$150 million of notes payable that mature on April 1, 2010. These options have included, but are not limited to, repayment at maturity with existing available cash resources, raising external debt or equity capital, including

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convertible debt, to refinance some or all of the maturing notes, entering into an arms length borrowing arrangement with Cantor or another party to pay off some or all of the maturing notes, and/or various combinations of the above. On March 12, 2010, our Audit Committee authorized us or our subsidiaries to sell \$150,000,000 aggregate principal amount of 8.75 % Convertible Senior Notes due 2015 to Cantor or one of its affiliates, which may include up to \$25,000,000 to Howard W. Lutnick and/or his related designees. On March 16, 2010, we executed an agreement with respect to this transaction. We and our affiliates intend to use the proceeds to repay at maturity our outstanding \$150.0 million notes due April 1, 2010. Although we expect this transaction to close on or around April 1, 2010, there is no guarantee that the closing will occur on that date or at all.

As result of the recent credit and liquidity crisis in the world financial markets, beginning in September 2008, the FICC substantially increased its clearing margin requirements with respect to our and other customers accounts. Following the merger of eSpeed and BGC Partners on April 1, 2008, we received regulatory approval from FINRA for self-clearing our own securities transactions, and we have begun self-clearing transactions in mortgage-backed securities, equities, corporate and other DTC-eligible bonds and repurchase agreements. However, we have not begun to clear our own transactions in U.S. Treasury and U.S. Government Agency securities and there is no assurance at what point we will be able to do so.

Accordingly, since the closing of the merger, BGC Partners has continued to receive from Cantor and its affiliates certain clearing services in the U.S. pursuant to its pre-existing clearing agreement ( Clearing Services ). These Clearing Services have been provided since April 1, 2008 in exchange for payment by BGC Partners of third-party clearing costs and allocated costs, and margin requirements and clearing deposits have been posted by Cantor with the FICC on BGC Partners behalf.

On November 5, 2008, BGC Partners entered into an Agreement (the Agreement ) with Cantor. Pursuant to the terms of the Agreement, so long as Cantor is providing Clearing Services to BGC Partners, Cantor shall be entitled to request from BGC Partners, and BGC Partners shall post as soon as practicable, cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the Agreement. The amounts requested shall reflect Cantor s reasonable determination of its or its affiliates required capital requirements in connection with the Clearing Services and/or potential additional funds which may be required to replace Cantor funds being otherwise utilized to post capital requirements for the benefit of BGC Partners. To date, no amounts have been requested by Cantor.

BGC Partners relies upon Cantor to provide Clearing Services and, in the absence of the Agreement, it would have to secure an alternative third-party clearing arrangement to provide such Clearing Services, which might be at higher rates or on less favorable terms. We intend to continue this relationship with Cantor. Accordingly, we expect that Cantor will continue to post clearing capital on our behalf and we will either post clearing capital with Cantor as requested under the Agreement or continue to invest our excess via reverse repurchase agreements or in other overnight investments. In the absence of such an arrangement, BGC Partners may be required to raise additional capital, borrow funds or take other action to meet the capital requirements in connection with the clearing of these transactions. The increased capital requirements required in connection with the clearing of our securities transactions could have a material adverse impact on BGC Partners ability to make distributions, repurchase its stock or affect strategic acquisitions or other opportunities.

**Our business, financial condition and results of operations could be adversely affected by new regulations or laws or by changes in other regulations or laws or the application thereof.**

The financial services industry, in general, is heavily regulated. Proposals for legislation further regulating the financial services industry are continually being introduced in the United States Congress and in state legislatures. The agencies regulating the financial services industry also periodically adopt changes to their regulations. In light of current conditions in the U.S. and global financial markets and economy, regulators have increased their focus on the regulation of the financial services industry. We are unable to predict whether any of these proposals will be implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition and results of operations.

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We are also affected by the policies adopted by regulatory authorities and bodies of the United States and other governments. For example, the actions of the Federal Reserve and international central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

Additionally, recent events in the over the counter derivatives markets have led to numerous calls by the U.S. Executive Branch, European Union ( E.U. ) and other countries' officials, legislators and regulators for increased oversight and possible regulation of the OTC markets. In particular, portions of the credit default swap market, among other derivative markets, may be required to be centrally cleared. While the situation is dynamic, the U.S. Executive Branch White Paper contemplates legislation requiring trading through an exchange or an electronic platform. In the event that the U.S. government, E.U. or other countries' authorities ultimately were to mandate central clearing or exchange trading for large portions of the OTC markets and we were unable to arrange for the execution of transactions for us and for our customers through those required forums, or to do so on a competitive basis, our business would be negatively impacted.

Further, the administrations of certain European countries have instituted a series of changes to tax law, including an excise tax on certain compensation payments that, if applicable to us, could have a material adverse effect on our business, financial condition and results of operations. Similarly, the current U.S. administration has proposed a series of changes to tax law, some of which could apply to us. It is not possible to predict if any of these new provisions will be enacted or, if they are, what form they would take. It is possible that one or more of such provisions could negatively impact our costs and our effective tax rate, which would affect our after-tax earnings. If any of such changes to tax law were implemented and/or deemed to apply to us, they could have a material adverse effect on our business, financial condition and results of operations and on our ability to attract and retain executives and brokers.

### **Defaults by Cantor or another large financial institution could adversely affect us or financial markets generally.**

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. For example, we rely on Cantor as our clearing agent for certain securities transactions, primarily U.S. government securities, while we self-clear certain other products. A default by one of our customers could lead to liquidity concerns in our business and further, to the extent that Cantor, or another entity that clears for us, has difficulty meeting capital requirements or otherwise meeting its obligations, we may need to provide our own liquidity. See Our liquidity and financial condition have been and could continue to be adversely affected by recent U.S. and international markets and economic conditions.

As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity problems, losses or defaults by other institutions. This is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis, and therefore could adversely affect us. Similarly, our vendors, including insurance companies and other providers, are subject to normal business risks as well as risks related to the recent U.S. and international market and economic conditions. Failure of any of these vendor institutions could also adversely affect us.

### **If we are unable to identify and exploit new market opportunities, our revenues may decline and as a result our business, financial condition and results of operations could be materially adversely affected.**

As more participants enter the markets in which we operate, the resulting competition often leads to lower commissions. This may result in a decrease in revenues in a particular market even if the volume of trades we handle in that market increases. As a result, our strategy is to broker more trades and increase market share in existing markets and to seek out new markets in which we believe we can charge higher commissions. Pursuing

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this strategy may require significant management attention and broker expense. We may not be able to attract new customers or successfully enter new markets. If we are unable to identify and exploit new market opportunities on a timely and cost-effective basis, our revenues may decline and as a result our business, financial condition and results of operations could be materially adversely affected.

**Our ability to retain our key employees and the ability of certain key employees to devote adequate time to us are critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.**

Our people are our most important resource. We must retain the services of our key employees and strategically recruit and hire new talented employees to obtain customer transactions that generate most of our revenues.

Howard W. Lutnick, who serves as our Chief Executive Officer and Chairman, is also the Chairman of the Board, President and Chief Executive Officer of Cantor and President of Cantor Fitzgerald Group Management, Inc. ( CFGM ). Stephen M. Merkel, who serves as our Executive Vice President, General Counsel and Secretary, is employed as Executive Managing Director, General Counsel and Secretary of Cantor. These key employees are not subject to employment agreements with us or any of our subsidiaries although we do have an employment agreement with our President, Shaun Lynn. In addition, Messrs. Lutnick and Merkel also hold offices at various other affiliates of Cantor. Currently Mr. Lutnick spends approximately 50% of his time on our matters, and Mr. Merkel currently spends approximately 50% of his time on our matters, although these percentages may vary depending on business developments at our company or Cantor or any of our or Cantor s affiliates. As a result, these key employees dedicate only a portion of their professional efforts to our business and operations, and there is no contractual obligation for them to spend a specific amount of their time with us and/or Cantor. These key employees may not be able to dedicate adequate time to our business and operations and we could experience an adverse effect on our operations due to the demands placed on our management team by their other professional obligations. In addition, these key employees other responsibilities could cause conflicts of interest with us.

The BGC Holdings limited partnership agreement, which includes non-competition and other arrangements applicable to our key employees who are limited partners of BGC Holdings, may not prevent our key employees, including Messrs. Lutnick and Merkel, who as Cantor partners are not subject to these provisions in the BGC Holdings limited partnership agreement, from resigning or competing against us. See Certain Relationships and Related Transactions. In addition, our success has largely been dependent on the efforts of Messrs. Lutnick and Lynn and other executive officers and former executive officers. Should Mr. Lutnick leave or otherwise become unavailable to render services to us, control of BGC Partners would likely pass to Cantor, and indirectly pass to the then-controlling stockholder of CFGM (which is Mr. Lutnick), Cantor s managing general partner, or to such other managing general partner as CFGM would appoint, and as a result control could remain with Mr. Lutnick. If any of our key employees, including Messrs. Lutnick and Lynn, were to join an existing competitor, form a competing company, offer services to Cantor that compete with our services or otherwise leave us, some of our customers could choose to use the services of that competitor or another competitor instead of our services, which could adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

**The failure to integrate successfully the businesses and operations of eSpeed and the BGC businesses acquired from Cantor in the merger could limit our ability to achieve the expected benefits from the acquisition and may adversely affect our future results.**

Until the completion of the merger of BGC and eSpeed on April 1, 2008, eSpeed and the BGC businesses, acquired from Cantor in the merger, historically operated as separate companies related primarily through the joint services agreement with Cantor. Our management may continue to face challenges in consolidating the functions of eSpeed and the BGC businesses acquired in the merger, integrating their technologies, organizations,

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procedures, policies and operations, as well as retaining key personnel. The integration may also continue to be complex and time consuming, and require substantial resources and effort potentially resulting in the diversion of management's attention for an extended period of time and the incurrence of substantial costs, including costs we may not anticipate. The integration process may also continue to disrupt each company's ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect their relationships with employees and others with whom they have business or other dealings or to achieve the anticipated benefits of the merger, including the realization of anticipated cost savings and revenue enhancements. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses combined in the merger, may over time offset the significant transaction and merger-related costs we incurred, this net benefit may not be achieved in the near term, or at all. In addition, difficulties in integrating the businesses of eSpeed and the BGC businesses, acquired from Cantor in the merger, could harm our reputation.

**The impact of the separation and merger on the founding partners, REU partners and future working partners may adversely affect our ability to retain, recruit and motivate these persons.**

While we believe that our April 2008 separation and merger have promoted retention and recruitment, some founding partners, REU partners and working partners may be more attracted to the benefits of working at a private, controlled partnership or of being a partner in Cantor, which may adversely affect our ability to retain, recruit and motivate these persons. The impact of the separation on the founding partners, REU partners, working partners and other employee retention and recruitment remains uncertain.

Many of our key employees were limited partners of Cantor prior to the separation and merger. We believe that the possibility of becoming a limited partner of Cantor has been an important tool in its ability to hire and retain key employees. Prior to the merger, Cantor redeemed Cantor limited partnership interests held by BGC Holdings founding partners in exchange for BGC Holdings limited partnership interests and distribution rights in respect of our common stock. Following the merger, it is not expected that our key employees will have the right to become limited partners in Cantor. In addition, we expect that from time to time, key employees of BGC Partners will have the opportunity to become limited partners of BGC Holdings.

While these BGC Holdings limited partnership interests entitle founding/working partners and REU partners to participate in distributions of income from the operations of our business, upon leaving BGC Holdings (or upon any other redemption or purchase of such limited partnership interests as described below), any such founding/working partners or REU partners are, unless Cantor, in the case of the founding partners, and us, as the general partner of BGC Holdings, otherwise determine, only entitled to receive over time, and provided he or she does not violate certain partner obligations, an amount for his or her BGC Holdings limited partnership interests that reflects such partner's capital account, if any, and not any goodwill or going concern value of BGC Partners' business. Further, certain working partner units, such as PSUs and PSIs, have no right to a post termination payment. Moreover, unlike Cantor, founding/working partners and REU partners have no right to exchange their BGC Holdings limited partnership interests for shares of BGC Partners common stock (except, in the case of founding partners, as otherwise determined by Cantor in accordance with the terms of the BGC Holdings limited partnership agreement, and Cantor has provided that certain founding partner interests are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement and, in the case of REU partners, as set forth in the terms and conditions of the grant) and thereby realize any higher value associated with BGC Partners capital stock.

The BGC Holdings limited partnership interests are also subject to redemption, with respect to the founding partners, upon mutual agreement of Cantor and the general partner of BGC Holdings, and with respect to the working partners and REU partners, at the election of the general partner of BGC Holdings, and subject founding/working partners and REU partners to non-competition and non-solicitation covenants, as well as other obligations. In addition, the exercise of Cantor's right to purchase from BGC Holdings, founding partner interests and, in certain circumstances, working partner interests and REU interests (in each case, that have not become



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exchangeable) redeemed by BGC Holdings will result in the share of distributions of income from the operations of BGC Partners' business on other outstanding BGC Holdings limited partnership interests, including those held by founding/working or REU partners, to remain the same rather than increasing as would be the case if such interests were redeemed by BGC Holdings.

The terms of the BGC Holdings limited partnership interests held by founding/working partners and REU partners also differ from the terms of the limited partnership interests in Cantor previously held by founding partners and by certain of the REU partners as follows:

unlike the limited partnership interests in Cantor, founding/working partners and REU partners are not entitled to reinvest the distributions on BGC Holdings limited partnership interests in additional BGC Holdings limited partnership interests at preferential or historical prices or at all; and

Cantor is entitled to receive any amounts from selected extraordinary transactions that are withheld from distributions to founding/working partners and REU partners and forfeited by founding/working partners and REU partners leaving BGC Holdings prior to their interests in such withheld distributions fully vesting rather than any such forfeited amounts accruing to the benefit of all BGC Holdings limited partners on a pro rata basis.

Founding partners may find any of these terms of the BGC Holdings limited partnership interests to be less attractive than the arrangements for limited partners of Cantor, which may reduce the effectiveness of these interests as retention tools.

In addition, the ownership of the distribution rights and underlying shares of our common stock received by founding partners and other persons providing services to BGC Partners is not dependent upon a founding partner's continued employment with us or Cantor or compliance with the partner obligations, and founding partners are, therefore not restricted from leaving us by the potential loss of shares distributable pursuant to these distribution rights.

**Difficult market conditions, economic conditions and geopolitical uncertainties could adversely affect our business in many ways by negatively impacting our revenues in the financial markets in which we offer services, which could have a material adverse effect on our business, financial condition and results of operations.**

Difficult market conditions, economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our business and profitability. The brokerage and financial services industry, as in general are directly affected by national and international economic and political conditions, broad trends in business and finance, the level and volatility of interest rates, changes in and uncertainty regarding tax laws and substantial fluctuations in the volume and price levels of securities transactions. On a consolidated basis, for the year ended December 31, 2009 and the year ended December 31, 2008, over 90% of our total revenues were generated by brokerage operations. As a result, our revenues and profitability are likely to decline significantly during periods of low trading volume in the financial markets in which we offer our services. The financial markets and the global financial services business are, by their nature, risky and volatile and are directly affected by many national and international factors that are beyond our control. Any one of these factors may cause a substantial decline in the U.S. and global financial services markets, resulting in reduced trading volume. The stress experienced by global capital markets that began in the second half of 2007 continued and substantially increased during the third and fourth quarters of 2008 and continued throughout 2009. Our operations may suffer to the extent that ongoing market volatility causes individuals and institutional traders and other market participants to curtail or forego trading activities. These events could have a material adverse effect on our results and profitability. These factors include:

economic and political conditions in the United States, Europe and elsewhere in the world;

concerns about terrorism, war and other armed hostilities;

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concerns over inflation and wavering institutional and consumer confidence levels;

the availability of cash for investment by our dealer customers and their customers;

the level and volatility of interest rates and foreign currency exchange rates;

the level and volatility of trading in certain equity and commodity markets;

the level and volatility of the difference between the yields on corporate securities being traded and those on related benchmark securities, which we refer to as credit spreads ;

currency values; and

increasing margin requirements and other liquidity concerns.

Low trading volume generally results in reduced revenues. Under these conditions, profitability is adversely affected since many costs, including certain aspects of commissions, compensation and bonuses, are fixed. In addition, although less common, some of our brokerage revenues are determined on the basis of the value of transactions or on credit spreads. For these reasons, decreases in trading volume or declining prices or credit spreads could have a material adverse effect on our business, financial condition and results of operations.

**Employee misconduct or error could harm us by impairing our ability to attract and retain customers and subjecting us to significant legal liability and reputational harm; moreover, this type of misconduct is difficult to detect and deter and error is difficult to prevent.**

Employee misconduct or error could subject us to financial losses and regulatory sanctions and could seriously harm our reputation and negatively affect our business. Misconduct by employees could include engaging in improper or unauthorized transactions or activities, failing to properly supervise other employees or improperly using confidential information. Employee errors, including mistakes in executing, recording or processing transactions for customers, could cause us to enter into transactions that customers may disavow and refuse to settle, which could expose us to the risk of material losses even if the errors are detected and the transactions are unwound or reversed. If our customers are not able to settle their transactions on a timely basis, the time in which employee errors are detected may be increased and our risk of material loss could be increased. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. It is not always possible to deter employee misconduct or error, and the precautions we take to detect and prevent this activity may not be effective in all cases.

**The industry in which we operate is subject to significant regulation and as a result we are subject to regulatory capital requirements on our regulated entities, and a significant operating loss or any extraordinary charge against capital could adversely affect our ability to expand or, depending upon the magnitude of the loss or charge, even to maintain the current level of our business.**

Many aspects of our business, like those of other financial intermediary firms, are subject to significant capital requirements. In the United States, the U.S. Securities and Exchange Commission, which we refer to as the SEC, the Financial Industry Regulatory Authority, which we refer to as FINRA, and various other regulatory bodies (including the Commodity Futures Trading Commission, which we refer to as the CFTC, and the National Futures Association, which we refer to as the NFA, ) have stringent provisions with respect to capital applicable to the operation of brokerage firms, which vary depending upon the nature and extent of the broker-dealer's activities. We currently operate two U.S.-registered broker-dealers. In addition, we hold a 49% limited partnership interest in Aqua Securities, L.P., which we refer to as Aqua, a U.S. registered broker-dealer. These broker-dealers are each subject to SEC and FINRA net capital requirements.

Our international operations are also subject to capital requirements, which we refer to as non-U.S. net capital requirements. Certain of our subsidiaries that are incorporated in the United Kingdom are subject to capital requirements established by the U.K. Financial Services Authority, which we refer to as the FSA. The FSA also applies stringent provisions with respect to capital applicable to the operation of these brokerage firms,



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which vary depending upon the nature and extent of their activities. The provisions relating to capital requirements enforced by the FSA are likely to change with the implementation of the FSA's response to the Turner Review (A regulatory response to the global banking crisis) and our U.K. subsidiaries will be required to adhere to these changes. The UK group will also need to adhere to new liquidity provisions that may impact the ability to transfer cash assets to other group members. In addition, the majority of our other foreign subsidiaries are subject to similar regulation by the relevant authorities in the countries in which they do business. These regulations often include minimum capital requirements which are subject to change. Similar requirements are applied to certain of our other subsidiaries which are regulated in other countries such as Australia, France and Hong Kong.

While we expect to continue to maintain levels of capital in excess of regulatory minimums, there can be no assurance that this will be the case in the future. If we fail to maintain the required capital, we will be required to suspend our broker-dealer operations during the period that we are not in compliance with capital requirements, and may be subject to suspension or revocation of registration by the SEC and FINRA or withdrawal of authorization or other disciplinary action from domestic and international regulators, which would have a material adverse effect on our business. In addition, if we fail to maintain the capital required by clearing organizations of which we are a member, our ability to clear through those clearing organizations may be impaired, which may adversely affect our ability to process trades. If the capital rules are changed or expanded, or if there is an unusually large charge against capital, operations that require the intensive use of capital would be limited. Our ability to withdraw capital from our regulated subsidiaries is subject to restrictions, which, in turn, could limit our ability to pay dividends, repay debt and redeem or repurchase shares of our common stock or purchase BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. In addition, we may become subject to capital requirements in other foreign jurisdictions in which we currently operate or in which we may enter. We cannot predict our future capital needs or our ability to obtain additional financing.

**Extensive regulation of our businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses.**

Firms in the financial services industry, including our businesses, have experienced increased scrutiny in recent years and penalties and fines sought by regulatory authorities, including the SEC, FINRA, state securities commissions, state attorneys general and the FSA, have increased accordingly. This regulatory and enforcement environment may create uncertainty.

The financial services industry, including our business, is subject to extensive regulation. Our subsidiaries are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or suspension or expulsion. From time to time, associated persons of our company have been and are subject to periodic investigations that have and may result in disciplinary actions by the SEC, self-regulatory organizations and state securities administrators. Currently, we and certain other inter-dealer brokers are being investigated by the SEC with respect to trading practices. In addition, the latest FSA annual risk assessment of the BGC Partners group's regulated entities identified certain weaknesses in the BGC Partners group's risk and control functionality, including governance procedures. Self-regulatory organizations such as FINRA and the NFA, along with statutory bodies such as the SEC and the FSA, require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. These regulations will often serve to limit our activities, including through capital, customer protection and market conduct requirements.

Changes in legislation and in the rules and regulations promulgated by the SEC, the CFTC, the U.S. Department of Treasury, which we refer to as the Treasury, the FSA and other domestic and international

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regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws and rules, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions in the way we conduct our business. For example, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC are continuing to review the nature and scope of their regulation and oversight of the government securities markets and U.S. markets. In Europe, the implementation of the Markets in Financial Instruments Directive in Europe, which we refer to as the MIFID, in November 2007 involved wide-ranging changes to European financial services regulation. Future legislation and/or regulation, and uncertainties resulting from the possibility of legislation and/or regulation, could adversely impact our business. Failure to comply with any of these laws, rules or regulations could result in fines, limitations on business activity, suspension or expulsion from the industry, any of which could have a material adverse effect upon us. Changes in tax laws, such as the bank payroll taxes introduced in the U.K. and France at the end of the 2009, could have a material adverse effect on our compensation policies or business, financial condition and results of operations. Further, new rules and regulations proposed, or which may be proposed, by the new U.S. president and his administration could have a significant impact on our business. See also Risk Factors Our business, financial condition and results of operations could be adversely affected by new regulations or by changes in other regulations or the application thereof.

In addition, financial intermediary firms are subject to numerous conflicts of interests or perceived conflicts, including for example principal trading and trading to make markets. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and we will regularly seek to review and update our policies, controls and procedures. However, these policies, controls and procedures may result in increased costs and additional operational personnel. Failure to adhere to these policies, controls and procedures may result in regulatory sanctions or customer litigation.

**Due to our current customer concentration, a loss of one or more of our significant customers could harm our business, financial condition and results of operations.**

For each of the years ended December 31, 2009 and 2008, and on a consolidated basis, our top 10 customers, collectively, accounted for approximately 43% and 32% of our total revenues, respectively. We have limited long-term contracts with these customers. If we were to lose one or more of these significant customers for any reason, including the recent consolidation in the financial services industry, and not be compensated for such loss by doing additional business with other customers or by adding new customers, our revenues would decline significantly and our business, financial condition and results of operations would suffer.

**Our activities are subject to credit and performance risks, which could result in us incurring significant losses and as a result could materially adversely affect our business, financial condition and results of operations.**

Our activities are subject to credit and performance risks. For example, our customers may not deliver securities to one of our operating subsidiaries which has sold those securities to another customer. If the securities due to be delivered have increased in value, there is a risk that we may have to expend our own funds in connection with the purchase of other securities to consummate the transaction. While we will take steps to ensure that our customers and counterparties have high credit standings and that financing transactions are adequately collateralized, the large dollar amounts that may be involved in our broker-dealer and financing transactions could subject us to significant losses if, as a result of customer or counterparty failures to meet commitments, we were to incur significant losses in liquidating or covering our positions in the open market.

We have adopted policies and procedures to identify, monitor and manage credit risk, in both agency and principal transactions, through reporting and control procedures and by monitoring credit standards applicable to our customers or counterparties. These policies and procedures, however, may not be fully effective, particularly against fraud, unauthorized trading and similar incidents. Some of these risk management methods depend upon

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the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. If our policies and procedures are not fully effective or we are not always successful in monitoring or evaluating the risks to which we are, or may be, exposed, our financial condition and results of operations could be materially adversely affected. In addition, our insurance policies will not provide coverage for these risks.

In agency transactions, we charge a commission for connecting buyers and sellers and assisting in the negotiation of the price and other material terms of the transaction. After all material terms of a transaction are agreed upon, we identify the buyer and seller to each other and leave them to settle the trade directly. We are exposed to credit risk for commissions, as we bill customers for our agency brokerage services. Our customers may default on their obligations to us due to disputes, bankruptcy, lack of liquidity, operational failure or other reasons. Any losses arising from such defaults could materially adversely affect our business, financial condition and results of operations.

**Financial problems experienced by third parties could affect the markets in which we provide brokerage services. In addition, a disruption in the credit derivative market could affect our revenues.**

Problems experienced by third parties could also affect the markets in which we provide financial intermediary services. For example, in recent years, hedge funds have increasingly begun to make use of credit and other derivatives as part of their trading strategies. As a result, an increasing percentage of our business, directly or indirectly, results from trading activity by hedge funds. Hedge funds typically employ a significant amount of leverage to achieve their results and, in the past, certain hedge funds have had difficulty managing this leverage, which has resulted in market-wide disruptions. If one or more hedge funds that is a significant participant in a derivatives market experienced similar problems in the future, including as a result of the recent volatility in this market, the volumes in that market could be adversely affected and, accordingly, our brokerage revenues from that market could decrease.

In addition, recent reports in the United States and United Kingdom have suggested weaknesses in the way credit derivatives are assigned by participants in the credit derivative markets. Such reports expressed concern that, due to the size of the credit derivative market, the volume of assignments and the suggested weaknesses in the assignment process, one or more significant defaults by corporate issuers of debt could lead to a market-wide disruption or result in the bankruptcy or operational failure of hedge funds or other market participants. If the credit derivative markets experience a market disruption or if there was real or perceived lack of confidence that the credit derivative markets could orderly process one or more significant defaults of corporate issuers of debt, the use of credit derivatives by our customers could be reduced, leading to lower volumes and, accordingly, our brokerage revenues in that market could decrease.

Decline in the financial markets has also led to the exposure of several cases of financial fraud. If we were to have trading activity on an agency or principal basis with an entity engaged in defrauding investor or counterparties, we could bear the risk that the counterparty would not have the financial resources to meet their obligations, resulting in a credit loss. Similarly, we may engage in financial transactions with third parties that have been victims of financial fraud which may not have the financial resources to meet obligations to us.

**The securities settlement process and the execution of matched principal transactions expose us to risks related to a counterparty failing to fulfill its obligations that may impact our liquidity and profitability and as a result could materially adversely affect our business, financial condition and results of operations.**

We provide some brokerage services to our customers in the form of matched principal transactions, in which we act as a middleman by serving as counterparty for identified buyers and sellers in matching, in whole or in part, reciprocal back-to-back trades. These principal transactions are then settled through clearing institutions with which we have a contractual relationship.

In executing matched principal transactions, we are exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched,

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one party fails to deliver the cash or securities it is obligated to deliver. The exposure we have to less liquid markets, including emerging markets, exacerbates this risk because transactions in these markets tend to be more likely not to settle on a timely basis than transactions in liquid markets. Adverse movements in the prices of securities that are the subject of these transactions can increase the risk. In addition, widespread technological failure, natural disasters (*e.g.*, tsunami and earthquakes) or communication failures, such as those which occurred as a result of the terrorist attacks on September 11, 2001 and the blackout in the eastern portion of the United States in August 2003. Similarly, actual or perceived credit difficulties or the insolvency of one or more large or visible market participants could cause market-wide credit difficulties or other market disruptions such as the events which occurred in 2008 and 2009 as a result of the bankruptcy or consolidation of certain financial institutions and contraction of the credit markets. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not fulfilling their obligations.

Transactions executed on a matched principal basis where the instrument has the same or similar characteristics to the counterparty may expose us to correlation risk. In this case, the counterparty's inability to meet its obligations will also result in the value of the instrument declining. For example, if we were to enter into a transaction to sell to a customer a bond or structured note where the issuer or credit support provider was such customer's affiliate, the value of the instrument would decline in value in tandem with the default. This correlation has the effect of magnifying the credit loss.

We are subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be financed, either directly by us or through one of the clearing organizations, at our expense. These charges may be recoverable from the failing counterparty, but sometimes they are not. In addition, in instances where the unmatched position or failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by us, which, depending on their size and duration, could limit our business flexibility or even force the curtailment of those portions of our business requiring higher levels of capital. Credit or settlement losses of this nature may impact our liquidity and profitability and as a result could adversely affect our business, financial condition and results of operations.

**In emerging market countries, we primarily conduct business on an agency and matched principal basis, where the risk of counterparty default, inconvertibility events and sovereign default is greater than in more developed countries.**

We enter into transactions in cash and derivative instruments primarily on an agency and matched principal basis with counterparties domiciled in countries in Latin America, Eastern Europe and Asia. Transactions with these counterparties are generally in instruments or contracts of sovereign or corporate issuers located in the same country as the counterparty. This exposes us to a higher degree of sovereign or convertibility risk than in more developed countries. In addition, these risks may be correlated risks. A correlated risk arises when the counterparty's inability to meet its obligations will also correspond to a decline in the value of the instrument traded. In the case of a sovereign convertibility event or outright default, the counterparty to the trade may be unable to pay or transfer payment of an instrument purchased out of the country when the value of the instrument has declined due to the default or convertibility event. The current global financial crisis heightens the risk of sovereign or convertibility events in emerging markets similar to the events that occurred in previous financial downturns. Risk Management monitors the creditworthiness of emerging countries and counterparties on an ongoing basis and when the risk of inconvertibility or sovereign default is deemed to be too great, correlated transactions or all transactions may be restricted or suspended. However, there can be no assurance that these procedures will be effective in controlling these risks.

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**We have market risk exposure from unmatched principal transactions entered into by some of our desks, which could result in losses and have a disproportionate effect on our revenues, financial condition and results of operations for any particular reporting period. In addition, financial fraud or unauthorized trading activity could also impact our revenues, financial condition or results of operations.**

On a limited basis, our desks enter into unmatched principal transactions in the ordinary course of business to facilitate transactions, add liquidity, improve customer satisfaction, increase revenue opportunities, attract additional order flow or in certain instances as the result of an error and, in a limited number of instances and subject to risk management limits, for the purpose of proprietary trading. As a result, we have market risk exposure on these unmatched principal transactions. Our exposure varies based on the size of the overall positions, the terms and liquidity of the instruments brokered and the amount of time the positions are held before we dispose of the position. This exposure could be more significant in the event that any unauthorized trading activity, financial fraud or similar incidents were to occur.

All trades executed on the eSpeed platform settle for clearing purposes against Cantor Fitzgerald & Co. ( CFC ), a BGC affiliate. CFC is a member of FINRA (formerly NASD) and the Fixed Income Clearing Corporation, a subsidiary of the Depository Trust & Clearing Corporation. CFC, BGC, and other affiliates participate in U.S. Treasuries as well as other markets by posting quotations for their account and by acting as principal on trades with platform users. Such activity is intended, among other things, to assist CFC, BGC, and their affiliates in managing their proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow.

From a risk management perspective, we monitor risk on an end-of-day basis and desk managers generally monitor such exposure on a continuous basis. Any unmatched positions are intended to be disposed of in the short-term. However, due to a number of factors, including the nature of the position and access to the market on which we trade, we may not be able to match the position or effectively hedge its exposure and often may be forced to hold a position overnight that has not been hedged. To the extent these unmatched positions are not disposed of intra-day, we mark these positions to market. Adverse movements in the securities underlying these positions or a downturn or disruption in the markets for these positions could result in a loss. In the event of any unauthorized trading activity or financial fraud that is not detected by management or our auditors, it is possible that these unmatched positions could be outstanding for a longer period. Any principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on our revenues, financial condition and results of operations for any particular reporting period.

**We are generally subject to risks inherent in doing business in the international markets, particularly in the regulated brokerage industry, and any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction and our business could be adversely affected.**

We currently provide services and products to customers in North America, Europe and the Asia-Pacific region through offices in New York and London, as well as Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Sao Paulo, Sarasota, Seoul, Singapore, Sydney, Tokyo and Toronto and we may seek to further expand our operations. On a consolidated basis, revenues from foreign countries were \$875.9 million, or 75.3% of total revenues, and \$906.8 million, or 73.8% of total revenues, for the years ended December 31, 2009 and 2008, respectively. There are certain additional political, economic, legal, regulatory, operational and other risks inherent in doing business in international markets, particularly in the regulated brokerage industry. These risks include:

less developed automation in exchanges, depositories and national clearing systems;

additional or unexpected changes in regulatory requirements, capital requirements, tariffs and other trade barriers;



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the impact of the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business;

possible nationalization, expropriation and regulatory, political and price controls;

difficulties in staffing and managing international operations;

capital controls, exchange controls and other restrictive governmental actions;

any failure to develop effective compliance and reporting systems, which could result in regulatory penalties in the applicable jurisdiction;

fluctuations in currency exchange rates;

reduced protections for intellectual property rights;

adverse labor laws;

outbreak of hostilities; and

potentially adverse tax consequences arising from compliance with foreign laws and regulations to which our international subsidiaries are subject.

In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Our inability to remain in compliance with local laws and regulations in a particular foreign market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. If we are unable to manage any of these risks effectively, our business could be adversely affected.

**Our business is global and exchange rate fluctuations impact our results.**

We are exposed to risks associated with changes in foreign exchange rates. Changes in foreign currency rates create volatility in the U.S. dollar equivalent of revenues and expenses, in particular with regard to British Pounds and Euros. In addition, changes in the remeasurement of our foreign currency denominated net assets are recorded as part of our results of operations and fluctuate with changes in foreign currency rates. We monitor the net exposure in foreign currencies on a daily basis and hedge our exposure as deemed appropriate with highly rated major financial institutions. However, potential movements in the U.S. dollar against other currencies in which we earn revenues could also adversely affect our financial results.

**Our business is geographically concentrated and could be significantly affected by any adverse change in the regions in which we operate.**

Historically, our operations have been substantially located in the United Kingdom and the United States. While we are expanding our business to new geographies, we are still highly concentrated in these geographies. Because we derived approximately 42.9% and approximately 24.7%, respectively, of our total revenues on a consolidated basis for the year ended December 31, 2009, from our operations in the United Kingdom and the United States, respectively, and approximately 46.2% and approximately 26.2%, respectively, of our total revenues on a consolidated basis for the year ended December 31, 2008, from our operations in the United Kingdom and the United States, respectively, our business is exposed to adverse regulatory and competitive changes, economic downturns and changes in political conditions in these countries. Moreover,

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due to the concentration of our business in these geographies, our business is less diversified and, accordingly, is subject to greater regional risks than some of our competitors.

**We are leveraged, which could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations under our indebtedness.**

We are leveraged. As of the closing of the merger on April 1, 2008, we, through our subsidiary, BGC U.S., assumed \$150,000,000 of Cantor Fitzgerald, L.P. \$250,000,000 aggregate principal amount 5.19% senior notes,

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due April 1, 2010, (Cantor's senior notes) pursuant to a note purchase agreement, dated as of March 31, 2008, (the note purchase agreement, ) which are with third-party institutions and contains covenants that limit our ability to take selected actions or set financial tests for our business, including covenants pertaining to the incurrence of additional indebtedness, compliance with law, maintenance of insurance, maintenance of properties and payment of taxes. We refer to the notes issued pursuant to the note purchase agreement as the BGC U.S. notes. Pursuant to the guaranty of the notes dated as of March 31, 2008, (the Company guaranty ) we must maintain consolidated capital in an amount not less than \$227,500,000 as of the end of each fiscal quarter and cannot permit our consolidated debt to exceed 60% of our consolidated capitalization; provided, however, that if our consolidated debt exceeds 55%, then the applicable interest rate of the BGC U.S. notes will be increased by 0.25% per annum. These covenants in the note purchase agreement and the Company guaranty could limit our ability to take advantage of certain business opportunities that may arise. In addition, if we are unable to maintain compliance with these covenants, the holders of such indebtedness could declare a default, thereby causing the debt to become immediately due and payable at a premium. If a default were to occur and we were unable to meet our obligations, we would be forced to restructure or refinance our indebtedness, sell additional equity or sell assets, which we may not be able to do on favorable terms or at all. Pursuant to the separation agreement, we will make semi-annual payments to Cantor during the term of the BGC U.S. notes equal to the difference between 7.5% and the applicable interest rate of the BGC U.S. notes.

Current cash balances substantially exceed the sum of upcoming debt maturities plus unsecured letters of credit. All of the cash on the balance sheet, some of which is held at regulated broker dealer subsidiaries, would not be available to meet these potential liquidity needs. We have been evaluating our options with respect to the \$150 million of notes payable that mature on April 1, 2010. These options have included, but are not limited to, repayment at maturity with existing available cash resources, raising external debt or equity capital, including convertible debt, to refinance some or all of the maturing notes, entering into an arms length borrowing arrangement with Cantor or another party to pay off some or all of the maturing notes, and/or various combinations of the above. On March 12, 2010, our Audit Committee authorized us or our subsidiaries to sell \$150,000,000 aggregate principal amount of 8.75 % Convertible Senior Notes due 2015 to Cantor or one of its affiliates, which may include up to \$25,000,000 to Howard W. Lutnick and/or his related designees. On March 16, 2010, we executed an agreement with respect to this transaction. We and our affiliates intend to use the proceeds to repay at maturity our outstanding \$150,000,000 notes due April 1, 2010. Although we expect this transaction to close on or around April 1, 2010, there is no guarantee that the closing will occur on that date or at all.

Our indebtedness could have important consequences, including:

it may limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow money, dispose of assets or sell equity to fund our working capital, capital expenditures, dividend payments, debt service, strategic initiatives or other obligations or purposes;

it may limit our flexibility in planning for, or reacting to, changes in our operations or business;

we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

it may make us more vulnerable to downturns in our business or the economy; and

there would be a material adverse effect on our business, financial condition and results of operations if we were unable to service our indebtedness or obtain additional financing or refinance our existing debt as needed.

**Cantor has guaranteed the BGC U.S. notes, and any breach by Cantor of the covenants contained in Cantor's guaranty could result in an event of default under the BGC U.S. notes.**

Cantor has guaranteed the BGC U.S. notes we assumed in connection with the merger. Cantor's guaranty contains certain covenants of Cantor, including an obligation by Cantor to maintain a specified level of partners' capital. To the extent Cantor breaches any of the covenants contained in the guaranty, or if certain other events such as judgments or bankruptcy events occur with respect to Cantor, which occurrences may result due to facts unrelated to us and beyond our control, an event of default will exist under the BGC U.S. notes.



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**We may not be able to obtain additional financing, if needed, on terms that are acceptable to us, which could prevent us from developing or enhancing our business, taking advantage of future opportunities or responding to competitive pressure or unanticipated requirements.**

We are dependent upon the availability of adequate funding and sufficient regulatory and clearing capital. Clearing capital is the amount of cash, guarantees or similar collateral that we must provide or deposit with our third-party clearing organizations in support of our obligations under contractual clearing arrangements with these organizations. Historically, these needs have been satisfied from internally generated funds and capital contributions by limited partners of Cantor. We have also relied on Cantor's support to clear our transactions in U.S. Treasury and U.S. government agency products since the merger on April 1, 2008. Because each of BGC U.S. and BGC Global is expected to distribute, on a quarterly basis, all of its net income to its limited partners, we may not have sufficient internally generated funds and may need to ease this policy or raise additional funds. If for any reason we need to raise additional funds, including in order to meet increased clearing capital requirements arising from growth in our brokerage business and the recent increase in clearing capital requirements set by the FICC, to complete acquisitions or otherwise, we may not be able to obtain additional financing when needed, particularly in light of the extreme volatility and disruption in the capital and credit markets over the last two years. If we cannot raise additional funds on acceptable terms, we may not be able to develop or enhance our business, take advantage of future opportunities or respond to competitive pressure or unanticipated requirements.

**Our business is substantially concentrated on rates products and could be significantly affected by any downturn or negative fluctuations in the rates product market.**

We offer our services in four broad product categories: rates, credit, foreign exchange and other asset classes. However, our brokerage revenues are substantially derived from our rates products, which accounted for approximately 48.9% and approximately 49.5% of our total brokerage revenues on a consolidated basis, for the years ended December 31, 2009 and 2008, respectively. While we focus on expanding and diversifying our product offerings, we are currently exposed to any adverse change or condition affecting the rates product market. Accordingly, the concentration of our operations on rates products subjects our results to a greater market risk than if we had a more diversified products offering.

**The brokerage and financial services industries in general face substantial litigation and regulatory risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons, all of which could adversely affect our revenues and liabilities and as a result could have a materially adverse effect on our business, financial condition and results of operations.**

Many aspects of our business involve substantial risks of liability and, in the normal course of business, we have been a party to lawsuits, arbitrations, investigations and other actions involving primarily claims for damages. Regulatory inquiries and subpoenas or other requests for information or testimony in connection with litigation may cause us to incur significant expenses, including fees for legal representation and fees associated with document production. The risks associated with such potential liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our business, including into new areas, imposes additional risks of liability. A settlement of, or judgment related to, any such claim, litigation, arbitration, investigation or other action could result in civil or criminal liability, fines, limitations on business activities and other sanctions and otherwise have a material adverse effect on our results of operations and financial condition. Any such action could also cause us significant reputational harm, which, in turn, could seriously harm our business and prospects. In addition, regardless of the outcome of these lawsuits, arbitrations, investigations and other actions, we may incur significant legal and other costs, including substantial management time, dealing with such matters, even if we are not a party to the litigation or a target of the inquiry.

As a brokerage and financial services firm, we depend to a large extent on our relationships with our customers and our reputation for integrity and high-caliber professional services to attract and retain customers.

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As a result, if our customers are not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Substantial legal liability or significant regulatory action against us could adversely affect our revenues and liquidity and, as a result, could have a material adverse effect on our business, financial condition and results of operations or cause significant reputational harm to us, which could seriously harm our business and prospects.

**A portion of our revenues is derived from our sale of market data to third parties, and a decline in customer purchases or adverse new legislation or regulation could have an adverse effect on our business.**

A portion of our total revenues, approximately 1.5% and 1.6% on a consolidated basis for the years ended December 31, 2009 and 2008, respectively, is derived from the sale of market data to third parties. BGCantor Market Data (formerly Cantor Market Data) is the exclusive source of real-time proprietary pricing and other data we derive for certain U.S. and European securities and derivatives. If customers cease buying data or making payments, or if new legislation or regulation were enacted affecting our right to sell or distribute this market data, it could have an adverse effect on our business.

**Our revenues and profitability could be reduced or otherwise adversely affected by pricing plans relating to commissions and fees on our trading platform.**

We negotiate from time to time with certain customers (including many of our largest customers) to enter into customized volume discount pricing plans. While the pricing plans are designed to encourage customers to be more active on our electronic trading platform, they reduce the amount of commissions payable to us by certain of our most active customers for certain products, which could reduce our revenues and constrain our profitability.

**Reduced spreads in securities pricing, levels of trading activity and trading through market makers and/or specialists could materially adversely affect our business, financial condition and results of operations.**

Computer-generated buy/sell programs and other technological advances and regulatory changes in the marketplace may continue to tighten securities spreads. In addition, new and enhanced alternative trading systems, such as electronic communications networks, have emerged as an alternative for individual and institutional investors, as well as broker-dealers. As such systems do not direct trades through market makers, their use could result in reduced revenues for us. In addition, reduced trading levels could lead to lower revenues which could materially adversely affect our business, financial condition and results of operations.

**We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business.**

Our success is dependent, in part, upon our intellectual property. We generally rely primarily on trade secret, contract, copyright, trademark and patent law to establish and protect our rights to proprietary technologies, methods and products. It is possible that third parties may copy or otherwise obtain and use our proprietary technologies without authorization or otherwise infringe on our rights. We cannot assure you that our intellectual property rights are sufficient to protect our competitive advantages. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws in the United States. We may also face claims of infringement that could interfere with our ability to use intellectual property or technology that is material to our business operations. For example, we have been subject to new and ongoing claims by Trading Technologies International, Inc., which we refer to as TT. While certain of our current products were determined in the dispute with TT to not infringe, TT has made claims with respect to other products. If any of these claims is ultimately successful, in addition to paying damages, we may be required to modify or withdraw certain products from the market. Restrictions on the distribution of some of the market data generated by our brokerage desks could limit the comprehensiveness and quality of the data we are able to distribute or sell. Although we have taken steps to protect ourselves, we may not be able to protect our technology from disclosure or from other developing technologies that are similar or superior to our technology.

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In the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such claims or litigation, whether successful or unsuccessful, could result in substantial costs and the diversion of resources and the attention of management, any of which could negatively affect our business. Responding to these claims could also require us to enter into royalty or licensing agreements with the third parties claiming infringement. Such royalty or licensing agreements, if available, may not be available on terms acceptable to us.

Intellectual property rights of third parties may have an important bearing on our ability to offer certain of our products and services. Although we have taken steps to protect ourselves, there can be no assurance that we will be aware of all patents or copyrights containing claims that may pose a risk of infringement by our products and services.

In addition, in the past several years, there has been a proliferation of so-called business method patents applicable to the computer and financial services industries. There has also been a substantial increase in the number of such patent applications filed. Under current law, U.S. patent applications remain secret for 18 months and may, depending upon where else such applications are filed, remain secret until a patent is issued. In light of these factors, it is not economically practicable to determine in advance whether our products or services may infringe the present or future patent rights of others.

### **If we are unable to protect the intellectual property rights we own, our ability to operate electronic marketplaces may be materially adversely affected.**

Our business is dependent on proprietary technology and other intellectual property rights. We cannot guarantee that the concepts which are the subject of the patents and patent applications that we own are patentable or that issued patents are or will be valid and enforceable or that such concepts will be marketable or profitable for our business. Additionally, from time to time, issued patents may expire and we may no longer receive revenue related to such patents, including United States Patent No. 4,903,201, which we refer to as the Wagner Patent, which expired on February 20, 2007. Where patents are granted in the United States, we can give no assurance that equivalent patents will be granted in Europe or elsewhere, as a result of differences in local laws affecting patentability and validity. Moreover, we cannot guarantee that third parties competing or intending to compete with us will not infringe any of these patents. Despite precautions we have taken to protect the intellectual property rights that we own, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization. It is also possible that third parties may independently develop technologies similar to ours. It may be difficult for us to monitor unauthorized use of our proprietary technology and intellectual property rights. We cannot assure you that the steps we take will prevent misappropriation of our technologies or intellectual property rights.

### **If our software licenses from third parties are terminated or adversely changed or amended or if any of these third parties were to cease doing business, our ability to operate our business may be materially adversely affected.**

We license databases and other software from third parties, much of which is integral to our systems and our business. The licenses are terminable if we breach our obligations under the license agreements. If any material relationships were terminated or adversely changed or amended, or if any of these third parties were to cease doing business, we may be forced to spend significant time and money to replace the licensed software, and our ability to operate our business may be materially adversely affected. Although we take steps to locate replacements, there can be no assurance that the necessary replacements will be available on reasonable terms, if at all. There can be no assurance that we will have an ongoing license to use all intellectual property which our systems require, the failure of which could have a material adverse effect on our business.

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### **The financial markets in which we operate are generally affected by seasonality which could have a material adverse effect on our financial performance in a given period.**

Traditionally, the financial markets around the world experience lower volume during the summer and at the end of the year due to a general slowdown in the business environment and, therefore, our transaction volume levels may decrease during those periods. The timing of local holidays also affects transaction volume. These factors could have a material adverse effect on our financial performance in a given period.

### **We operate in a rapidly evolving business environment. If we are unable to adapt our business effectively to keep pace with these changes, our ability to succeed will be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations.**

The pace of change in the industry in which we operate is extremely rapid. Operating in such a rapidly changing business environment involves a high degree of risk. Our ability to succeed will depend on our ability to adapt effectively to these changing market conditions. If we are unable to keep up with rapid technological changes, we may not be able to compete effectively.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our proprietary software, network distribution systems and technologies. Our business environment is characterized by rapid technological changes, changes in use and customer requirements and preferences, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing proprietary technology and systems obsolete. Our success will depend, in part, on our ability to:

develop, license and defend intellectual property useful in our business;

enhance our existing services;

develop new services and technologies that address the increasingly sophisticated and varied needs of our existing and prospective customers;

respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis;

respond to the demand for new services, products and technologies on a cost-effective and timely basis; and

adapt to technological advancements and changing standards to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers.

There can be no assurance that we will be able to respond in a timely manner to changing market conditions or customer requirements. The development of proprietary electronic trading technology entails significant technical, financial and business risks. Further, the adoption of new internet, networking or telecommunications technologies may require us to devote substantial resources to modify, adapt and defend our technology. There can be no assurance that we will successfully implement new technologies or adapt our proprietary technology and transaction-processing systems to customer requirements or emerging industry standards, or that we will be able to successfully defend any challenges to any technology we develop. Any failure on our part to anticipate or respond adequately to technological advancements, customer requirements or changing industry standards, or any significant delays in the development, introduction or availability of new services, products or enhancements, could have a material adverse effect on our business, financial condition and results of operations.

### **Our networks and those of our third-party service providers may be vulnerable to security risks, which could make our customers hesitant to use our electronic marketplaces.**



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The secure transmission of confidential information over public networks is a critical element of our operations. Our networks, those of our third-party service vendors, including Cantor and associated clearing corporations, and those of our customers may be vulnerable to unauthorized access, computer viruses and other

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security problems. These networks are provisioned using redundant connections, service providers and routes to provide a high level of redundancy and availability and also to allow partitioning and containment of potential security threats. However, there can be no assurance such measures will be effective against all future threats. People who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, which could make our customers hesitant to use our electronic marketplaces. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches.

**If we experience computer systems failures or capacity constraints, our ability to conduct our operations could be harmed.**

We support and maintain many of our computer systems and networks internally. Our failure to monitor or maintain these systems and networks or, if necessary, to find a replacement for this technology in a timely and cost-effective manner would have a material adverse effect on our ability to conduct our operations. Although all of our business critical systems have been designed and implemented with fault tolerant and/or redundant clustered hardware and diversely routed network connectivity, our redundant systems or disaster recovery plans may prove to be inadequate. Although we have three geographically disparate main data centers, they could be subject to failure due to environmental factors, power outage and other factors. Accordingly, we may be subject to system failures and outages which might impact our revenues and relationships with customers. In addition, we will be subject to risk in the event that systems of our partners, customers or vendors are subject to failures and outages.

We rely on third parties for various computer and communications systems, such as telephone companies, online service providers, data processors, clearance organizations and software and hardware vendors. Our systems, or those of our third-party providers, may fail or operate slowly, causing one or more of the following:

unanticipated disruptions in service to our customers;

slower response times;

delays in our customers' trade execution;

failed settlement of trades;

incomplete or inaccurate accounting, recording or processing of trades;

financial losses;

litigation or other customer claims; and

regulatory sanctions.

There can be no assurance that we will not experience additional systems failures in the future from power or telecommunications failures, acts of God or war, terrorist attacks, human error, natural disasters, fire, power loss, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism and similar events. Any system failure that causes an interruption in service or decreases the responsiveness of our service, including failures caused by customer error or misuse of our systems, could damage our reputation, business and brand name.

**If we fail to implement and maintain an effective internal control environment, our business and stock price could suffer and we may need to restate our financial statements.**

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We are subject to the requirements of the Sarbanes-Oxley Act and the applicable SEC rules and regulations that require an annual management report on our internal control over financial reporting. Such a report includes, among other matters, management's assessment of the effectiveness of our internal control over financial reporting, and an attestation report by our independent registered public accounting firm addressing these

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assessments. Prior to the separation and merger, BGC Partners was not subject to the requirements of the Sarbanes-Oxley Act and the applicable SEC rules and regulations that require an annual management report on internal controls over financial reporting but eSpeed was.

In November 2007, the BGC Division, comprising the BGC businesses we acquired in the merger, completed a restatement of its financial statements with respect to errors related to accounting for certain intercompany transactions between the BGC Division and certain affiliates. Also in 2007, the management of the BGC Division identified a material weakness in its internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board, including the lack of a formal, documented closing process designed to identify key financial reporting risks. This weakness may have indicated a heightened risk that the BGC Division's and the Company's annual or interim financial statements could contain a material misstatement. During the course of 2008, we substantially completed the following initiatives which are aimed at addressing this weakness: establishing what we believe are appropriate internal controls for the monthly closing process, including a more formal schedule and account substantiation and reconciliation tools; establishing a single global general ledger with a standard global chart of accounts; and taking steps aimed at ensuring that we have the appropriate staff within our organization.

During the quarter ended June 30, 2009, our management identified a material weakness in our internal controls related to four unauthorized trades and failure to submit confirmations in one of our foreign offices. We determined that we lacked certain controls with respect to the activities of the broker and that the operational and risk management controls in place to monitor the broker's activities were not properly performed in this instance and therefore were not effective with respect to this event. Performance of secondary controls resulted in the identification of these trades, which management believes was an isolated occurrence. During the quarter ended September 30, 2009 the Company's management implemented control enhancements to remediate this material weakness in internal controls. These control enhancements included: improving management oversight controls to enable increased awareness of unauthorized or unmatched activity; increased controls around monitoring and recording of client instructions and settlements; enhanced procedures for pre-settlement matching of trades; automated trade confirmation processes; implementing a process to ensure that all trade date reconciliation procedures are being properly performed and reviewed; and improved management reporting regarding compliance and risk monitoring and P&L. Although this material weakness has been remediated as of December 31, 2009, there can be no assurance that a similar incident could not occur.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. As such, we could lose investor confidence in the accuracy and completeness of our financial reports, which may have a material adverse effect on our stock price.

Ongoing compliance with the Sarbanes-Oxley Act may require significant expenses and management resources that would need to be diverted from our operations and could require a restructuring of our internal controls over financial reporting. Any such expenses, time reallocations or restructuring could have a material adverse effect on our operations.

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**While portions of our compensation structure are variable, significant parts of our cost structure are fixed, and if our revenues decline and we are unable to reduce our costs in the amount that our revenues decline, our profitability could be materially adversely affected.**

While portions of our compensation structure are variable, significant parts of our cost structure are fixed. We base our overall cost structure on historical and expected levels of demand for our products and services. If demand for these products and services and our resulting revenues decline, we may not be able to adjust our cost structure on a timely basis. If we are unable to reduce our costs in the amount that our revenues decline, our profitability could be materially adversely affected.

**We may be required to pay Cantor for a significant portion of the tax benefit relating to any additional tax depreciation or amortization deductions we claim as a result of any step-up in the tax basis in the assets of BGC U.S. and BGC Global resulting from the exchange of interests in BGC Holdings for BGC Partners common stock.**

Certain interests in BGC Holdings may, in effect, be exchanged in the future for shares of BGC Partners Class A common stock or BGC Partners Class B common stock on a one-for-one basis (subject to customary anti-dilution adjustments). The exchanges may result in increases to our share of the tax basis of the tangible and intangible assets of each of BGC U.S. and BGC Global that otherwise would not have been available, although the Internal Revenue Service may challenge all or part of that tax basis increase, and a court could sustain such a challenge by the Internal Revenue Service. These increases in tax basis, if sustained, may reduce the amount of tax that we would otherwise be required to pay in the future.

In connection with the separation and related transactions, BGC Partners OldCo entered into, and, in the merger, we assumed BGC Partners OldCo's rights and obligations under, the tax receivable agreement with Cantor that provides for the payment by us to Cantor of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to its entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. It is expected that we will benefit from the remaining 15% of cash savings, if any, in income tax that we realize.

Pursuant to the tax receivable agreement, we will determine, after consultation with Cantor, the extent to which we are permitted to claim any such tax benefits, and such tax benefits will be taken into account in computing any cash savings so long as our accountants agree that it is at least more likely than not that such tax benefit is available.

Pursuant to the tax receivable agreement, 20% of each payment that would otherwise be made by us will be deposited into an escrow account until the expiration of the statute of limitations for the tax year to which the payment relates. If the Internal Revenue Service successfully challenges the availability of any tax benefit and determines that a tax benefit is not available, we will be entitled to receive reimbursements from Cantor for amounts we previously paid under the tax receivable agreement and Cantor will indemnify us and hold us harmless with respect to any interest or penalties and any other losses in respect of the disallowance of any deductions which gave rise to the payment under the tax receivable agreement (together with reasonable attorneys' and accountants' fees incurred in connection with any related tax contest, but the indemnity for such reasonable attorneys' and accountants' fees shall only apply to the extent Cantor is permitted to control such contest). Any such reimbursement or indemnification payment will be satisfied first from the escrow account (to the extent funded in respect of such payments under the tax receivable agreement).

For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing our actual income and franchise tax liability to the amount of such taxes that we would have been required to pay had there been no depreciation or amortization deductions available to us that were attributable to an increase in tax basis (or any imputed interest) as a result of an exchange and had BGC Partners OldCo not entered into the tax receivable agreement. The tax receivable agreement was entered into on March 31, 2008, in

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connection with the transactions contemplated by the separation agreement, and will continue until all such tax benefits have been utilized or expired, unless we (with the approval by a majority of our independent directors) exercise our right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement, provided that if Cantor and we cannot agree upon a value, the agreement will remain in full force and effect. While the actual amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable and the amount and timing of the income that we achieve, it is expected that as a result of the anticipated magnitude of the increases in the tax basis of the tangible and intangible assets of BGC U.S. and BGC Global attributable to our interest in BGC U.S. and BGC Global, during the term of the tax receivable agreement, the payments that we may make to Cantor could be substantial. Our ability to achieve benefits from any remaining cash savings in income tax that we realize will depend upon a number of factors, including the timing and amount of our future income.

**The 2008 separation and merger might be challenged by creditors as a fraudulent transfer or conveyance, and equity holders and creditors of the entity held liable could be adversely affected should a court agree with such a challenge.**

Although we do not believe that the 2008 separation or the merger resulted in a fraudulent conveyance or transfer, if a court in a suit by an unpaid creditor or representative of creditors of Cantor or another entity transferring consideration to pre-merger BGC Partners or us, such as a trustee in bankruptcy, or Cantor or such other entity itself, as debtor-in-possession in a reorganization case under Title 11 of the U.S. Code, were to find that:

the separation or the merger, as the case may be (or any component transaction thereof), was undertaken for the purpose of hindering, delaying or defrauding creditors of Cantor or another entity by transferring consideration to pre-merger BGC Partners as part of the separation or us as part of the merger, as the case may be; or

Cantor or another entity transferring consideration to the BGC businesses as part of the separation or us as part of the merger received less than reasonably equivalent value or fair consideration in connection with the separation or the merger, as the case may be, and (1) any of Cantor or such other entity (as applicable) were insolvent immediately before, or were rendered insolvent by, the separation or the merger, as the case may be, (2) Cantor or such other entity (as applicable) immediately prior to, or as of the effective time of, the completion of the separation or the merger, as the case may be, and after giving effect thereto, intended or believed that it would be unable to pay its debts as they became due or (3) the capital of any of Cantor or such other entity (as applicable) immediately before, or at the effective time of, the completion of the separation or the merger, as the case may be, and after giving effect thereto, was inadequate to conduct its business;

then the court could determine that the separation or the merger, as the case may be (or any component transaction thereof), violated applicable provisions of the U.S. Bankruptcy Code or applicable non-bankruptcy fraudulent transfer or conveyance laws. This determination would permit unpaid creditors, the bankruptcy trustee or debtor-in-possession to rescind the separation or the merger, as the case may be (or component transaction thereof), to recover the consideration transferred or an amount equal to the value thereof from us, or to subordinate or render unenforceable the debt incurred in furtherance thereof, or to require us or the holder of such debt to fund liabilities for the benefit of creditors. Our equity holders and creditors held liable as a result of such a determination would be adversely affected to the extent each is required to surrender value to satisfy its liability.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied. Generally, however, an entity would be considered insolvent if:

the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation;

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the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured; or

it is generally not paying its debts as they become due.

Similar provisions would also apply in any other jurisdiction in which the separation and/or merger took effect.

**If we were deemed an investment company under the Investment Company Act of 1940, as amended, as a result of our ownership of BGC U.S., BGC Global or BGC Holdings, applicable restrictions could make it impractical for us to continue our business as contemplated and could materially adversely affect our business, financial condition and results of operation.**

If Cantor ceases to hold a majority of our voting power, Cantor's interest in us could be deemed an investment security under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act. If we were to cease participation in the management of BGC Holdings (or if BGC Holdings, in turn, was to cease participation in the management of BGC U.S. or BGC Global) or not be deemed to have a majority of the voting power of BGC Holdings (or if BGC Holdings, in turn, was deemed not to have a majority of the voting power of BGC U.S. or BGC Global), our interest in BGC Holdings or BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. If BGC Holdings ceased to participate in the management of BGC U.S. or BGC Global or be deemed not to have a majority of the voting power of BGC U.S. or BGC Global, its interest in BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. Generally, an entity is an investment company if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. We are a holding company and hold BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings. A determination that we hold more than 40% of our assets in investment securities could result in us being an investment company under the Investment Company Act and becoming subject to registration and other requirements of the Investment Company Act.

The Investment Company Act and the rules thereunder contain detailed prescriptions for the organization and operations of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, limit the issuance of debt and equity securities, prohibit the issuance of stock options and impose certain governance requirements. If anything were to happen that would cause us, BGC Holdings or Cantor to be deemed to be an investment company under the Investment Company Act, the Investment Company Act would limit our or its capital structure, ability to transact business with affiliates (including Cantor, BGC Holdings or us, as the case may be) and ability to compensate key employees. Therefore, if Cantor, BGC Holdings or we became subject to the Investment Company Act, it could make it impractical to continue our business, impair agreements and arrangements, and the transactions contemplated by those agreements and arrangements, between and among us, BGC Holdings, BGC U.S., BGC Global and Cantor or any combination thereof and materially adversely affect our business, financial condition and results of operations.

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**Risks Related to our Relationship with Cantor and its Affiliates**

**We are controlled by Cantor, which has potential conflicts of interest with us and may exercise its control in a way that favors its interests to our detriment.**

*Cantor's Control*

Cantor effectively is able to exercise control over our management and affairs and all matters requiring stockholder approval, including the election of our directors and determinations with respect to acquisitions and dispositions, as well as material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of Class A common stock and Class B common stock or other securities. This control is subject to the approval of our independent directors on those matters requiring such approval. Cantor's voting power may also have the effect of delaying or preventing a change of control of us. Conflicts of interest may arise between us and Cantor in a number of areas relating to our past and ongoing relationships, including:

potential acquisitions and dispositions of businesses;

the issuance or disposition of securities by us;

the election of new or additional directors to our board of directors;

the payment of dividends by us (if any), distribution of profits by BGC U.S., BGC Global and/or BGC Holdings and repurchases of shares of our common stock or purchases of BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers;

business operations or business opportunities of ours and Cantor's that would compete with the other party's business opportunities, including Cantor's and our brokerage and financial services;

labor, tax, employee benefits, indemnification and other matters arising from the separation or the merger;

intellectual property matters;

business combinations involving us;

conflicts between our agency trading for primary and secondary bond sales and Cantor's investment banking bond origination business;

competition between our and Cantor's other equity derivatives and cash equity inter-dealer brokerage businesses;



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the nature, quality and pricing of administrative services to be provided by Cantor and/or Tower Bridge International Services, L.P., which we refer to as Tower Bridge ; and

provision of clearing capital and potential and existing loans.

We also expect Cantor to manage its ownership of us so that it will not be deemed to be an investment company under the Investment Company Act, including by maintaining its voting power in us above a majority absent an applicable exemption from the Investment Company Act. This may result in conflicts with us including those relating to acquisitions or offerings by us involving issuances of Class A common stock or Class B common stock, or securities convertible or exchangeable into shares of Class A common stock or Class B common stock, that would dilute the voting power in us of the holders of BGC Holdings exchangeable limited partnership interests.

In addition, Cantor has from time to time in the past and may in the future consider possible strategic realignments of its own business and/or of the relationships that exist between and among Cantor and us. Any future related party transaction or arrangement between Cantor and us, until Cantor ceases to hold 5% of our

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voting power, is subject to the prior approval by a majority of our independent directors, but generally does not otherwise require the separate approval of our stockholders, and if such approval is required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders.

In addition, the service of officers or partners of Cantor as our executive officers and directors, and those persons' ownership interests in and payments from Cantor, and its affiliates, could create conflicts of interest when we and those directors or officers are faced with decisions that could have different implications for us and Cantor. See **Risks Related to our Business**. Our ability to retain our key employees and the ability of certain key employees to devote adequate time to us are critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

Our agreements and other arrangements with Cantor may be amended upon agreement of the parties to those agreements upon approval of our audit committee. During the time that we are controlled by Cantor, Cantor may be able to require us to agree to amendments to these agreements. We may not be able to resolve any potential conflicts and, even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

*Corporate Opportunities*

In order to address potential conflicts of interest between Cantor and its representatives and us, our certificate of incorporation contains provisions regulating and defining the conduct of our affairs as they may involve Cantor and its representatives, and our powers, rights, duties and liabilities and those of our representatives in connection with our relationship with Cantor and its affiliates, officers, directors, general partners or employees. Our certificate of incorporation provides that no Cantor Company, as defined in our certificate of incorporation, or any of the representatives, as defined in our certificate of incorporation, of a Cantor Company will owe any fiduciary duty to, nor will any Cantor Company or any of their respective representatives be liable for breach of fiduciary duty to, us or any of our stockholders. The corporate opportunity policy that is included in our certificate of incorporation is designed to resolve potential conflicts of interest between us and Cantor and its representatives.

In addition, our certificate of incorporation provides that Cantor and its respective representatives will have no duty to refrain from:

engaging in the same or similar business activities or lines of business as us; or

doing business with any of our customers.

The BGC Holdings limited partnership agreement contains similar provisions with respect to BGC Partners and/or Cantor and their respective representatives, and the BGC U.S. and BGC Global limited partnership agreements contain similar provisions with respect to BGC Partners and/or BGC Holdings and their respective representatives.

If Cantor competes with us, it could materially harm our business operations.

**Agreements between us and Cantor are between related parties and the terms of these agreements may be less favorable to us than those that we could have negotiated with third parties.**

Our relationship with Cantor results in agreements with Cantor that are between related parties. As a result, the prices charged to us or by us for services provided under agreements with Cantor may be higher or lower than prices that may be charged by third parties and the terms of these agreements may be less favorable to us than those that we could have negotiated with third parties. For example, pursuant to the separation agreement, Cantor

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has a right, subject to certain conditions, to be our customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from BGCantor Market Data without any cost. Any future related party transactions or arrangements between us and Cantor, until Cantor ceases to hold 5% of our voting power, is subject to the prior approval by a majority of our independent directors, but generally does not otherwise require the separate approval of our stockholders, and if such approval were required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders.

**Risks Related to our Class A Common Stock and Our Structure**

**The market price of our Class A common stock may fluctuate significantly.**

The market price of our Class A common stock has declined substantially in recent months and may continue to fluctuate significantly from time to time as a result of many factors, including:

investors' perceptions of our prospects;

investors' perceptions of the prospects of the brokerage business and more broadly, the financial services industry;

decline in general economic conditions;

differences between our actual financial and operating results and those expected by investors and analysts;

changes in analysts' recommendations or projections;

fluctuations in quarterly operating results;

announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;

changes or trends in our industry, including price volatility, trading volumes, competitive or regulatory changes or changes in the brokerage business;

developments in our business or in the financial sector generally, including the effect of direct governmental action in financial markets generally and with respect to future exchanges in particular;

adverse resolution of new or pending litigation against us;

additions or departures of key personnel; and

broad market fluctuations.

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In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against us, as well as announced changes in our business plans or those of our competitors, could adversely affect the trading price of our stock, regardless of the likely outcome of those developments. Broad market and industry factors may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. Stock markets in general, and stock prices of participants in the financial services industry in particular, including us, have recently experienced significant price and volume fluctuations that have affected the market price for securities. The market price of our Class A common stock may continue to be subject to similar market fluctuations which may be unrelated to our operating performance or prospects, and increased volatility could result in a decline in the market price of our Class A common stock. Declines in the price of our Class A common stock may adversely affect our ability to recruit and retain key employees, including our working partners and other key professional employees.

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**The market price of our Class A common stock has fluctuated significantly and may continue to do so. In addition, future sales of shares of Class A common stock could adversely affect the market price of our Class A common stock. BGC Partners stockholders, other than Cantor and its affiliates, could be diluted by such future sales and be further diluted upon exchange of BGC Holdings limited partnership interests into our common stock and upon issuance of additional BGC US and BGC Global limited partnership interests to BGC Holdings as a result of future issuances of BGC Holdings limited partnership interests. We have also repurchased shares of our Class A common stock from time to time, and may actively do so or cease doing so at any time.**

The market price of our Class A common stock has fluctuated widely since eSpeed's initial public offering in December 1999 and the market price of Class A common stock may continue to do so depending upon many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the financial marketplaces in general, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, seasonality, changes in general valuations for companies in our business segment, changes in general economic or market conditions and broad market fluctuations.

Future sales of our shares also could adversely affect the market price of our common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our common stock in connection with future acquisitions, strategic alliances, third-party investments and private placements or otherwise, such as our public offering in June 2008, the market price of common stock could decline significantly. Moreover, the perception in the public market that these stockholders might sell shares could depress the market price of common stock.

We have registered under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, 100,430,000 shares of common stock, which are reserved for issuance upon exercise of options, restricted stock, exchange rights and other incentive compensation granted under our Long-Term Incentive Plan. These shares can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. We may in the future register additional shares of common stock under the Securities Act that become reserved for issuance under our Long-Term Incentive Plan or other benefit plans. In addition, we have registered under the Securities Act 425,000 shares of common stock issuable under our stock purchase plan.

Beginning on March 31, 2009, the first anniversary of the completion of the separation, Cantor was permitted to exchange all of its BGC Holdings limited partnership interests.

The BGC Holdings founding partner interests that Cantor has provided are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement, are as follows and are described in further detail in [Certain Relationships and Related Transactions and Director Independence](#) :

20% of the BGC Holdings founding partner interests held by each founding partner (other than Messrs. Amaitis and Lynn) (an aggregate of 3,154,991 interests) are exchangeable at any time.

(1) 1,100,000 of the 3,160,215 BGC Holdings founding partner interests held by Mr. Amaitis at the closing of the merger became exchangeable upon the closing of the merger and 491,701 of which were exchanged by Mr. Amaitis in April 2009, 400,000 were exchanged in November 2009 and the remaining 208,299 were exchanged in early 2010.

(1) 600,000 of the 2,515,898 BGC Holdings founding partner interests held by Mr. Lynn at the closing of the merger became exchangeable upon the closing of the merger and 500,000 of which were exchanged by Mr. Lynn in February 2010. The remaining shares have or will become exchangeable over eight years.

Any working partner interests that are issued will not be exchangeable with us unless otherwise determined by us with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest. The shares ultimately issuable pursuant to the BGC Holdings REUs, RPU, PSUs, PSIs or other partnership units

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(if exchangeable) and the RSUs that were issued upon the closing of the merger and subsequently would be shares of common stock issued pursuant to our Long-Term Incentive Plan or similar plan.

In connection with the merger, 111,890,929 shares of common stock were reserved for issuance upon the exchange of the BGC Holdings exchangeable limited partnership interests, which are entitled to registration rights under the terms of a registration rights agreement with Cantor that we assumed as a part of the merger, which we refer to as the separation registration rights agreement, and BGC Holdings founding partner interests (if exchangeable) and BGC Holdings REUs (if exchangeable). In addition, shares of common stock issuable upon conversion of shares of Class B common stock held by Cantor are entitled to registration rights under a registration rights agreement entered into in connection with the formation of eSpeed, which we refer to as the formation registration rights agreement. In light of the number of shares of common stock issuable in connection with the full exchange of the BGC Holdings exchangeable limited partnership interests, BGC Holdings founding partner interests (if exchangeable), and BGC Holdings REUs, RPU, PSUs, PSIs or other partnership units (if exchangeable), the price of common stock may decrease and our ability to raise capital through the issuance of equity securities may be adversely impacted as these exchanges occur and transfer restrictions lapse.

In addition, the following table reflects the timetable for distributions by Cantor of shares of our common stock that it holds or will hold in respect of the distribution rights that Cantor provided to limited partners of Cantor, including to the founding partners, in connection with the separation and merger. All of these shares of our common stock will be distributed by Cantor. Cantor expects to use shares of our Class A common stock received upon its conversion of Class B common stock, shares of our Class A common stock received upon exchange of BGC Holdings exchangeable limited partnership interests and purchases of shares of our Class A common stock in the open market to satisfy its distribution obligation under the distribution rights.

<b>Anniversary of the merger (April 1, 2008)</b>	<b>Number of shares of our common stock that are required to be distributed by Cantor in respect of the distribution rights(1)</b>
12 month	4,975,551
18 month	5,703,508
24 month	8,181,089
30 month	1,166,992
36 month	2,954,200
Total	22,981,340

(1) As of December 31, 2009. Includes distribution rights shares which certain Cantor partners have elected to defer until a later time. Cantor has offered to its partners the opportunity to elect to defer their receipt of the distribution right shares and receive a distribution equivalent rather than making an immediate issuance of such shares in the form of Class A Common Stock. Cantor partners who elect to defer their right to such shares are entitled to receive their shares of Class A Common Stock upon written notice to Cantor. Shares will be delivered on such subsequent dates as shall be determined by Cantor in its administrative discretion and Cantor shall have a right to defer such issuances for up to 3 months, although Cantor generally makes such issuances on a quarterly basis to its partners. Of the 13,316,917 shares of Class A Common Stock Cantor has been required to distribute to retained partners since the 2008 merger, as of December 31, 2009, partners currently having rights to 10,618,345 shares have elected to defer receipt.

As of March 31, 2010, the aggregate number of remaining shares of Class A Common Stock that CFLP will be required to distribute to retained and founding partners will be 22,981,340 shares of Class A Common Stock (20,301,276 shares with respect to retained partners and 2,680,064 shares with respect to founding partners).

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Cantor may fund the Class A common stock scheduled to be delivered in satisfaction of its distribution rights obligations by using: (i) shares of Class A common stock owned of record by it, (ii) shares of Class A common stock receivable upon conversion by Cantor of shares of Class B common stock, (iii) shares of Class A common stock receivable upon exchange by Cantor of BGC Holdings exchangeable limited partnership units, or (iv) any combination of the above.

In addition to the table above, the managing general partner of Cantor will be able to grant earlier distribution of the shares in its discretion, as it did with respect to an additional 6,073,355 shares and 458,369 shares in connection with our public offering in June 2008 and stock repurchases by us in September 2008, respectively. Similarly, in connection with the founding partners' charitable donations, Cantor has periodically agreed to accelerate the distribution of distribution rights shares solely to permit such founding partners to donate such shares to The Cantor Fitzgerald Relief Fund or other charities.

In addition, we have issued shares of our common stock, warrants and convertible preferred stock and granted registration rights in connection with certain of our strategic alliances.

During 2009, we repurchased 4,023,959 shares of Class A common stock at an aggregate purchase price of \$7,902,170 million. The 4,023,959 reacquired shares were designated treasury shares and will be used for general corporate purposes. As of December 31, 2009, \$32.4 million was remaining from the authorization of our board of directors and our audit committee to repurchase our Class A common stock, BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. We may continue to make stock repurchases in 2010 and from time to time we may actively repurchase shares and may cease making repurchases at anytime.

In 2009, an aggregate of 4,438,765 shares were issued upon exchange of exchangeable founding partner units. In order to facilitate receipt of the shares by the partners of BGC Holdings and receipt of distribution rights shares to be received by partners of BGC Holdings and Cantor, as well as subsequent sales of such shares, we and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or us.

On March 10, 2010, 208,151 shares of Class A Common Stock were exchanged by a certain founding partner and 133,580 distribution rights shares were issued by Cantor to a certain retained partner. Further, on that date, we repurchased the aggregate of 541,731 shares of Class A Common Stock at an aggregate purchase price of \$2,862,773. Therefore, as of March 10, 2010, \$29.5 million was remaining from the \$100 million buyback authorization.

On March 12, 2010, our Audit Committee authorized us or our subsidiaries to sell \$150,000,000 aggregate principal amount of 8.75 % Convertible Senior Notes due 2015 to Cantor or one of its affiliates which may include up to \$25,000,000 to Howard W. Lutnick and/or his related designees. On March 16, 2010, we executed an agreement with respect to this transaction. We and our affiliates intend to use the proceeds to repay at maturity our outstanding \$150.0 million notes due April 1, 2010.

In March 2010, the Amended and Restated BGC Holdings, L.P. limited partnership agreement was further amended by its general partner and Cantor to create two new types of Working Partner Units, PSUs and PSIs. PSUs and PSIs are identical to REUs and RPUs, respectively, except that they have no associated post-termination payments. These new units are expected to be used by us for future compensatory grants, compensation modifications, redemptions of partnership interests and other purposes.

We have commenced a program directed initially at partners based in the United Kingdom (excluding executive officers) to be effected through a redemption, and separate compensation modification proposals, in which PSUs and PSIs would be substituted for REUs and RPUs, respectively. If the redemption is effected, the REUs and RPUs held by the affected partners who participate in the redemption would be redeemed in return for

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PSUs and PSIs, respectively, and cash. The compensation modification proposals, if effected, would principally result in an additional redemption for cash or the exchangeability of certain of the units received by partners in the redemption or retained by partners who are not subject to the redemption (as well as certain Founding Partner Units held by such partners). This program increases the likelihood that we will pay future compensation in PSUs and PSIs. We currently expect the effect of this redemption will be to reduce our fully-diluted share count by between 1 and 3 percent.

**Because our voting control is concentrated among the holders of Class B common stock, the market price of Class A common stock may be adversely affected by disparate voting rights.**

As of December 31, 2009, Cantor beneficially owned 82.8% of our voting power. As long as Cantor beneficially owns a majority of our combined voting power, it will have the ability, without the consent of the public stockholders, to elect all of the members of our board of directors and to control our management and affairs. In addition, it will be able to determine the outcome of matters submitted to a vote of our stockholders for approval and will be able to cause or prevent a change of control of us. In certain circumstances, such as when transferred to an entity controlled by Cantor or Howard W. Lutnick, the shares of Class B common stock issued to Cantor may be transferred without conversion to Class A common stock.

The holders of Class A common stock and Class B common stock have substantially identical rights, except that holders of Class A common stock are entitled to one vote per share, while holders of Class B common stock are entitled to 10 votes per share on all matters to be voted on by stockholders in general. These votes are controlled by Cantor and are not subject to conversion or termination by our board of directors or any committee thereof, or any other stockholder or third-party. This differential in the voting rights could adversely affect the market price of common stock.

**We are a holding company, and accordingly we are dependent upon distributions from BGC U.S. and BGC Global to pay dividends, taxes and other expenses and to make repurchases.**

We are a holding company with no independent means of generating revenues. Any dividends declared by us and all applicable taxes payable in respect of our net taxable income, if any, are paid from distributions to us from BGC U.S. and BGC Global. To the extent that we need funds to pay dividends or to pay taxes on our share of BGC U.S. s and BGC Global s net taxable income, or to repurchase shares of our common stock or BGC Holdings exchangeable limited partnership interests or if we need funds to pay dividends, make repurchases or for any other purpose, and either BGC U.S. or BGC Global or their respective subsidiaries are restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition and results of operations and our ability to declare dividends. In addition, any unanticipated accounting, tax or other charges against net income could adversely affect our ability to pay dividends, taxes and other expenses and to make repurchases.

**We may not be able to pay dividends on our common stock.**

We are a holding company with no direct operations and will be able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. and BGC Global. BGC U.S. and BGC Global intend to distribute to their limited partners, including us, on a pro rata and quarterly basis, cash that is not required to meet BGC U.S. s and BGC Global s anticipated business needs. As a result, BGC U.S. s and BGC Global s ability, and in turn our ability, to make any distributions will depend upon the continuing profitability and strategic and operating needs of our business, including various capital adequacy and clearing capital requirements promulgated by regulatory, banking and exchange authorities to which our subsidiaries are subject. We expect to pay not less than 75% of our post-tax distributable earnings per fully diluted share as cash dividends to all common stockholders, with the balance of such distributable earnings to be available to repurchase shares of our common stock or purchase BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. Our board of directors and our audit



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committee have authorized repurchases of our common stock and purchases of BGC Holdings limited partnership interests or other equity interests in our subsidiaries as part of this policy, including those held by Cantor or our executive officers, at the volume weighted average price, to the extent available, of such securities on the date on which such purchase or repurchase is made, or, in some cases, at the closing stock price. As of March 10, 2010, we had \$29.5 million remaining under this stock repurchase authorization and may continue to make stock repurchases from time to time, we may actively repurchase shares and may cease making purchases at anytime. In addition, from time to time, we may reinvest all or a portion of the distributions we receive in BGC U.S. and BGC Global respective businesses, although we have no current plans to do so nor do we expect to so long as we maintain our current dividend policy. As a result, there can be no assurance that future dividends will be paid. See Dividend Policy .

**Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.**

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. Some provisions of the Delaware General Corporation Law, which we refer to as the DGCL, and our amended and restated certificate of incorporation, which we refer to as the certificate of incorporation, and amended and restated bylaws, which we refer to as the bylaws, could make the following more difficult:

acquisition of us by means of a tender offer;

acquisition of us by means of a proxy contest or otherwise; or

removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

Our bylaws provide that special meetings of stockholders may be called only by the Chairman of our board of directors, or in the event the Chairman of our board of directors is unavailable, by the Chief Executive Officer or by the holders of a majority of the voting power of our Class B common stock, which is held by Cantor and CFGM, the managing general partner of Cantor, an entity controlled by our Chairman and Chief Executive Officer, Howard W. Lutnick. In addition, our certificate of incorporation permits us to issue blank check preferred stock.

Our bylaws require advance written notice prior to a meeting of stockholders of a proposal or director nomination which a stockholder desires to present at such a meeting, which generally must be received by our Secretary not later than 120 days prior to the first anniversary of the date of our proxy statement for the preceding year's annual meeting. Our bylaws provide that all amendments to our bylaws must be approved by either the holders of a majority of the voting power of all outstanding capital stock entitled to vote or by a majority of our board of directors.

We are subject to Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with

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affiliates and associates, owns 15% or more of a corporation's outstanding voting stock, or was the owner of 15% or more of a corporation's outstanding voting stock at any time within the prior three years, other than interested stockholders prior to the time our common stock was quoted on the Nasdaq Global Market. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock held by stockholders.

In addition, our brokerage businesses are heavily regulated and some of our regulators require that they approve transactions which could result in a change of control, as defined by the then-applicable rules of our regulators. The requirement that this approval be obtained may prevent or delay transactions that would result in a change of control.

Further, our Long Term Incentive Plan contains provisions pursuant to which grants that are unexercisable or unvested may automatically become exercisable or vested as of the date immediately prior to certain change of control events. Additionally, change in control and employment agreements between us and our named executive officers also provide for payments in the event of certain change of control events.

The foregoing factors, as well as the significant common stock ownership by Cantor, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock.

**Delaware law may protect decisions of our board of directors that have a different effect on holders of Class A common stock and Class B common stock.**

Stockholders may not be able to challenge decisions that have an adverse effect upon holders of Class A common stock if our board of directors acts in a disinterested, informed manner with respect to these decisions, in good faith and in the belief that it is acting in the best interests of our stockholders. Delaware law generally provides that a board of directors owes an equal duty to all stockholders, regardless of class or series, and does not have separate or additional duties to either group of stockholders, subject to applicable provisions set forth in a company's charter.

**If our dividend policy is materially different than the distribution policy of BGC Holdings, upon the exchange of any BGC Holdings limited partnership interests, such BGC Holdings limited partners could receive a disproportionate interest in the aggregate distributions by BGC U.S. and BGC Global that have not been distributed by us.**

To the extent BGC Holdings distributes to its limited partners a greater share of income received from BGC U.S. and BGC Global than we distribute to our stockholders, then as founding/working partners, REU partners and/or Cantor exercise any exchange right to acquire Class A common stock or Class B common stock, as applicable, exchanging partners may receive a disproportionate interest in the aggregate distributions by BGC U.S. and BGC Global that have not been distributed by us. The reason is that the exchanging partner could receive both (1) the benefit of the distribution that have not been distributed by us from BGC U.S. and BGC Global to BGC Holdings (in the form of a distribution by BGC Holdings to its limited partners) and (2) the benefit of the distribution from BGC U.S. and BGC Global to us (in the form of a subsequent cash dividend, a greater percentage indirect interest in BGC U.S. and BGC Global following a repurchase by us or a greater value of assets following a purchase of assets with the cash that otherwise would be distributed to our stockholders). Consequently, if our dividend policy does not match the distribution policy of BGC Holdings, holders of Class A common stock and Class B common stock as of the date of an exchange could experience a reduction in their interest in the profits previously distributed by BGC U.S. and BGC Global that have not been distributed by us. Our previously described intention to match the distribution policy of BGC Holdings was superseded by a decision (which we announced on May 7, 2008) by our board of directors to provide for greater flexibility by our management. Our current dividend policy could result in distributions to our common stockholders that are different from the distributions made by BGC Holdings to its equity holders.

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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

We have offices in the United States, Europe, United Kingdom, South America and Asia. Our principal executive offices are located at space at 499 Park Avenue, New York, New York. For 2009, such rental expense for our executive offices was approximately \$0.2 million and anticipated to be approximately \$0.2 million in 2010. We also occupy a large space at 199 Water Street, New York, New York. Under the Administrative Services Agreement, we are obligated to Cantor for our pro rata portion (based on square footage used) of rental expense during the 16-year term of the lease for such spaces.

Our largest presence outside of the New York metropolitan area is in London. In the second quarter of 2006, we relocated our principal London office to One Churchill Place, Canary Wharf.

We occupy a concurrent computing center in Rochelle Park, New Jersey. In March 2007, we opened an additional data center in Trumbull, Connecticut. Our U.S. operations also lease office space in Boston, Massachusetts, Chicago, Illinois, Dallas, Texas, Los Angeles, California, Shrewsbury, New Jersey and Sarasota, Florida. In addition to our London location, our foreign operations lease office space in Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Sao Paulo, Seoul, Singapore, Sydney, Tokyo and Toronto. We believe that our facilities are adequate for our current operations.

**ITEM 3. LEGAL PROCEEDINGS**

In the ordinary course of business, various legal actions are brought and are pending against the Company. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's business. Any of such actions may result in judgments, settlements, fines, penalties, injunctions or other relief.

The National Australia Bank Limited, which we refer to as NAB, filed a claim in September, 2007 in the Supreme Court of Victoria against BGC International, which we refer to as BGCI, and BGC Capital Markets (Japan) LLC (formerly known as Cantor Fitzgerald LLC), which we refer to as BGC Capital Markets (Japan). On January 21, 2009, NAB filed a Notice of Discontinuance with the Court. From September 2001 through January 2004, NAB employees who traded in foreign exchange options allegedly lost substantial amounts of money and allegedly overstated the positions and profit which they held. NAB claims that BGCI and BGC Capital Markets (Japan) allegedly provided misleading and deceptive independent revaluation rates to NAB's middle office, which were then purportedly relied upon by NAB. NAB alleges that the supply of these revaluation rates prevented NAB from discovering the true position of the currency options portfolio and that it subsequently sustained trading losses of AUD 311 million (or, based on an exchange rate of .8994 at December 31, 2009, approximately \$279.7 million). The 2006 NAB annual report claims that NAB's total loss amounted to AUD 539 million (or, based on an exchange rate of .8994 at December 31, 2009, approximately \$484.8 million), implying that its consequential losses amounted to AUD 228 million (or, based on an exchange rate of .8994 at December 31, 2009, approximately \$205.1 million). Based on the information provided, BGCI and BGC Capital Markets (Japan) believe that they have substantial defenses in respect of the losses claimed by NAB. On January 21, 2009, NAB filed a Notice of Discontinuance with the Court.

On February 15, 2006, the SEC issued a formal order of investigation into trading by certain inter-dealer brokers in the government and fixed income securities markets. The formal order alleges that the broker-dealers named therein, including us, (1) may have made fictitious quotations or made false or misleading statements about the prices at which U.S. Treasury or other fixed income securities would be purchased or sold, (2) may have fabricated market quotations or trading activity in U.S. Treasury or other fixed income securities to

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stimulate trading and to generate commissions, (3) may have engaged in front running or interpositioning, (4) may have engaged in fraudulent, deceptive or manipulative acts to induce the purchase or sale of government securities, (5) may have failed to keep and preserve certain books and records as required by the SEC and/or the Treasury and (6) may have failed to supervise with a view to preventing violations of applicable rules and regulations as required by the Exchange Act. We are cooperating in the investigation, which has been inactive for over a year. Our management believes that, based on the currently available information, the final outcome of the investigation will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

In August 2004, Trading Technologies International, Inc. (TT) commenced an action in the United States District Court, Northern District of Illinois, Eastern Division, against us. In its complaint, TT alleged that we infringed U.S. Patent No. 6,766,304, which issued on July 20, 2004, and U.S. Patent 6,772,132, which issued on August 3, 2004. TT later added eSpeed International Ltd., ECCO LLC and ECCO Ware LLC as defendants in a second amended complaint. On January 5, 2006, we answered TT's second amended complaint, denying the infringement allegations, and we filed an amended counterclaim seeking a declaration that the patents in suit are invalid, we do not make, use or sell any product that infringes any claims of the patents in suit, the patents in suit are unenforceable because of inequitable conduct by TT before the U.S. Patent and Trademark Office during the prosecution of the patents, and the patents are unenforceable due to TT's patent misuse. The District Court consolidated for certain discovery and Markman hearing purposes our case with other patent infringement cases brought by TT against other defendants. A Markman hearing was held on August 16-18, 2006. On October 31, 2006, the Court issued a ruling on claim construction, providing the meanings of the various terms in dispute in the asserted patents. In that ruling, the Court found that we correctly defined several of the patents' key terms. In February 2007, the Court denied TT's motion for clarification and reconsideration of the Markman decision and reconfirmed its October 2006 ruling. On June 20, 2007, the Court granted eSpeed's motion for partial summary judgment on TT's claims of infringement covering the Dual Dynamic, eSpeedometer and modified eSpeedometer versions of eSpeed's and ECCO's products. As a result, the remaining products at issue in the case were the versions of the eSpeed and ECCO products that have not been on the market in the U.S. since around the end of 2004. TT moved for reconsideration of that summary judgment ruling, which the Court denied. The trial began on September 10, 2007 and ended on October 4, 2007. On October 10, 2007 a jury rendered a verdict that eSpeed and ECCO willfully infringed. The jury awarded TT damages in the amount of \$3.5 million. On

January 3, 2008, the Court granted eSpeed's motion for directed verdict on willfulness, finding that eSpeed's infringement was not willful as a matter of law, and denied eSpeed's general motions for directed verdict and for new trial. On February 6, 2008, eSpeed's remittitur motion was conditionally granted, and on February 12, 2008, TT indicated by letter that it accepted the remittitur, which would reduce the principal amount of the verdict to \$2,539,468. Although the District Court's Final Judgment in a Civil Case contained no provision for monetary damages, TT's motion for pre-judgment interest was granted, and interest was set at the prime rate, compounded monthly. A hearing on inequitable conduct was held on April 3-4, 2008. On May 7, 2008, the Court held that TT did not engage in inequitable conduct during the prosecution of the patents in suit. On May 23, 2008, the Court granted TT's motion for a permanent injunction, and on June 13, 2008 denied its motion for attorneys' fees. On July 16, 2008, TT's costs were assessed by the Court clerk in the amount of \$3,321,776 against eSpeed. eSpeed filed a motion to strike many of these costs, which has been stayed pending resolution of the appeal referred to below. Both parties have appealed to the United States Court of Appeals for the Federal Circuit, which heard arguments in the case on August 4, 2009 and issued an opinion on February 25, 2010 affirming the District Court on all issues presented on appeal. Either or both sides may file petitions for rehearing, which are due by March 29, 2010. If TT ultimately prevails in the litigation, we may be required to pay TT damages and/or certain costs, and we may be forced to modify or withdraw certain products from the market. Both parties have requested attorneys' fees from the other party, which may be awarded by the Court in exceptional cases. We have accrued the amount of the District Court jury's verdict remitted plus interest and a portion of the preliminarily assessed costs that would cover the amount, if any were actually awarded. The Company has learned that on February 3, 2010, TT filed another civil action against it in the Northern District of Illinois, alleging infringement of three additional patents, U.S. Patents Nos. 7,533,056, 7,587,357, and 7,613,651,

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and by later amendment to the complaint No. 7,676,411, by the eSpeedometer product. The Company has not been served with the complaint as of the date hereof.

Since August 2009, approximately 80 employees of subsidiaries of Tullett Prebon plc ( Tullett ) have signed contracts for future employment with affiliates of BGC and/or have started working for affiliates of BGC in the New York metropolitan area. Many of these individuals were employees at will of Tullett s subsidiaries, although some of them had employment agreements with those subsidiaries. Certain of the employees with employment agreements commenced FINRA arbitrations against Tullett subsidiaries on the grounds that the Tullett subsidiaries breached those agreements and/or that certain restrictions in those agreements are unenforceable. In one of these arbitrations, certain employees of the Treasury Desk assert claims against Tullett Liberty Brokerage Inc. for, among other things, fraud, breach of contract, breach of the covenant of good faith and fair dealing, and declaratory judgment as a result of its repeated promising of, and failing to deliver, electronic support for their business (a development noted by certain stock analysts). In the other arbitration, certain employees who had sold their interest in Chapdelaine Corporate Brokers, Inc. to a Tullett subsidiary seek a determination that Tullett subsidiaries have fraudulently engaged in improper practices contrary to the sale agreement with the effect of depriving them of significant payments, as well as certain other matters.

On August 25, 2009, Tullett Liberty Securities LLC ( Tullett Liberty ) informed BGC that it had filed a claim with FINRA dispute resolution (the FINRA Arbitration ) in New York, New York against BGC Financial, L.P., an affiliate of BGC, ( BGC Financial ), one of BGC Financial s officers, and certain persons formerly or currently employed by Tullett subsidiaries. On January 22, 2009, Tullett Liberty filed an Amended Statement of Claim in the FINRA Arbitration ( FINRA FASOC ), adding Tullett Prebon Americas Corp. ( Tullett Americas, together with Tullett Liberty, the Tullett Subsidiaries ) as a claimant, and adding 35 individual employees, who were formerly employed by either of the Tullett Subsidiaries, as respondents. In the FINRA FASOC, the Tullett Subsidiaries allege that BGC Financial harmed their inter-dealer brokerage business by hiring 79 of their employees, and that BGC Financial aided and abetted various alleged wrongs by the employees, engaged in unfair competition, misappropriated trade secrets and confidential information, tortiously interfered with contract and economic relationships, and violated FINRA Rules of Conduct. The Tullett Subsidiaries also alleged certain breaches of contract and duties of loyalty and fiduciary duties against the employees. BGC Financial has generally agreed to indemnify the employees. The Tullett Subsidiaries claim compensatory damages of not less than \$779 million and exemplary damages of not less than \$500 million. The Tullett Subsidiaries also seek costs and permanent injunctions against the defendants.

The Tullett entities have requested that FINRA consolidate the FINRA Arbitration with the other actions commenced before FINRA by the individual brokers, as well as two additional actions commenced against BGC Financial by two brokers who were briefly employed there before returning to Tullett Liberty. The parties are currently discussing the contours of a such a consolidated FINRA proceeding.

On October 22, 2009, Tullett filed a complaint in the United States District Court for the District of New Jersey against BGC captioned Tullett Prebon plc vs. BGC Partners, Inc. (the New Jersey Action ). In the New Jersey Action, Tullett asserted claims relating to decisions made by approximately 81 brokers to terminate their employment with Tullett s Subsidiaries and join BGC s affiliates. In its complaint, Tullett made a number of allegations against BGC related to raiding, unfair competition, New Jersey RICO, and other claims arising from the brokers current or prospective employment by BGC s affiliates. Tullett claimed compensatory damages against BGC in excess of \$1 billion for various alleged injuries as well as exemplary damages. It also sought costs and an injunction against additional hirings. On December 21, 2009, BGC moved to dismiss the complaint in the New Jersey Action. Rather than contest the motion, Tullett filed its First Amended Complaint on January 11, 2010 ( Amended New Jersey Complaint ), which largely repeats the allegations of injury and the claims asserted in the initial complaint. The Amended New Jersey Complaint incorporates the damages sought in the FINRA Arbitration, repeats many of the allegations raised in the FINRA FASOC and also references hiring of employees of Tullett affiliates by BGC or BGC s affiliates overseas, for which Tullett and/or its subsidiaries have filed suit outside of the United States, including one currently pending in the High Court in London and

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another action commenced by a Tullett affiliate against seven of our brokers in Hong Kong, on which we may have certain indemnity obligations. On February 11, 2010, BGC filed a motion to dismiss the Amended New Jersey Complaint, or in the alternative, to stay the action pending the resolution of the FINRA Arbitration. In that motion, BGC argues that Tullett lacks standing to pursue its claims, that the court lacks subject matter jurisdiction and that each of the causes of action in the Amended New Jersey Complaint fails to state a legally sufficient claim.

BGC and its affiliates intend to vigorously defend against and seek appropriate affirmative relief in the FINRA FASOC, the Amended New Jersey Complaint, and the other actions, and believe that they have substantial defenses to the claims asserted against them in those proceedings, believe that the damages and injunctive relief sought against them in those proceedings are unwarranted and unprecedented, and believe that Tullett and its subsidiaries are attempting to use the judicial and industry dispute resolution mechanisms in an effort to shift blame to BGC for their own failures. However, no assurance can be given as to whether Tullett or Tullett Liberty may actually succeed against either BGC or any of its affiliates.

In addition to the matters discussed above, we are a party to several pending legal proceedings and claims that have arisen during the ordinary course of business. The outcome of such items cannot be determined with certainty, therefore we cannot predict what the eventual loss or range of loss related to such matters will be. Management believes that, based on currently available information, the final outcome of these current pending matters will not have a material effect on our financial condition, results of operations or cash flows.

Legal reserves are established in accordance with FASB guidance on *Accounting for Contingencies*, when a material legal liability is both probable and reasonably estimable. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

The outcome of such items cannot be determined with certainty; therefore we cannot predict what the eventual loss or range of loss related to such matters will be. Our management believes that, based on currently available information, the final outcome of these current pending matters will not have a material effect on our cash flow, results of operations or financial position.

**ITEM 4. [RESERVED]**

**Table of Contents****PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Price Range of Class A Common Stock**

Our Class A common stock is traded in the Nasdaq Global Market under the symbol BGCP. There is no public trading market for our Class B common stock which is held by Cantor. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices per share of our Class A common stock, as reported in the consolidated transaction reporting system.

The Company declared quarterly dividends of \$0.09, \$0.09, \$0.08 and \$0.06 for the first, second, third and fourth quarters of 2009, respectively.

	High	Low
2010		
First Quarter (through March 4, 2010)	\$ 5.50	\$ 5.30
2009		
First Quarter	\$ 3.24	\$ 1.40
Second Quarter	\$ 4.05	\$ 2.18
Third Quarter	\$ 4.74	\$ 3.78
Fourth Quarter	\$ 5.66	\$ 4.13
2008		
First Quarter	\$ 12.97	\$ 10.62
Second Quarter	\$ 12.11	\$ 6.90
Third Quarter	\$ 7.73	\$ 3.35
Fourth Quarter	\$ 4.59	\$ 2.15

On March 4, 2010, the last reported closing price of our Class A common stock on the NASDAQ Global Market was \$5.45. As of March 4, 2010, there were 343 holders of record of our Class A common stock and 2 holders of record of our Class B common stock.

**Dividend Policy**

Our board of directors has authorized a dividend policy which provides that we expect to pay not less than 75% of our post-tax distributable earnings per fully diluted share (defined below) as cash dividends to all common stockholders, with the balance of such distributable earnings to be available to repurchase shares of our common stock or purchase BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. We calculate our post-tax distributable earnings generally as our GAAP income (loss) from continuing operations before minority interest and income taxes and excluding certain non-cash compensation and other non-cash expenses as well as non-cash undistributed income or non-cash losses from our equity investments, adjusted to assume that such earnings were taxed at the same effective tax rate as BGC Partners, Inc. (please see below for a more detailed definition of post-tax distributable earnings).

Our board of directors and our audit committee have authorized repurchases of our common stock and purchases of BGC Holdings limited partnership interests or other equity interests in our subsidiaries as part of this policy, including those held by Cantor or our executive officers, at the volume weighted average price, to the extent available, of such securities on the date on which such purchase or repurchase is made. As of March 10, 2010, we had \$29.5 million remaining under this authorization and may continue to actively make repurchases or cease to make repurchases, from time to time. We expect to pay such dividends, if and when declared by our

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board of directors and our audit committee, on a quarterly basis. The dividend to stockholders is expected to be calculated based on post-tax distributable earnings allocated to BGC Partners, Inc. and generated over the fiscal quarter ending prior to the record date for the dividend.

We are a holding company with no direct operations and therefore we are able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. and BGC Global.

The declaration, payment, timing and amount of any future dividends payable by us will be at the sole discretion of our board of directors. Our ability to pay dividends may also be limited by regulatory considerations as well as covenants contained in future financing or other agreements. In addition, under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Accordingly, any unanticipated accounting, tax or other charges against net income may adversely affect our ability to declare dividends. While we intend to declare and pay dividends quarterly, there can be no assurance that our board of directors will declare dividends at all or on a regular basis or that the amount of dividend will not change.

***Certain Definitions***

Revenues for distributable earnings, pre-tax distributable earnings and post-tax distributable earnings are supplemental measures of operating performance used by management to evaluate the financial performance of BGC Partners and its subsidiaries. We believe that distributable earnings best reflects the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers available for distribution to BGC Partners, Inc. and its common stockholders as well as to holders of BGC Holdings partnership units during any period. As compared with income (loss) from continuing operations before income taxes and non-controlling interest in subsidiaries, net income (loss) for fully diluted shares, and fully diluted earnings (loss) per share, all prepared in accordance with GAAP, distributable earnings calculations exclude certain non-cash compensation and other expenses which do not involve the receipt or outlay of cash by BGC Partners, and which do not dilute existing stockholders, and which do not have economic consequences, as described below.

Revenues for distributable earnings are defined as GAAP revenues excluding the non-cash impact of BGC Partners' pro rata share of earnings or losses from its equity investments, such as in Aqua Securities, L.P. ( Aqua ) and ELX Electronic Liquidity Exchange ( ELX ).

Pre-tax distributable earnings are defined as GAAP income (loss) from continuing operations before income taxes and non-controlling interest in subsidiaries excluding non-cash, non-dilutive, and non-economic items, including, for example:

Non-cash stock based equity compensation charges, for equity granted or issued prior to the merger of BGC Partners with and into eSpeed, as well as post-merger non-cash, non-dilutive equity-based compensation related to founding partner unit and REU conversion;

Non-cash undistributed income or non-cash loss from BGC Partners' equity investments including Aqua and ELX; and

Non-cash asset impairment charges, if any.

Because net income is allocated equally to each equity ownership class based on each class's pro rata economic ownership, BGC Partners discussion and presentation of distributable earnings treats all fully diluted shares of equity as if converted to a single class of stock and thus excludes the allocation of net income to founding/working partner units and REUs.



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Since distributable earnings are calculated on a pre-tax basis, management intends to also report post-tax distributable earnings and post-tax distributable earnings per fully diluted share.

Post-tax distributable earnings are defined as pre-tax distributable earnings adjusted to assume that all pre-tax distributable earnings were taxed at the same effective rate.

Post-tax distributable earnings per fully diluted share are defined as post-tax distributable earnings divided by the weighted average number of fully diluted shares for the period.

In addition to the pro rata distribution of net income to BGC Holdings founding/working partner units, to REUs, and to Cantor for its non-controlling interest, BGC Partners, Inc. also expects to pay a quarterly dividend to its stockholders. The amount of all of these payments is expected to be determined using the same definition of distributable earnings. The dividend to stockholders is expected to be calculated based on post-tax distributable earnings allocated to BGC Partners, Inc. and generated over the fiscal quarter ending prior to the record date for the dividend. No assurance can be made, however, that a dividend will be paid each quarter.

Employees who are holders of unvested restricted stock units ( RSUs ) are granted pro-rata payments equivalent to the amount of dividend paid to common stockholders. Under GAAP, dividend equivalents on unvested RSUs are required to be taken as a compensation charge in the period paid. However, to the extent that they represent cash payments made from the prior period's distributable earnings, they do not dilute existing stockholders and are therefore excluded from the calculation of distributable earnings.

Distributable earnings is not meant to be an exact measure of cash generated by operations and available for distribution, nor should it be considered in isolation or as an alternative to cash flow from operations or income (loss) for fully diluted shares. The Company views distributable earnings as a metric that is not necessarily indicative of liquidity or the cash available to fund its operations.

Pre- and post-tax distributable earnings are not intended to replace the presentation of BGC Partners, Inc.'s GAAP financial results. However, management does believe that they will help provide investors with a clearer understanding of the Company's financial performance and offer useful information to both management and investors regarding certain financial and business trends related to our financial condition and results from operations. Management believes that distributable earnings and the GAAP measures of the Company's financial performance should be considered together.

## **Issuer Purchases of Equity Securities**

On August 5, 2004, our Board of Directors authorized the repurchase of up to \$100 million of outstanding Class A common stock to replace the remaining \$20.5 million authorized from the prior plan. As of March 10, 2010, approximately \$29.5 million from this plan was available for further share repurchases. From time to time, we may actively repurchase shares. As of March 10, 2010, on a life to date basis, we had repurchased an aggregate of 15.1 million shares of our Class A common stock for a total purchase price of approximately \$92.1 million. The reacquired shares have been designated treasury shares and will be used for general corporate purposes. We have continued to make purchases in the first quarter of 2010 and may actively purchase shares from time to time.

**Table of Contents****ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA**

The following table sets forth selected consolidated financial data for the last five years ended December 31, 2009. This selected consolidated financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and the accompanying Notes thereto included elsewhere in this Annual Report on Form 10-K. Amounts in thousands, except per share data.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
<b>Consolidated Statement of Operations Data:</b>					
<b>Revenues:</b>					
Commissions	\$ 693,818	\$ 871,198	\$ 802,956	\$ 599,486	\$ 446,378
Principal transactions	379,767	247,404	205,049	134,939	119,586
Total brokerage revenues	1,073,585	1,118,602	1,008,005	734,425	565,964
Fees from related parties	58,877	76,126	53,809	28,638	15,244
Market data	17,953	19,404	18,981	17,409	16,283
Software solutions	7,419	7,780	10,983	16,981	15,534
Interest income	7,252	11,813	22,968	31,086	15,208
Other revenues	5,923	2,276	2,895	26,203	5,155
(Losses) gains on equity investments	(8,687)	(7,069)	(715)	102	
Total revenues	1,162,322	1,228,932	1,116,926	854,844	633,388
<b>Expenses:</b>					
Compensation and employee benefits	725,139	819,413	649,507	560,016	434,862
Allocation of net income to founding/working partner units	11,619	10,849			
Allocation of net income to REUs/RPUs	5,112	551			
Total compensation and employee benefits	741,870	830,813	649,507	560,016	434,862
Other expenses	355,964	388,345	424,745	392,036	282,356
Total expenses	1,097,834	1,219,158	1,074,252	952,052	717,218
Income (loss) from continuing operations before income taxes	64,488	9,774	42,674	(97,208)	(83,830)
Provision (benefit) for income taxes	23,675	20,115	9,320	(1,547)	(9,267)
Consolidated net income (loss) from continuing operations	40,813	(10,341)	33,354	(95,661)	(74,563)
Loss from discontinued operations				(646)	(145)
Income tax (provision) benefit from discontinued operations				(4)	28
Cumulative effect of a change in accounting principle				(10,080)	
Consolidated net income (loss)	40,813	(10,341)	33,354	(106,391)	(74,680)
Less: Net income attributable to noncontrolling interest in subsidiaries	20,788	19,368	2,352		
Net income (loss) available to common stockholders	\$ 20,025	\$ (29,709)	\$ 31,002	\$ (106,391)	\$ (74,680)
<b>Per share data:</b>					
Basic earnings (loss) per share	\$ 0.25	\$ (0.28)	\$ 0.17	\$ (0.58)	\$ (0.40)
Fully diluted earnings (loss) per share	\$ 0.24	\$ (0.28)	\$ 0.17	\$ (0.58)	\$ (0.40)

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Basic weighted average shares of common stock outstanding	80,350	105,771	184,326	184,074	185,209
Fully diluted weighted average shares of common stock outstanding	211,036	105,771	185,482	184,074	185,209
Cash and cash equivalents	\$ 469,301	\$ 204,930	\$ 277,299	\$ 130,888	\$ 164,437
Total assets	\$ 1,464,549	\$ 1,068,341	\$ 1,377,629	\$ 1,497,624	\$ 1,233,043
Notes payable and collateralized borrowings	\$ 167,586	\$ 150,000	\$ 196,818	\$ 248,896	\$ 154,318
Total liabilities	\$ 1,026,651	\$ 624,560	\$ 905,952	\$ 1,072,764	\$ 744,318
Total stockholders and members equity	\$ 201,889	\$ 188,250	\$ 469,325	\$ 424,860	\$ 488,725

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of BGC Partners, Inc. financial condition and results of operations should be read together with BGC Partners, Inc. consolidated financial statements and notes to those statements, included elsewhere in this document. When used herein, the terms "BGC Partners," "BGC the Company," "we," "us" and "our" refer to BGC Partners, Inc., including consolidated subsidiaries.

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipate," "intends" and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to:

pricing and commissions and market position with respect to any of our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers and consolidation;

liquidity, clearing capital requirements and the impact of recent credit market events;

market conditions, including trading volume and volatility, and further deterioration of the equity and debt capital markets;

our relationship with Cantor Fitzgerald, L.P. and its affiliates ("Cantor") and any related conflicts of interest, competition for and retention of brokers and other managers and key employees, reliance on Cantor for liquidity and capital and other relationships;

economic or geopolitical conditions or uncertainties;

the extensive regulation of the Company's businesses, changes in regulations relating to the financial services industry, and risks relating to compliance matters;

factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, as well as counterparty failure, and the impact of fraud and unauthorized trading;

the costs and expenses of developing, maintaining and protecting intellectual property, including judgments or settlements paid or received in connection with intellectual property, or employment or other litigation and their related costs;

certain financial risks, including the possibility of future losses and negative cash flow from operations, potential liquidity and other risks relating to the ability to obtain financing or refinancing of existing debt and risks of the resulting leverage, as well as interest and currency rate fluctuations;

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the ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;

the ability to enter into marketing and strategic alliances and other transactions, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures, and the integration of any completed transactions;

the ability to hire new personnel;

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the ability to expand the use of technology for our hybrid platform, including hybrid and fully electronic trading;

effectively managing any growth that may be achieved;

financial reporting, accounting and internal control factors, including identification of any material weaknesses in our internal controls and our ability to prepare historical and pro forma financial statements and reports in a timely manner;

the effectiveness of risk management policies and procedures and the impact of unexpected market moves and similar events;

the ability to meet expectations with respect to payment of dividends, distributions and repurchases of our common stock or purchases of BGC Holdings, L.P. ( BGC Holdings ) limited partnership interests or other equity interests in our subsidiaries, including from Cantor, our executive officers, and our employees; and

the risks and other factors described herein under the heading Item 1A Risk Factors as set forth in this Annual Report on Form 10-K and other reports on Form 10-Q.

The foregoing risks and uncertainties, as well as those risks discussed under the heading Item 7A Quantitative and Qualitative Disclosures About Risk and elsewhere in the Company's Form 10-K, may cause actual results to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-K with the SEC, and future events or circumstances could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This discussion summarizes the significant factors affecting our results of operations and financial condition during the years ended December 31, 2009 and 2008. This discussion is provided to increase the understanding of, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto included elsewhere in this Report.

**Overview**

BGC Partners is a leading global financial intermediary to the financial markets specializing in the brokering of a broad range of financial products globally, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commodities, futures, structured products and other instruments. BGC Partners also provides a full range of services, including trade execution, broker-dealer services, clearing, processing, information, and other back office services to a broad range of financial and non-financial institutions. Through its eSpeed and BGCantor Market Data brands, BGC Partners also offers financial technology solutions and market data and analytics related to select financial instruments and markets. BGC Partners' customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments and investment firms. BGC Partners' integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, hybrid, or, where available, fully electronic brokerage services in connection with transactions executed either OTC or through an exchange. BGC Partners has offices in New York and London, as well as in Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Sao Paulo, Sarasota, Seoul, Singapore, Sydney, Tokyo and Toronto.

Prior to the events of September 11, 2001, BGC Partners' brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of the majority of its U.S.-based employees, its brokerage business operated primarily in Europe. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it BGC, in honor of B. Gerald Cantor, Cantor's co-founder and a pioneer in screen brokerage services and fixed income market data products. Over the past several years, BGC Partners has re-established its U.S. presence and has continued to

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expand its global presence through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, BGC Partners has been able to expand its presence in key markets and position its business for sustained growth.

On April 1, 2008, BGC Partners, LLC merged with and into eSpeed Inc. to form BGC Partners. eSpeed is a leader in developing and deploying electronic marketplaces and related trading technology that offers traders access to some of the most liquid, efficient and neutral financial markets in the world. eSpeed is an innovator in its core electronic marketplaces, the government bond markets of the world. The merger combined eSpeed's electronic marketplaces and related electronic trading technology expertise in the government bond and its other markets with BGC Partners' traditional inter-dealer brokerage businesses. Management believes this combination will position BGC Partners as one of the few financial intermediaries with hybrid capabilities and technology thus allowing them to offer superior execution to its clients and drive higher trading volumes. Prior to the merger, BGC Partners and eSpeed had a strong relationship through a Joint Services Agreement ( JSA ) under which revenues for certain services were shared. Management believes that the merger has helped drive efficiencies and align the interests of both firms so that they can better focus eSpeed's technology on supporting BGC Partners' brokerage services.

### **Business Environment**

The financial intermediary sector has been a competitive area that has had strong revenue growth over the period from 2001 through the middle of 2008 due to several factors. One factor is the increasing use of derivatives to manage risk or to take advantage of the anticipated direction of a market by allowing holders to guard against gains or losses in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by corporate and sovereign debtors and changes in the prices of commodity products. Over the past decade, demand from financial institutions, financial services intermediaries and large corporations have increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for financial intermediaries.

Another key factor in the growth of the financial intermediary sector over the past decade has been the increase in the number of new products. As market participants and their customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other financial instruments are developed. These new securities and derivatives are not immediately ready for more liquid and standardized electronic markets, and generally increase the need for trading and require broker-assisted execution.

During the second half of 2008, and the first three quarters of 2009, the continuing credit crisis and ensuing global economic slowdown, has resulted in consolidation among some of the larger market participants. For much of this period, most of our largest customers and their clients have curtailed risk taking, de-levered, and/or seen a decline in trading activity across many of their products. As a result, during this period, there was an industry-wide slowdown in growth or outright decline in the volumes for many of the OTC and listed products we broker. At the same time, the continued high volatility by historical standards and decrease in the number of market participants led to widening bid-ask spreads in certain markets.

The revenues generated by sales and trading arms of our largest customers are more correlated with wider spreads than are the revenues of financial intermediaries such as exchanges and IDBs. Because revenues for the latter tend to be more correlated to volumes than spreads, the net results of the credit crisis has been strong year over year revenue growth in 2009 for the sales and trading arms of our largest customers coupled with lower year-over-year revenues for many financial intermediaries including BGC Partners and its four publicly traded IBD competitors. In December 2009 industry wide volumes for most of the products we broker increased year-over-year, and as a result the business environment for most financial intermediaries, including BGC Partners, has improved. We cannot be certain how long these more favorable conditions will persist, however.

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As some of our largest customers reduce their staffing levels in many of the markets in which we operate, full-service financial intermediaries may see increased opportunity to be the outsourced provider of market intelligence, operational expertise and liquidity to help our clients as they seek to operate in the current uncertain economic climate. BGC Partners has invested significantly to capitalize on the current business environment through acquisitions, technology spending and the hiring of new brokers. The business climate for these acquisitions has been competitive and it is expected that these conditions will persist for the foreseeable future. BGC Partners has been able to attract businesses and brokers to its platform as it believes they recognize that BGC Partners has the scale, technology, experience and expertise to succeed in the current business environment. See ITEM 1. BUSINESS for more information and background on the business environment for financial intermediaries.

## **Financial Overview**

### ***Revenues***

Our revenues are derived primarily from brokerage commissions charged for either agency or matched principal transactions, fees charged for market data and analytics products, software solutions, fees from related parties and interest income.

### ***Brokerage***

We earn revenues from inter-dealer voice brokerage services on both an agency and matched principal basis. In agency transactions, we charge a commission for connecting buyers and sellers and assisting in the negotiation of the price and other material terms of the transaction. After all material terms of a transaction are agreed upon, we identify the buyer and seller to each other and leave them to settle the trade directly. Principal transaction revenues are primarily derived from matched principal transactions whereby revenues are earned on the spread between the buy and the sell price of the brokered security, commodity or derivative. Customers either see the buy or sell price on a screen or are given this information over the phone. The brokerage fee is then added to the buy or sell price, which represents the spread we earn as principal transactions revenues. On a limited basis, we enter into unmatched principal transactions to facilitate a customer's execution needs for transactions initiated by such customers, or for the purpose of proprietary trading. We also provide market data products for selected financial institutions.



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We offer our brokerage services in four broad product categories: rates, credit, foreign exchange, and equities and other asset classes. The chart below details brokerage revenues by product category and by voice/hybrid versus fully electronic (in thousands):

	For the Year Ended December 31,		
	2009	2008	2007
<b>Brokerage revenue by product (actual results)(1):</b>			
Rates	\$ 524,909	\$ 554,104	\$ 560,341
Credit	331,383	307,488	229,121
Foreign exchange	94,810	140,858	135,811
Equities and other asset classes	122,483	116,152	82,732
<b>Total brokerage revenues</b>	<b>\$ 1,073,585</b>	<b>\$ 1,118,602</b>	<b>\$ 1,008,005</b>
<b>Brokerage revenue by product (percentage):</b>			
Rates	48.9%	49.5%	55.6%
Credit	30.9	27.5	22.7
Foreign exchange	8.8	12.6	13.5
Equities and other asset classes	11.4	10.4	8.2
<b>Total brokerage revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Brokerage revenue by voice/hybrid and fully electronic (actual results):</b>			
Voice/hybrid	\$ 998,224	\$ 1,051,498	\$ 915,840
Fully electronic	75,361	67,104	92,165
<b>Total brokerage revenues</b>	<b>\$ 1,073,585</b>	<b>\$ 1,118,602</b>	<b>\$ 1,008,005</b>
<b>Brokerage revenue by voice/hybrid and fully electronic (percentage):</b>			
Voice/hybrid	93.0%	94.0%	90.9%
Fully electronic	7.0	6.0	9.1
<b>Total brokerage revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Reclassifications of revenues across product categories may be reflected retroactively.

As the above table indicates, our brokerage operations in the rates product category produce a significant percentage of our total brokerage revenues. We expect that revenues from rates product brokerage operations will increase in absolute terms, but decline as a percentage of revenues as we continue to invest in expanding in other asset classes such as credit derivatives, foreign exchange, energy, commodities and equity-related products. Our brokerage revenue growth over the past three years was primarily driven by synergies arising from the integration of prior acquisitions and expansion, our broad product knowledge, and new product offerings. These factors have enabled us to provide our client base with robust services across global markets.

Our position as a leading broker is enhanced by our hybrid brokerage platform. We believe that the more complex, less liquid markets on which we focus often require significant amounts of personal and attentive service from our brokers. In more mature markets, we offer electronic trading capabilities to our customers through our eSpeed branded platform. Our hybrid platform allows our customers to trade on a voice, screen-assisted, voice-assisted or, where available, fully electronic basis, regardless of whether the trade is OTC or exchange-based, and to benefit from the experience and market intelligence of our worldwide brokerage network. Our electronic capabilities include clearing, settlement and other back office services as well as straight-through processing for our customers across several products. Furthermore, we participate in the operational leverage from our fully electronic platform. We believe our hybrid brokerage approach provides a competitive advantage over competitors who do not offer this full range of technology.



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### *Rates*

Our rates business is focused on government debt, futures and currency and interest rate derivatives, which are among the largest, most global and most actively traded markets. The main drivers of these markets are global macroeconomic forces such as growth, inflation, government budget policies and the volume of new issuance.

### *Credit*

We provide our brokerage services in a wide range of credit instruments, including asset-backed securities, convertible bonds, corporate bonds, credit derivatives and high yield bonds. The market for the most fundamental form of credit derivative, the credit default swap, (which we refer to as CDS, ) has grown significantly since its introduction in the mid-1990 s.

### *Foreign Exchange*

The foreign exchange market is one of the largest financial markets in the world. Foreign exchange transactions can either be undertaken in the spot market, in which one currency is sold and another is bought, or in the derivative market in which future settlement of the identical underlying currencies are traded. Participants range from central banks to individuals, hedge funds and multi-national corporations using foreign exchange trading to manage risk and speculate. Our experience within this market has grown since 2004 to manage increased levels of foreign exchange trading. Our foreign exchange options business now has brokers servicing banking institutions around the world. Headquartered in London, our foreign exchange options team has brokers located in New York, Hong Kong, Singapore, Tokyo and Sydney. We provide full execution OTC brokerage services in most major currencies, including all G8 currencies, emerging market, cross and exotic options currencies.

### *Equities and Other Asset Classes*

We provide brokerage services in a range of markets for equity products, including cash equities, equity derivatives, equity index futures and options on equity products. In addition, we have a small commodities and energy derivatives business.

We increased our presence in equities markets in 2006 with our acquisition of Aurel Leven, one of the leading independent inter-dealer brokers in Paris, active in the equities, equity derivatives and fixed income markets. Volumes in equity products also increased as our clients continued to integrate their trading of certain equity and credit derivative products in an effort to exploit arbitrage and correlation opportunities that arise from the volatility in price fluctuations of debt and equity instruments issued by a company.

### *Market Data*

We complement our trading services by providing our market data to our customers through our BGCantor Market Data product. BGCantor Market Data is the source of real-time pricing and other data derived through BGC Partners and eSpeed for U.S. and European securities and derivatives. Current products include real-time data in live markets for U.S. Treasuries, European government bonds, Eurobonds, foreign exchange spot and option, ELX US treasury futures, and U.S. dollar interest rate swaps. These market data services are available across a broad array of distribution channels, including Bloomberg, Reuters, CQG, DTN, eSignal, Infotec, and QUICK Financial.

### *Software Solutions*

Through our software solutions business, we provide customized software to broaden distribution capabilities and provide electronic solutions to financial market participants. The software solutions business leverages our global infrastructure, software, systems, portfolio of intellectual property, and electronic trading expertise to provide customers with electronic marketplaces and exchanges and real-time auctions to enhance debt issuance and to customize trading interfaces. We take advantage of the scalability, flexibility and

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functionality of our eSpeed branded electronic trading system to enable our customers to distribute branded products to their customers through online offerings and auctions, including private and reverse auctions, via our trading platform and global network. Using screen-based market solutions, customers are able to develop a marketplace, trade with their customers, issue debt, trade odd lots, access program trading interfaces and access our network and intellectual property.

### *Fees from Related Parties*

We earn fees from related parties for technology services and software licenses provided to affiliates, particularly ELX. We also earn fees from related parties for certain administrative and back office services we provide to Cantor. These administrative and back office services include office space, utilization of fixed assets, accounting services, operational support, human resources, legal services and information technology.

### *Interest Income*

We generate interest income primarily from the investment of our daily cash balances, interest earned on securities owned and reverse repurchase agreements. These investments and transactions are generally short-term in nature.

### *Expenses*

#### *Compensation and Employee Benefits*

The majority of our operating costs consist of cash and non-cash compensation expenses, which include base salaries, broker bonuses based on broker production, guaranteed bonuses, other discretionary bonuses, and all related employee benefits and taxes. Our employees consist of brokers, executives and other administrative support. The majority of our brokers receive a base salary and a formula bonus based primarily on a pool of brokers' production for a particular product or sales desk, as well as on the individual broker's performance. Members of our sales force receive either a base salary or a draw on commissions. Less-experienced salespeople typically receive base salaries. Compensation and employee benefits also include forgivable loans generally given to new or current employees as they sign new employment agreements with us. These forgivable loans are amortized over the term of the contract, which is generally two or three years or more, and typically include repayment clauses should the employee terminate his or her employment before the end of the term of the loan.

Additionally, beginning in 2009, the Company has entered into various agreements with certain of its partners whereby these individuals receive loans that are expected to be repaid from the distribution earnings the individual receives on their BGC Holdings limited partnership interests. The loans are termed Prepaid Partnership Distribution (PPD) loans. In certain instances, the portion of the loan balance not repaid from distribution earnings is forgivable. PPD Loans, both those that are forgivable and those that are not forgivable, are included as part of Forgivable loans and other loan receivables from employees and partners in the Company's consolidated statements of financial condition.

Beginning in 2007, we also entered into deferred compensation agreements with select employees providing service to BGC Partners. The costs associated with such plans are generally amortized over the period in which they vest. See Note 16 Stock-Based Compensation in the BGC Partners Inc.'s consolidated financial statements for the years ended December 31, 2009, 2008 and 2007.

#### *Other Operating Expenses*

We have various other operating expenses. We incur leasing, equipment and maintenance expenses for our affiliates worldwide. We also incur selling and promotion expenses, which include entertainment, marketing and travel-related expenses. We incur communication expenses for voice and data connections with our clients, clearing agents and general usage; professional and consulting fees for legal, audit and other special projects; and interest expense related to short-term operational funding needs, and notes payables and collateralized borrowings.

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Primarily in the United States, we pay fees to Cantor for performing certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support. Management believes that these allocations are a reasonable reflection of the utilization of services rendered. However, the expenses allocated for these services are not necessarily indicative of the expenses that would have been incurred if we had not obtained these services from Cantor. In addition, these allocations may not reflect the costs of services we may receive from Cantor in the future. We incur commissions and floor brokerage fees for clearing, brokerage and other transactional expenses for clearing and settlement services. We also incur various other normal operating expenses.

### ***Provision (Benefit) for Income Taxes***

We incur tax expenses based on the location, legal structure and jurisdictional taxing authorities of each of our subsidiaries. Certain BGC Partners entities are treated as U.S. partnerships for U.S. federal income tax purposes. As such, much of the income is not subject to U.S. federal and state income taxes because taxes related to income earned by partnerships represent obligations of the individual partners. The partner's liability or benefit is not reflected in the BGC Partners Inc.'s consolidated financial statements. Outside of the United States, we operate principally through subsidiary corporations subject to local income taxes. Our consolidated financial statements include U.S. federal, state and local income taxes on our allocable share of the U.S. results of operations, as well as taxes payable to jurisdictions outside the U.S.

### **Financial Highlights**

Total revenues were \$1,162.3 million and \$1,228.9 million for the years ended December 31, 2009 and 2008, respectively, representing a 5.4% decrease. The main factors contributing to the decline are:

An overall decline in volumes in most of the markets in which we provide brokerage services.

A decrease in brokerage revenues associated with rates products which was primarily attributable to industry wide declines in the volumes of both interest rate swaps and government bonds.

Consolidation amongst large fixed fee customers.

A decrease in foreign exchange brokerage revenues driven primarily by an industry wide reduction in foreign exchange option turnover.

These factors were partially offset by the following:

An increase in our front-office personnel from 1,319 at December 31, 2008 to 1,553 at December 31, 2009.

Continued selective expansion into the global markets including new offices in Brazil and Moscow.

A continued focus on, and investment in, growing and higher commission-producing areas that complement our existing brokerage services, including credit products for which revenues increased to \$331.4 million for the year ended December 31, 2009 as compared to \$307.5 million for the year ended December 31, 2008 and equities and other asset classes, particularly cash equities and equity derivatives, for which revenues increased to \$122.5 million for the year ended December 31, 2009 as compared to \$116.2 million for the year ended December 31, 2008.

## Edgar Filing: BGC Partners, Inc. - Form 10-K

Revenues related to fully electronic trading increased 12.5% to \$95.9 million for the year ended December 31, 2009 driven by significant increases in fully electronic revenues from foreign exchange and credit brokerage. For 2009, this includes \$75.4 million in brokerage revenues and \$20.5 million in fees from related parties.

In the latter stages of 2009 and into 2010 we have seen volumes increase. The industry wide volumes for December 2009 and January 2010, for most of our brokerage products increased year over year.

**Table of Contents****Results of Operations**

The following table sets forth BGC's Consolidated Statements of Operations data expressed as a percentage of total revenues for the periods indicated (in thousands):

	For The Year Ended December 31,					
	2009		2008		2007	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
<b>Revenues:</b>						
Commissions	\$ 693,818	59.7%	\$ 871,198	70.9%	\$ 802,956	71.9%
Principal transactions	379,767	32.7	247,404	20.1	205,049	18.4
Total brokerage revenues	1,073,585	92.4	1,118,602	91.0	1,008,005	90.3
Fees from related parties	58,877	5.1	76,126	6.2	53,809	4.8
Market data	17,953	1.5	19,404	1.6	18,981	1.7
Software solutions	7,419	0.6	7,780	0.6	10,983	1.0
Interest income	7,252	0.6	11,813	1.0	22,968	2.1
Other revenues	5,923	0.5	2,276	0.2	2,895	0.3
Losses on equity investments	(8,687)	(0.7)	(7,069)	(0.6)	(715)	(0.2)
Total revenues	1,162,322	100.0	1,228,932	100.0	1,116,926	100.0
<b>Expenses:</b>						
Compensation and employee benefits	725,139	62.4	819,413	66.7	649,507	58.2
Allocation of net income to founding/working partner units	11,619	1.0	10,849	0.9		
Allocation of net income to REUs/RPUs	5,112	0.4	551			
Total compensation and employee benefits	741,870	63.8	830,813	67.6	649,507	58.2
Occupancy and equipment	108,014	9.3	111,906	9.1	115,683	10.4
Fees to related parties	13,882	1.2	15,294	1.2	31,886	2.8
Professional and consulting fees	34,350	3.0	52,016	4.2	64,232	5.8
Communications	66,028	5.7	66,916	5.5	58,335	5.2
Selling and promotion	57,437	4.9	62,087	5.1	55,719	5.0
Commissions and floor brokerage	16,536	1.4	24,600	2.0	22,050	2.0
Interest expense	9,920	0.9	18,950	1.5	26,251	2.3
Other expenses	49,797	4.3	36,576	3.0	50,589	4.5
Total expenses	1,097,834	94.5	1,219,158	99.2	1,074,252	96.2
Income (loss) from continuing operations before income taxes	64,488	5.5	9,774	0.8	42,674	3.8
Provision (benefit) for income taxes	23,675	2.0	20,115	1.6	9,320	0.8
Consolidated net income (loss) from continuing operations	40,813	3.5	(10,341)	(0.8)	33,354	3.0
Less: Net income attributable to noncontrolling interest in subsidiaries	20,788	1.8	19,368	1.6	2,352	0.2
Net income (loss) available to common stockholders	\$ 20,025	1.7%	\$ (29,709)	(2.4)%	\$ 31,002	2.8%





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***Year Ended December 31, 2009 Compared to Year Ended December 31, 2008***

***Revenues***

***Brokerage Revenues***

Total brokerage revenues decreased by \$45.0 million, or 4.0%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Commission revenues decreased by \$177.4 million, or 20.4%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Principal transactions revenues increased by \$132.4 million, or 53.5%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase in principal transactions revenue and decrease in commission revenue was driven primarily by an increase in the proportion of transactions we brokered that were centrally-cleared.

The decrease in rates revenues of \$29.2 million was primarily attributable to an industry-wide decline in volumes for both interest rates derivatives and government bonds as well as to the consolidation among large fixed fee eSpeed U.S. Treasury customers.

The increase in credit brokerage revenues of \$23.9 million was driven primarily by continued expansion of our core credit business, including increased brokering of credit default swaps used by the Company's clients to hedge the underlying cash bonds and by growth in the electronic trading of credit default swaps.

The decrease in foreign exchange revenues of \$46.0 million was driven primarily by an industry wide reduction in foreign exchange option turnover, particularly in emerging markets, partially offset by an increase in BGC Partners' fully electronic foreign exchange revenues.

The increase in brokerage revenues from equities and other asset classes of \$6.3 million was driven by strong organic growth in equity related products, particularly in Europe

***Fees from Related Parties***

Fees from related parties decreased by \$17.2 million, or 22.7%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to lower fees charged to Cantor for certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support. Reductions in consultants and temporary staff resulted in lower costs incurred by us to provide these services. Fees from related parties are dependent upon both the costs incurred by us and the amount of administrative services utilized by Cantor.

***Market Data***

Market data revenues decreased by \$1.5 million, or 7.5%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily due to a decline in existing customer usage, consolidation among clients, and the expiration of certain contracts. Partially offsetting this decrease was an increase in revenues from new clients.

***Software Solutions***

Software solutions revenues decreased by \$0.4 million, or 4.6%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily due to a decrease in futures proprietary software sales. This decrease was partially offset by an increase in revenues related to vendors utilizing our KLEOS business services.

***Interest Income***

Interest revenues decreased by \$4.6 million, or 38.6%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to lower yields on investments of our excess cash in both money markets and reverse repurchase transactions during the year ended December 31, 2009. Also contributing to this decrease in interest revenues was the repayment of intercompany loans by Cantor to us as part of our separation from Cantor in April 2008.

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**Table of Contents***Other Revenues*

Other revenues increased by \$3.6 million, or 160.2%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was primarily driven by legal settlements received by us from our competitors during the year ended December 31, 2009.

*Losses on Equity Investments*

Losses on equity investments increased by \$1.6 million, or 22.9% for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase is driven by our share of losses in non-consolidated investments, including ELX, which launched in July 2009 and incurred additional expenses during the year ended December 31, 2009, in preparing for the launch and for post-launch IT support.

*Expenses**Compensation and Employee Benefits*

Compensation and employee benefits expense decreased \$88.9 million, or 10.7%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to non-cash compensation charges of \$84.3 million, in the first quarter of 2008, \$47.3 million of which was in relation to the redemption of partnership units held by certain executive officers to settle outstanding loan obligations, and \$37.0 million of which was in relation to the activation of exchangeability of founding partner interests held by certain executives, as part of the separation. The decrease was also due to our year-on-year decrease in brokerage revenues of \$45.0 million, which resulted in lower commissions to brokers. Partially offsetting these decreases were increased compensation costs related to new hires.

*Allocation of Net Income to Founding/Working Partners Units*

Allocation of net income to founding/working partners units increased by \$0.8 million, or 7.1% for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The allocation of net income to founding/working partners units is based on their pro rata economic ownership.

*Allocation of Net Income to REUs/RPUs*

Allocation of net income to REUs/RPUs increased to \$4.6 million, or 827.8% for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The allocation of net income to REUs/RPUs is based on their pro rata economic ownership.

*Occupancy and Equipment*

Occupancy and equipment expense decreased by \$3.9 million, or 3.5%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to lower depreciation expense on computer equipment due to certain equipment being fully depreciated and certain assets that were written off during 2008 and not replaced. In addition, there was a reduction in the purchases of non-capitalized software during 2009. These decreases were partially offset by an increase in rent expense and the costs of acquiring new non-US software licenses in our new foreign locations.

*Fees to Related Parties*

Fees to related parties decreased by \$1.4 million, or 9.2%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to an agreement we entered into in conjunction with the merger, whereby we leased (from Cantor) certain administrative and other support employees, who provide services to us. As a result of this agreement, the compensation costs related to these employees, which had been recorded as part of Fees to related parties prior to the merger, is now recorded as part of Compensation and employee benefits .

*Professional and Consulting Fees*

Professional and consulting fees decreased by \$17.7 million, or 34.0%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily attributable to a significant



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reduction in consultant fees and temporary staff costs as result of the Company's initiative to replace outside vendors and consultants with full time employees. Also contributing to this decrease was the completion of certain key projects during 2008 including the merger, and the implementation of Oracle. Partially offsetting these decreases were increased legal fees incurred during the year ended December 31, 2009.

### *Communications*

Communications expense decreased by \$0.9 million, or 1.3%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily related to the Company's initiative implemented in December 2008 to centralize our communications to improve efficiency and eliminate idle capacity. This decrease was partially offset by an increase in market data costs associated with our increased number of brokers. In addition, market data usage rates increased effective January 1, 2009.

### *Selling and Promotion*

Selling and promotion expense decreased by \$4.7 million, or 7.5%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily due to the decrease in total revenues. Selling and promotion expense as a percentage of total revenues remained relatively unchanged at approximately 4.9% and 5.1% for the years ended December 31, 2009 and 2008 respectively.

### *Commissions and Floor Brokerage*

Commissions and floor brokerage expense decreased by \$8.1 million, or 32.8%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily due to the recognition of non-recurring expenses recorded in the year ended December 31, 2008.

### *Interest Expense*

Interest expense decreased by \$9.0 million, or 47.7%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease was primarily due to the debt restructuring as part of our separation from Cantor, which included the repayment of intercompany loans and the issuance of new senior notes at more favorable interest rates. The favorable interest rate environment also contributed to lower overall interest expenses in the year ended December 31, 2009. Partially offsetting these decreases was an increase in interest costs related to our notes payable which were outstanding for the full year ended December 31, 2009 and outstanding for only nine months of the year ended December 31, 2008.

### *Other Expenses*

Other expenses increased \$13.2 million, or 36.1%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was partially due to increased litigation costs during the year ended December 31, 2009. Also contributing to this increase was a \$3.9 million increase in charitable contributions primarily related to our annual Charity Day and a one-time expense in the amount of \$3.5 million relating to the Company assuming the liability of a September 11, 2001 workers' compensation policy during the year ended December 31, 2009. These increases were partially offset by certain asset write-off charges recorded in Europe during the year ended December 31, 2008.

### *Noncontrolling Interest in Subsidiaries*

Noncontrolling interest in subsidiaries increased \$1.4 million, or 7.3%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was due to the recognition of \$3.1 million in noncontrolling interest for Cantor's interest in BGC Holdings, which is based on Cantor's pro rata economic ownership, as well as a \$1.7 million decrease in the non-controlling interest recognized for Cantor's interest in Tower Bridge.

### *Provision for Income Taxes*

Provision for income taxes increased \$3.6 million, or 17.7%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The main reason for the increase in income tax expenses was



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caused by an increase in taxable income in jurisdictions with higher income tax rates. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

***Year Ended December 31, 2008 Compared to Year Ended December 31, 2007******Revenues******Brokerage Revenues***

Total brokerage revenues increased by \$110.6 million, or 11.0%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. Commission revenues increased by \$68.2 million, or 8.5%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. Principal transactions revenues increased by \$42.4 million, or 20.7%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

The decrease in rates revenues of \$6.2 million was primarily attributable to the consolidation among large fixed fee eSpeed U.S. Treasury customers as well as lower industry-wide fully electronic U.S. Treasury volumes, partially offset by an increase in voice and hybrid rates revenue.

The increase in credit brokerage revenues of \$78.4 million was driven primarily by continued expansion of our core credit business, including increased brokering of credit default swaps used by the Company's clients to hedge the underlying cash bonds and by growth in the electronic trading of credit default swaps.

The increase in foreign exchange revenues of \$5.0 million was driven primarily by increased brokerage revenues from desks covering retail foreign exchange, G8 currency, emerging market foreign exchange options and exotic foreign exchange options, including our new foreign exchange desks in Asia. The volatility in the currency markets, in response to the weakening Euro and Sterling, also contributed to the increase.

The increase in brokerage revenues from other asset classes of \$33.4 million was driven by strong organic growth in equity related products and the acquisition of energy broker Radix.

***Fees from Related Parties***

Fees from related parties increased by \$22.3 million, or 41.5%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This increase was primarily due to revenues earned from technology services and the software license provided to ELX in conjunction with the technology services agreement, which commenced in January 2008, as well as higher fees charged to Cantor for certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support. Fees from related parties are dependent upon both the costs incurred by us and the amount of administrative services utilized by Cantor.

***Market Data***

Market data revenues increased by \$0.4 million, or 2.2%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The increase was primarily due to growth in existing customer usage.

***Software Solutions***

Software solutions revenues decreased by \$3.2 million, or 29.2%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This decrease was primarily due to the expiration of the Wagner Patent in February 2007 and a decrease in other license fees.

***Interest Income***

Interest revenues decreased by \$11.2 million, or 48.6%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily due to lower yields on investments of our excess cash in both money markets and reverse repurchase transactions with Cantor.



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### *Other Revenues*

Other revenues decreased by \$0.6 million, or 21.4%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease is primarily driven by various one-time transactions in 2007 that did not recur in 2008.

### *Losses on Equity Investments*

Losses on equity investments increased by \$6.4 million, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The increase is primarily driven by our share of losses in non-consolidated investments, including Aqua and ELX.

### ***Expenses***

#### *Compensation and Employee Benefits*

Compensation and employee benefits expense increased \$169.9 million, or 26.2%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The increase was primarily due to non-cash compensation charges of \$84.3 million, in the first quarter \$47.3 million of which was in relation to the redemption of partnership units held by certain executive officers to settle outstanding loan obligations, and \$37.0 million of which was in relation to the activation of exchangeability of founding partner interests held by certain executives, as part of the separation.

The increase was also due to our year-on-year growth in brokerage of \$110.6 million, which resulted in higher commissions to brokers of approximately \$65.4 million. Additionally, we had \$13.2 million in compensation expense related to certain administrative and other support employees who provide services to us, which we lease from Cantor pursuant to an agreement executed in the second quarter of 2008, which had been recorded as part of Fees to related parties in prior years.

#### *Allocation of Net Income to Founding/Working Partners Units*

Allocation of net income to founding/working partners units increased to \$10.8 million for the year ended December 31, 2008 from zero for the year ended December 31, 2007. The recognition of the allocation to founding/working partners units is related to the recapitalization in conjunction with the merger. The allocation of net income to founding/working partners units is based on their pro rata economic ownership, which averaged 22.8% since the merger.

#### *Allocation of Net Income to REUs/RPUs*

Allocation of net income to REUs/RPUs increased to \$0.6 million for the year ended December 31, 2008 from zero for the year ended December 31, 2007. The recognition of the allocation to REUs/RPUs is related to the recapitalization in conjunction with the merger. The allocation of net income to REUs/RPUs is based on their pro rata economic ownership, which averaged 1.8% since the merger.

#### *Occupancy and Equipment*

Occupancy and equipment expense decreased by \$3.8 million, or 3.3%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily due to higher levels of in-progress software development projects, including those related to creation of ELX, which are not yet amortized.

#### *Fees to Related Parties*

Fees to related parties decreased by \$16.6 million, or 52.0%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily due to an agreement we entered into in conjunction with the merger, whereby we leased certain administrative and other support employees, who



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provide services to us, from Cantor. As a result of this agreement, the compensation costs related to these employees, which had been recorded as part of Fees to related parties in prior years, is now recorded as part of Compensation and employee benefits .

*Professional and Consulting Fees*

Professional and consulting fees decreased by \$12.2 million, or 19.0%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily attributable to legal, audit and consulting fees related to the merger, as well as higher consulting fees incurred to upgrade our regulatory reporting infrastructure to comply with FSA requirements, incurred in 2007.

*Communications*

Communications expense increased by \$8.6 million, or 14.7%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. As a percentage of total revenues, communications remained relatively unchanged across the two periods.

*Selling and Promotion*

Selling and promotion expense increased by \$6.4 million, or 11.4%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This expense as a percentage of total revenues remained relatively unchanged at approximately 5.0% across the two periods.

*Commissions and Floor Brokerage*

Commissions and floor brokerage expense increased by \$2.6 million, or 11.6%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. This increase was primarily related to the expansion of our equity derivatives business, which is executed and/or cleared on exchange or via third-party.

*Interest Expense*

Interest expense decreased by \$7.3 million, or 27.8%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily due to the debt restructuring as part of our separation from Cantor, which included the repayment of intercompany loans and the issuance of new senior notes at more favorable interest rates, partially offset by an increase in foreign exchange swap interest costs related to our overall cash management.

*Other Expenses*

Other expenses decreased \$14.0 million, or 27.7%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The decrease was primarily due to \$6.6 million in merger-related expenses and \$6.1 million in litigation reserves that were recognized during 2007, that did not recur in 2008.

*Noncontrolling Interest in Subsidiaries*

Noncontrolling interest in subsidiaries increased \$17.0 million, or 723.5%, for the year ended December 31, 2008 as compared to the year ended December 31, 2007. The increase was due to the recognition of \$16.3 million in non-controlling interest for Cantor's interest in BGC Holdings, which is based on Cantor's pro rata economic ownership, which averaged 34.7% since the merger, as well as a \$0.8 million increase in the non-controlling interest recognized for Cantor's interest in Tower Bridge.

*Provision (Benefit) for Income Taxes*

Provision for income taxes increased \$10.8 million for the year ended December 31, 2008 as compared to the year ended December 31, 2007. Income taxes increased due to the utilization of net operating loss carryforwards in 2007 that were not available to the Company in 2008, as well as the non-deductibility of certain non-cash merger related equity-based compensation charges. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.



**Table of Contents****Quarterly Results of Operations**

The following table sets forth, our unaudited quarterly results of operations for the indicated periods (in thousands). Results of any period are not necessarily indicative of results for a full year and may, in certain periods, be affected by seasonal fluctuations in our business.

	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
(in thousands)								
<b>Revenues:</b>								
Commissions	\$ 182,014	\$ 175,219	\$ 164,305	\$ 172,280	\$ 179,144	\$ 225,482	\$ 212,541	\$ 254,031
Principal transactions	91,460	90,608	106,438	91,261	80,614	48,832	66,062	51,896
Fees from related parties	15,776	14,945	13,232	14,924	17,205	19,409	18,599	20,913
Market data	4,265	4,824	4,402	4,462	3,917	4,842	5,101	5,544
Software solutions	1,392	1,759	2,770	1,498	2,134	2,109	1,454	2,083
Interest income	3,049	2,189	702	1,312	3,010	1,019	3,931	3,853
Other revenues	1,822	1,642	2,139	320	1,545	1,085	(940)	586
Losses on equity investments	(2,945)	(1,747)	(1,852)	(2,143)	(2,087)	(1,910)	(1,276)	(1,796)
<b>Total revenues</b>	<b>296,833</b>	<b>289,439</b>	<b>292,136</b>	<b>283,914</b>	<b>285,482</b>	<b>300,868</b>	<b>305,472</b>	<b>337,110</b>
<b>Expenses:</b>								
Compensation and employee benefits	187,232	181,479	180,591	175,837	190,208	177,739	176,921	274,545
Allocation of income to founding/working partner units	2,202	1,065	4,125	4,227		3,716	7,133	
Allocation of income to REUs/RPUs	1,533	662	2,065	852		299	252	
<b>Total compensation and employee benefits</b>	<b>190,967</b>	<b>183,206</b>	<b>186,781</b>	<b>180,916</b>	<b>190,208</b>	<b>181,754</b>	<b>184,306</b>	<b>274,545</b>
Occupancy and equipment	27,015	27,653	27,522	25,824	26,723	25,686	28,775	30,722
Fees to related parties	3,410	3,208	2,929	4,335	2,731	2,883	3,140	6,540
Professional and consulting fees	12,709	6,852	7,305	7,484	9,207	15,460	11,803	15,546
Communications	18,178	16,880	15,646	15,324	15,696	17,459	17,041	16,720
Selling and promotion	15,250	14,432	12,751	15,004	15,520	16,262	15,070	15,235
Commissions and floor brokerage	4,702	4,084	4,075	3,675	11,284	3,418	6,185	3,713
Interest expense	2,535	2,476	2,512	2,397	5,442	2,217	3,628	7,663
Other expenses	8,584	22,593	10,990	7,630	9,347	17,603	3,391	6,235
<b>Total expenses</b>	<b>283,350</b>	<b>281,384</b>	<b>270,511</b>	<b>262,589</b>	<b>286,158</b>	<b>282,742</b>	<b>273,339</b>	<b>376,919</b>
Income (loss) from continuing operations before income taxes	13,483	8,055	21,625	21,325	(676)	18,126	32,133	(39,809)
Provision (benefit) for income taxes	6,390	3,310	6,944	7,031	(1,440)	4,762	8,723	8,070
<b>Consolidated net income (loss)</b>	<b>7,093</b>	<b>4,745</b>	<b>14,681</b>	<b>14,294</b>	<b>764</b>	<b>13,364</b>	<b>23,410</b>	<b>(47,879)</b>
Less: Net income attributable to noncontrolling interest in subsidiaries	5,391	2,570	6,613	6,214	777	6,511	11,426	654
<b>Net income (loss) available to common stockholders</b>	<b>\$ 1,702</b>	<b>\$ 2,175</b>	<b>\$ 8,068</b>	<b>\$ 8,080</b>	<b>\$ (13)</b>	<b>\$ 6,853</b>	<b>\$ 11,984</b>	<b>\$ (48,533)</b>



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The tables below detail our brokerage revenues by product category (in thousands):

	December 31, 2009	September 30, 2009	June 30, 2009	For the three months ended			June 30, 2008	March 31, 2008
				March 31, 2009	December 31, 2008	September 30, 2008		
Brokerage revenue by product (actual results):								
Rates	\$ 136,637	\$ 137,948	\$ 126,767	\$ 123,556	\$ 116,392	\$ 142,162	\$ 143,100	\$ 152,450
Credit	70,388	78,893	90,768	91,334	83,258	67,923	69,114	87,193
Foreign exchange	27,774	23,724	20,963	22,349	30,910	38,434	34,048	37,466
Other asset classes	38,675	25,262	32,245	26,302	29,198	25,795	32,341	28,818
Total brokerage revenues	\$ 273,474	\$ 265,827	\$ 270,743	\$ 263,541	\$ 259,758	\$ 274,314	\$ 278,603	\$ 305,927

Brokerage revenue by product (percentage):								
Rates	50.0%	51.9%	46.8%	46.9%	44.8%	51.8%	51.4%	49.8%
Credit	25.7	29.7	33.5	34.6	32.0	24.8	24.8	28.5
Foreign exchange	10.2	8.9	7.8	8.5	12.0	14.0	12.2	12.2
Other asset classes	14.1	9.5	11.9	10.0	11.2	9.4	11.6	9.5
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Brokerage revenue by voice/hybrid and fully electronic (actual results):								
Voice/hybrid	\$ 251,775	\$ 245,179	\$ 252,918	\$ 248,413	\$ 244,298	\$ 255,143	\$ 262,195	\$ 289,862
Fully electronic	21,699	20,648	17,825	15,128	15,460	19,171	16,408	16,065
Total brokerage revenues	\$ 273,474	\$ 265,827	\$ 270,743	\$ 263,541	\$ 259,758	\$ 274,314	\$ 278,603	\$ 305,927

Brokerage revenue by voice/hybrid and fully electronic (percentage):								
Voice/hybrid	92.1%	92.2%	93.4%	94.3%	94.0%	93.0%	94.1%	94.7%
Fully electronic	7.9	7.8	6.6	5.7	6.0	7.0	5.9	5.3
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Liquidity and Capital Resources***Balance Sheet*

Our balance sheet and business model are not capital intensive. We maintain minimal securities inventory; our assets consist largely of cash, collateralized and uncollateralized short-dated receivables and less liquid assets needed to support our business. Longer term funding (equity and long term debt) is held to support the less liquid



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assets. Total assets at December 31, 2009 were \$1.46 billion, an increase of 37.1% as compared to December 31, 2008. The growth in total assets was driven primarily by increases in cash, receivables from brokers, dealers and clearing organizations, and forgivable loans and other receivables from employees and partners. We maintain a comparatively large portion of our assets in cash, with cash and cash equivalents at December 31, 2009 at \$469.3 million.

### *Funding*

Our funding base consists of longer term capital (equity, notes payable and collateralized borrowings) and shorter-term liabilities/accruals that are a natural outgrowth of specific assets and/or the business model, such as matched fails and accrued commission compensation. We have limited need for and use of short-term unsecured funding. Contingent liquidity needs are largely limited to unsecured letters of credit used to meet clearinghouse/exchange margins. Capital expenditures tend to be cash neutral and approximately in line with depreciation. Current cash balances substantially exceed the sum of upcoming debt maturities plus unsecured letters of credit. All of the cash on the balance sheet, some of which is held at regulated broker dealer subsidiaries, would not be available to meet these potential liquidity needs. We are currently evaluating our options with respect to the \$150 million of notes payable that mature on April 1, 2010. These options included, but are not limited to, repayment at maturity with existing available cash resources, raising external debt capital to refinance some or all of the maturing notes, entering into an arms length borrowing arrangement with Cantor or another party to pay off some or all of the maturing notes, and/or various combinations of the above.

On March 12, 2010, our Audit Committee authorized us or one of our subsidiaries to sell \$150,000,000 aggregate principal amount of 8.75 % Convertible Senior Notes due 2015 to Cantor or one of its affiliates, which may include up to \$25,000,000 to Howard W. Lutnick and/or his related designees (collectively, the Cantor Interests ) in a transaction expected to be completed by April 1, 2010. On March 16, 2010, we executed an agreement with respect to this transaction. Pursuant to the agreement, Cantor and the Cantor Interests will purchase from BGC Holdings, L.P. \$150,000,000 aggregate principal amount of 8.75% Convertible Senior Notes due 2015, which are convertible into BGC Holdings exchangeable limited partnership interests (the Holdings Notes ). BGC Holdings will then lend the proceeds of such Holdings Notes to us in exchange for convertible notes on the same economic terms, convertible into shares of our Class A Common Stock (the BGCP Notes ). We expect to on-lend such funds to our subsidiary BGC U.S. in exchange for a promissory note (the Opco Note ), and, together with the Holdings Notes and the BGCP Notes, the Notes ). BGC US will use the proceeds to repay at maturity \$150,000,000 million aggregate principal amount of the senior notes due April 1, 2010, which BGC U.S. assumed in connection with the merger. Interest on the Notes will accrue from the date of issue (expected to be on or about April 1, 2010) and will be payable semi-annually in arrears on April 15 and October 15 of each year, beginning October 15, 2010. The Notes will mature on April 15, 2015, unless earlier repurchased or converted. Holders may convert their Holdings Notes or BGCP Notes at their option at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The BGCP Notes and Holdings Notes are convertible as set forth below.

The Holdings Notes, held by Cantor or the Cantor Interests, will be, at their election (i) exchangeable for a like principal amount of BGCP Notes, or (ii) convertible into exchangeable limited partnership units in BGC Holdings, L.P. at an initial conversion rate of 142.6534 units per \$1,000 of principal amount, equivalent to an initial conversion price of approximately \$7.01 per unit. (The units are themselves exchangeable for a like number of shares of Class A Common Stock).

The BGCP Notes will be convertible into 142.6534 shares of our Class A Common Stock per \$1,000 principal amount of BGCP Notes, equivalent to an initial conversion price of approximately \$7.01 per share.

The conversion rates applicable to the BGCP Notes and the Holdings Notes will be subject to customary adjustments (including those based upon dividends) but will not be adjusted for accrued and unpaid interest to the conversion date. We have agreed to certain resale registration rights with respect to the BGCP Notes (and underlying Class A Common Stock). Due to the conflict of interests inherent in any sale of Notes by us or our

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subsidiaries to Cantor or its affiliates, our Board of Directors delegated to the Audit Committee of the Board of Directors the authority to consider and, if appropriate, approve the terms of the Notes and to retain independent financial and legal advisers. The Audit Committee retained Sandler O'Neill & Partners, L.P. and Debevoise & Plimpton LLP to advise it in this regard and Sandler O'Neill & Partners, L.P. issued to us a fairness opinion as to the financial terms of the sale to Cantor or its affiliates.

Beyond the note maturity and evaluation of related financing options, we anticipate that our existing cash resources and prospective cash generation will be sufficient to meet our anticipated liquidity needs for at least the next 12 months. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends issued pursuant to our dividend policy. However, we believe that there are a significant number of relatively more capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

increase the regulatory net capital necessary to support operations;

support continued growth in our business;

effect acquisitions;

develop new or enhanced services and markets;

respond to competitive pressures; and

clear our securities transactions.

We cannot guarantee that we will be able to obtain additional financing when needed on terms that are acceptable to us, if at all.

*Credit Ratings*

In October 2009, BGCP obtained public long-term debt ratings. The ratings are influenced by a number of factors, including but not limited to: earnings and profitability trends, the prudence of funding and liquidity management practices, balance sheet size/composition and resultant leverage, cash flow coverage of interest, composition and size of the capital base, currently available liquidity and the firm's competitive position in the industry. Our long-term debt ratings and outlook are as follows:

	<b>Long-Term Rating</b>	<b>Outlook</b>
Moody's Investor Service	Ba1	Stable
Standard & Poor's	BBB-	Stable
Fitch Ratings Inc.	BBB	Stable

*Cash Flows*

Net cash provided by operating activities was \$374.6 million for the year ended December 31, 2009, compared to net cash provided by operating activities of \$110.2 million for the year ended December 31, 2008, an increase of \$264.4 million.

This increase was primarily due to an increase in consolidated net income of \$51.2 million, a decrease in non-cash adjustments to net income of \$60.5 million, which was primarily attributable to a one-time non-cash compensation charge in the amount of \$84.1 million in the year ended December 31, 2008, and an increase in cash provided from changes in operating assets and liabilities in the amount of \$273.8. The latter increase resulted primarily from an increase in cash provided from changes in receivables and payables and a reduction in reverse repurchase agreement



with related parties.

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Net cash used in investing activities was \$56.5 million for the year ended December 31, 2009, compared to net cash used in investing activities of \$5.2 million for the year ended December 31, 2008, an increase of \$51.3 million. This increase was primarily due a reduction in the amount of investing / loan activity with Cantor in 2008. In addition, we had reduced purchases of fixed assets in the year ended December 31, 2009. Additionally, we acquired Liquidez in the year ended December 31, 2009 for \$5.1 million, net of cash acquired, and we acquired Radix in the year ended December 31, 2008 for \$5.0 million, net of cash acquired.

Net cash used in financing activities was \$57.3 million for the year ended December 31, 2009, compared to net used in financing activities of \$177.3 million for the year ended December 31, 2008, a decrease of \$120.0 million. During the year ended December 31, 2008, the net cash used in financing activities was primarily comprised of activities related to the separation from Cantor that occurred on March 31, 2008, including the settlement of \$196.8 million of long-term debt obligations to Cantor, capital distributions to Cantor of \$130.0 million, and the assumption of \$150.0 million of Cantor's senior notes. Additionally we received \$72.3 million in proceeds, net of underwriting fees, from a primary offering of Class A common stock. Additionally during the year ended December 31, 2008, we had repurchases of Class A Common Stock in the amount of \$19.2 million, earnings distributions to founding/working partner units, REUs and Cantor of \$35.3 million and paid dividends of \$18.6 million. During the year ended December 31, 2009, the net cash used in financing activities was primarily comprised of repurchases of Class A Common Stock in the amount of \$7.9 million, earnings distributions to founding/working partner units, REUs and Cantor of \$42.1 million and dividends paid of \$24.2 million. Additionally during the year ended December, 31 2009, we entered into a secured loan arrangement with General Electric Capital Corporation, under which we pledged certain fixed assets to General Electric Capital Corporation in exchange for a loan with an original amount borrowed of \$19.0 million. The balance outstanding as at December 31, 2009 was \$17.6 million.

### *Notes Payable and Collateralized Borrowings*

On March 31, 2008, we entered into a note purchase agreement pursuant to which \$150.0 million principal amount of notes were issued to the investors named in the note purchase agreement. The notes are due April 1, 2010, with interest payable semiannually at the rate of 5.19% per annum; provided, however, that this rate is increased by 0.25% per annum for any fiscal quarter during which our consolidated debt exceeds 55% but not 60% of our consolidated capitalization, as such terms are defined in the Company guaranty. In addition, the interest rate increases by 0.50% per annum during any period in which any holder of a note is required under applicable insurance regulations to post reserves with respect to the notes greater than the reserve requirement, as such term is defined in the note purchase agreement, in effect immediately prior to March 31, 2008. Under the terms of the guaranty, we are required to maintain consolidated capital of at least \$227.5 million as of the end of each fiscal quarter and cannot permit our consolidated debt to exceed 60% of our consolidated capitalization. Also, pursuant to the separation agreement, we will make semi-annual payments to Cantor during the term of the notes equal to the difference between 7.5% and the applicable interest rate of the notes.

On September 25, 2009, BGC Partners, L.P. entered into a secured loan arrangement with General Electric Capital Corporation, under which it pledged certain fixed assets including furniture, computers and telecommunications equipment to General Electric Capital Corporation in exchange for a loan of \$19.0 million. The principal and interest on this secured loan arrangement is repayable in thirty six consecutive monthly installments at a fixed rate of 8.09% per annum.

### *Clearing Capital*

Following the merger, Cantor has continued to clear U.S. Treasury and U.S. Government Agency securities transactions on our behalf. In November 2008, we entered into a clearing capital agreement with Cantor. Pursuant to the terms of this agreement, so long as Cantor is providing Clearing Services to us, Cantor shall be entitled to request from us, and we shall post as soon as practicable, cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement.

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We intend to continue this relationship with Cantor. Accordingly, we expect that Cantor will continue to post clearing capital on our behalf and we will post clearing capital with Cantor as requested under the clearing capital agreement. In the absence of such an arrangement, we may be required to raise additional capital, borrow funds or take other action to meet the capital requirements in connection with the clearing of our transactions. The increased capital requirements required in connection with the clearing of our securities transactions could have a material adverse impact on our ability to make distributions, repurchase our stock or affect strategic acquisitions or other opportunities. However, we believe that the agreement with Cantor, or, in the alternative, a clearing agreement with an additional third-party clearing agent, will not preclude us from meeting our cash needs in the near term. To date, no amounts had been requested by Cantor pursuant to the clearing capital agreement.

*Regulatory Requirements*

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. In addition, self-regulatory organizations such as the FINRA and the NFA along with statutory bodies such as the FSA and the SEC require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

As of December 31, 2009, \$246.9 million of net assets were held by regulated subsidiaries. As of December 31, 2009, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$145.2 million.

**Stock Repurchase Program**

The Company's Board of Directors has authorized the repurchase of up to \$100.0 million of outstanding Class A common stock.

Stock repurchase activity for the year ended December 31, 2009 was as follows:

Period	Issuer Purchases of Equity Securities			Approximate dollar value of shares that may yet be purchased under the plan
	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	
January 1, 2009 - March 31, 2009	3,537,258	\$ 1.89	3,537,258	\$ 33,629,570
April 1, 2009 - June 30, 2009	486,701	\$ 2.50	486,701	\$ 32,412,817
July 1, 2009 - September 30, 2009		\$		\$ 32,412,817
October 1, 2009 - December 31, 2009		\$		\$ 32,412,817

During the year ended December 31, 2009, the Company repurchased 4,023,959 shares of its Class A common stock. These repurchases included 2,600,000 shares repurchased from The Cantor Fitzgerald Relief Fund at a price of \$1.99 per share, for an aggregate purchase price of approximately \$5.2 million. A portion of these shares had been donated to The Cantor Fitzgerald Relief Fund by certain founding partners in connection with the 2008 Charity Day.

During the year ended December 31, 2008, the Company repurchased 4,011,072 shares of its Class A common stock. These repurchases included 3,836,072 shares repurchased under the buyback plan approved by

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the Company's Board of Directors for an aggregate purchase price of approximately \$17.9 million. Included in the buyback plan repurchases were 1,261,491 shares repurchased from certain limited partners of BGC Holdings and Cantor on September 22, 2008 at a price of \$4.00 per share, for an aggregate purchase price of approximately \$5.0 million.

On March 10, 2010, we repurchased 541,731 shares of Class A Common Stock at an aggregate purchase price of \$2,862,773. As a result of these repurchases, as of March 10, 2010, the Company had approximately \$29.5 million remaining from its \$100 million buyback authorization and from time to time, the Company may actively continue to repurchase shares.

*Issuance of Shares*

As previously reported, on April 1, 2008, in connection with the separation of the businesses of BGC Partners, LLC (the "separation") and the merger of BGC Partners, LLC and eSpeed, Inc. (the "merger"), the Company issued an aggregate of 133,860,000 shares of Class A common stock and Class B common stock of the Company and rights to acquire shares of Class A common stock and Class B common stock of the Company pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. As also previously reported, certain of those rights to acquire were issued in the merger to certain former partners of Cantor who became founding partners of BGC Holdings in connection with the separation and now underlie exchangeable Founding Partner Units of BGC Holdings.

On April 21, 2009, the Company issued an aggregate of 491,701 share of its Class A common stock upon exchange of founding partner units issued in connection with the separation and merger. The Company subsequently repurchased 486,701 of these shares of its Class A common stock for an aggregate purchase price of approximately \$1.2 million.

On May 7, 2009, the Company issued an aggregate of 1,793,946 shares of its Class A common stock to founding partners of BGC Holdings upon exchange of their exchangeable founding partnership units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. All of these shares were eligible for sale beginning on May 7, 2009 when the Company's restrictions on employee stock transactions were lifted. This issuance did not change the amount of fully diluted shares outstanding.

On September 24, 2009, the Company issued an aggregate of 1,396,516 shares of its Class A common stock to founding partners of BGC Holdings upon exchange of exchangeable founding partner units issued by the Company to such founding partners on April 1, 2008. All of these shares were eligible for sale beginning on November 4, 2009 when the Company's restrictions on employee stock transactions were lifted. This issuance did not change the amount of fully diluted shares outstanding.

On November 3, 2009, the Company issued an aggregate of 356,602 shares of its Class A common stock to founding partners of BGC Holdings upon exchange of their exchangeable founding partnership units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. All of these shares were eligible for sale beginning on November 4, 2009 when the Company's restrictions on employee stock transactions were lifted. Also on November 10, 2009, the Company issued an aggregate of 400,000 shares of its Class A common stock to founding partners of BGC Holdings upon exchange of their exchangeable founding partnership units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. These issuances did not change the amount of fully diluted shares outstanding.

As previously reported, in connection with the exchanges of the exchangeable founding partner units, on May 7, 2009, September 24, November 3, and November 10, 2009, respectively, the Company lifted the contractual restrictions on resale of the shares of Class A common stock of the Company issuable upon such exchange.

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The fully diluted weighted average share count for the quarter ended December 31, 2009 was 217.7 million as follows (in millions):

Common stock outstanding	82.0
REUs/RPUs	26.8
FPU's	38.9
BGC Holdings units held by Cantor	67.2
RSUs (Treasury stock method)	2.8
<b>Total</b>	<b>217.7</b>

In March 2010, the Amended and Restated BGC Holdings, L.P. limited partnership agreement was further amended by its general partner and Cantor to create two new types of Working Partner Units, PSUs and PSIs. PSUs and PSIs are identical to REUs and RPUs, respectively, except that they have no associated post-termination payments. These new units are expected to be used by us for future compensatory grants, compensation modifications, redemptions of partnership interests and other purposes.

We have commenced a program directed initially at partners based in the United Kingdom (excluding executive officers) to be effected through a redemption, and separate compensation modification proposals, in which PSUs and PSIs would be substituted for REUs and RPUs, respectively. If the redemption is effected, the REUs and RPUs held by the affected partners who participate in the redemption would be redeemed in return for PSUs and PSIs, respectively, and cash. The compensation modification proposals, if effected, would principally result in an additional redemption for cash or the exchangeability of certain of the units received by partners in the redemption or retained by partners who are not subject to the redemption (as well as certain Founding Partner Units held by such partners). This program increases the likelihood that we will pay future compensation in PSUs and PSIs. We currently expect the effect of this redemption will be to reduce our fully-diluted share count by between 1 and 3 percent.

**Market Summary**

The following table provides certain volume and transaction count information on the eSpeed system for the periods indicated:

	4Q 2009	3Q 2009	2Q 2009	1Q 2009	4Q 2008
<b>Volume (in billions)</b>					
Fully Electronic Rates (1)	\$ 10,916	\$ 9,703	\$ 9,552	\$ 7,758	\$ 6,367
Fully Electronic Credit & FX (2)	816	715	232	148	81
Total Fully Electronic Volume	11,732	10,418	9,784	7,906	6,448
Total Hybrid Volume(3)	27,704	19,745	18,637	19,914	18,724
Total Fully Electronic and Hybrid Volume	\$ 39,436	\$ 30,163	\$ 28,421	\$ 27,820	\$ 25,172
<b>Transaction Count (in thousands, except for days)</b>					
Fully Electronic Rates (1)	3,625	3,513	3,506	2,748	2,611
Fully Electronic Credit & FX (2)	418	306	120	77	9
Total Fully Electronic Transactions	4,043	3,819	3,626	2,825	2,620
Total Hybrid Transactions	410	352	337	301	258
Total Transactions	4,453	4,171	3,963	3,126	2,878
Trading Days	63	64	63	61	62

- (1) Defined as U.S. Treasuries, Canadian Sovereigns and European Government Bonds, Interest Rate Swaps, Repos and Futures. CBOT Futures volume calculated based on per contract notional value of \$200,000.

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- (2) Defined as Foreign Exchange Options, Credit Default Swaps, Electronic Give-Up Straights, Foreign Exchange Non-Deliverable Forwards and Foreign Exchange Spot.
- (3) Defined as notional volume from hybrid transactions conducted by BGC brokers using the eSpeed system, exclusive of voice-only transactions.

Reported volumes and transaction counts include transactions by our brokers that participate in certain of our marketplaces by posting quotations for their accounts and by acting as principal on trades. While the principal participation may vary widely from product to product and may be significant for any given product or period, in no case does the principal participation by our brokers exceed 10% of any of the reported volume or transaction counts, except as otherwise noted. Such activity is intended, among other things, to assist our brokers in managing their proprietary positions, and to facilitate transactions, add liquidity, increase commissions and attract additional order flow to the eSpeed system.

All trades executed on the eSpeed platform settle for clearing purposes against Cantor Fitzgerald & Co. ( CFC ), a BGC affiliate. CFC is a member of FINRA (formerly NASD) and the Fixed Income Clearing Corporation, a subsidiary of the Depository Trust & Clearing Corporation. CFC, BGC, and other affiliates participate in U.S. Treasuries as well as other markets by posting quotations for their account and by acting as principal on trades with platform users. Such activity is intended, among other things, to assist CFC, BGC, and their affiliates in managing their proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow.

**Annual Market Activity**

Fully electronic volume on the eSpeed system, including new products, was \$39.8 trillion for the year ended December 31, 2009, down 14.4% from \$46.5 trillion for the year ended December 31, 2008. Our combined voice-assisted and screen-assisted volume in the year ended December 31, 2009 was \$125.8 trillion, down 4.4% from \$131.7 trillion in the year ended December 31, 2008.

**Contractual Obligations and Commitments**

The following table summarizes certain of our contractual obligations at December, 31 2009 (in thousands):

Total	Less than 1 year	1-3 years
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