BGC Partners, Inc.
Form 10-Q
November 10, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-28191

BGC Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-4063515**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
499 Park Avenue, New York, NY	**10022**
(Address of principal executive offices)	**(Zip Code)**

(212) 610-2200

(Registrant s telephone number, including area code)

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. x Yes ¨ No

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x No

On November 4, 2008, the registrant had 48,910,298 shares of Class A common stock, $0.01 par value, and 31,848,107 shares of Class B common stock, $0.01 par value, outstanding.

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Form 10-Q 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:

- 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;
- 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;
- 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;
- 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 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;

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 screen-assisted, voice-assisted 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;

- 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.

The foregoing risks and uncertainties, as well as those risks discussed under the headings Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 3 Quantitative and Qualitative Disclosures About Market Risk and elsewhere in this Form 10-Q, 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-Q 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.

WHERE YOU CAN FIND MORE INFORMATION

Our Internet website address is *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.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share and per share data)

(unaudited)

	September 30, 2008	December 31, 2007
Assets		
Cash and cash equivalents	$ 152,134	$ 277,299
Cash segregated under regulatory requirements	378	2,683
Reverse repurchase agreements	6,508	7,560
Reverse repurchase agreements with related parties	202,865	140,689
Loan receivables from related parties	980	65,000
Securities owned	19,577	34,088
Receivables from brokers, dealers, clearing organizations, customers and related broker-dealers	582,179	221,079
Accrued commissions receivable, net	156,575	140,887
Forgivable and other loan receivables from employees and partners	78,843	63,304
Fixed assets, net	140,382	137,815
Investments	28,651	12,264
Goodwill	67,826	62,826
Other intangible assets, net	14,101	15,676
Receivables from related parties	38,875	131,811
Other assets	62,769	64,648
Total assets	$ 1,552,643	$ 1,377,629
Liabilities, Redeemable Partnership Interest, Minority Interest and Stockholders and Members Equity		
Accrued compensation	$ 104,366	$ 85,470
Securities sold, not yet purchased	2,301	
Payables to brokers, dealers, clearing organizations, customers and related broker-dealers	588,333	270,465
Payables to related parties	39,384	139,500
Accounts payable, accrued and other liabilities	193,381	206,847
Deferred revenue	13,657	6,852
Long-term debt to related parties (Note 10)		196,818
Long-term debt	150,000	
Total liabilities	1,091,422	905,952
Redeemable partnership interest (Note 2)	109,070	
Minority interest (Note 2)	166,457	2,352
Stockholders and members equity (Note 2)		
Members equity		235,454
Class A common stock, par value $0.01 per share 500,000 shares authorized; 58,750 and 36,796 shares issued at September 30, 2008 and December 31, 2007, respectively, and 48,910 and 30,294 shares outstanding at September 30, 2008 and December 31, 2007, respectively	576	368

Class B common stock, par value $0.01 per share 100,000 shares authorized; 31,848 and 20,498 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively, convertible into Class A common stock	318	205
Additional paid-in capital	268,015	313,238
Treasury stock, at cost: 9,840 and 6,502 shares of Class A common stock at September 30, 2008 and December 31, 2007, respectively	(79,200)	(62,597)
Retained deficit	(1,045)	(17,282)
Accumulated other comprehensive loss	(2,970)	(61)
Total stockholders and members equity	185,694	469,325
Total liabilities, redeemable partnership interest, minority interest and stockholders and members equity	$ 1,552,643	$ 1,377,629

The accompanying Notes to Condensed Consolidated Financial Statements are an integral

part of these financial statements.

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues:				
Commissions	$ 225,482	$ 204,233	$ 692,054	$ 585,048
Principal transactions	48,832	70,406	166,790	181,679
Fees from related parties	19,409	13,851	58,921	32,642
Market data	4,842	4,508	15,487	14,240
Software solutions	2,109	2,715	5,646	9,057
Interest income	1,019	4,873	8,803	19,885
Other (losses) revenues	(825)	(1,208)	(4,251)	2,859
Total revenues	300,868	299,378	943,450	845,410
Expenses:				
Compensation and employee benefits	177,739	168,592	629,205	486,912
Allocation of net income to founding/working partners units	3,716		10,849	
Allocation of net income to REUs	299		551	
Total compensation and employee benefits	181,754	168,592	640,605	486,912
Occupancy and equipment	25,686	27,769	85,183	83,795
Fees to related parties	2,883	10,145	12,563	21,108
Professional and consulting fees	15,460	17,558	42,809	41,412
Communications	17,459	14,295	51,220	42,363
Selling and promotion	16,262	13,737	46,567	40,536
Commissions and floor brokerage	3,418	2,354	13,316	10,320
Interest expense	2,217	7,213	13,508	25,961
Other expenses	17,603	22,972	27,229	45,884
Total expenses	282,742	284,635	933,000	798,291
Income from continuing operations before minority interest and income taxes	18,126	14,743	10,450	47,119
Minority interest	6,511	375	18,591	1,424
Provision for income taxes	4,762	3,899	21,555	3,534
Net income (loss) available to common stockholders	$ 6,853	$ 10,469	$ (29,696)	$ 42,161
Per share data (Note 2):				
Basic earnings (loss) per share				
Net income (loss) available to common stockholders	$ 6,853	$ 10,469	$ (29,696)	$ 42,161
Basic earnings (loss) per share	$ 0.08	$ 0.06	$ (0.26)	$ 0.23
Basic weighted average shares of common stock outstanding	82,432	184,315	114,198	184,295
Fully diluted earnings (loss) per share				

Net income (loss) for fully diluted shares	$	16,446	$	10,469	$	(29,696)	$	42,161
Fully diluted earnings (loss) per share	$	0.08	$	0.06	$	(0.26)	$	0.23
Diluted weighted average shares of common stock outstanding		196,574		184,315		114,198		185,451
Dividends declared per share of common stock	$	0.10	$		$	0.23	$	
Dividends declared and paid per share of common stock	$		$		$	0.13	$	

The accompanying Notes to Condensed Consolidated Financial Statements are an integral

part of these financial statements.

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income available to common stockholders	$ (29,696)	$ 42,161
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Compensation related to partner redemptions and exchangeability of founding partners units	84,255	
Allocations of net income to founding/working partners units and REUs	11,400	
Fixed asset depreciation and intangible asset amortization	43,414	44,579
Forgivable loan amortization	22,339	27,151
Charitable contributions	6,387	4,256
Equity-based compensation	5,854	3,389
Impairment of long lived assets		4,010
Other investment losses	4,982	413
Minority interest	18,591	1,424
Deferred tax benefit	(1,331)	(3,166)
Recognition of deferred revenue	(7,703)	(3,915)
Other		132
Changes in operating assets and liabilities:		
Decrease in cash segregated under regulatory requirements	2,305	236
Decrease in reverse repurchases agreements	1,052	5,760
Increase in reverse repurchase agreements with related parties	(20)	(26,484)
Decrease in securities owned	14,511	40,454
Increase in receivables from brokers, dealers, clearing organizations, customers and related broker-dealers	(361,100)	(190,303)
Increase in accrued commissions receivable, net	(15,688)	(46,067)
Increase in receivables from related parties	(24,563)	(25,982)
Decrease in restricted cash		1,827
Increase in forgivable and other loan receivables from employees and partners	(38,678)	(47,782)
Increase in loan receivables from related parties	(980)	
Increase in securities sold, not yet purchased	2,301	21,494
Decrease in other assets	3,347	7,443
Increase in payables to brokers, dealers, clearing organizations, customers and related broker-dealers	317,868	240,831
Increase in accrued compensation	18,346	55,022
Decrease in securities sold under agreements to repurchase		(25,313)
Increase in deferred revenue	3,814	2,870
Decrease in accounts payable, accrued and other liabilities	(20,530)	(11,128)
Increase in payables to related parties	21,232	32,432
Net cash provided by operating activities	81,709	155,744

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Secured loan to related party		(80,000)
Payment of secured loan by related party	65,000	
Investment of cash with related party	(62,156)	73,683
Purchases of fixed assets	(30,866)	(32,834)
Capitalization of software development costs	(15,339)	(16,148)
Capitalization of patent defense and registration costs	(1,697)	(1,332)
Acquisition of Radix	(5,000)	
Investment in unconsolidated entities	(3,036)	(750)
Net cash used in investing activities	(53,094)	(57,381)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital distributions	(130,000)	
Intercompany long-term borrowings		36,991
Long-term borrowings	150,000	
Repayments of long-term borrowings with related parties	(196,818)	(69,500)
Proceeds from primary offering of class A common stock, net	72,342	
Repurchase of Class A common stock	(16,603)	(373)
Proceeds from exercises of stock options and warrants	1,174	165
Excess tax benefit from stock-based compensation	13	49
Earnings distributions to Cantor	(12,382)	
Earnings distributions to REUs	(453)	
Earnings distributions to founding partners	(7,962)	
Dividends to stockholders	(11,673)	
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(1,418)	
Net cash used in financing activities	(153,780)	(32,668)
Net (decrease) increase in cash and cash equivalents	(125,165)	65,695
Cash and cash equivalents at beginning of period	277,299	130,888
Cash and cash equivalents at end of period	$ 152,134	$ 196,583
Supplemental cash information:		
Cash paid during the period for taxes	$ 13,759	$ 5,104
Cash paid during the period for interest	$ 11,232	$ 25,951
Supplemental non-cash information		
Conversion of Class B common stock into Class A common stock	$ 10	
Repurchase of Class A common stock	(5,046)	
Investment of non-cash assets in ELX	18,333	
Issuance of equity instruments upon merger	(281,650)	

Unpaid fees related to primary offering of Class A common stock	(2,045)
Forgiveness/settlement of receivables from and payables to related parties, net, in conjunction with the separation and merger	4,354

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BGC PARTNERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Organization and Basis of Presentation

On April 1, 2008, BGC Partners, LLC merged with and into eSpeed, Inc. (eSpeed), which survived the merger and was renamed BGC Partners, Inc. (BGC Partners, BGC or the Company). In the merger, an aggregate of 133,860,000 shares of common stock and rights to acquire shares of BGC Partners were issued. Of these, 56,000,000 were in the form of Class B Common Stock or rights to acquire Class B Common Stock, and the remaining 77,860,000 were in the form of Class A Common Stock or rights to acquire Class A Common Stock. Stockholders of eSpeed held the same number and class of shares of BGC Partners common stock immediately after the merger that they held in eSpeed immediately prior to the merger. BGC Partners Class A Common Stock trades on the NASDAQ Global Market under the symbol BGCP.

BGC Partners is a global inter-dealer broker specializing in trading financial instruments and related derivative products. BGC Partners provides integrated voice and electronic (hybrid) execution and other brokerage services to many banks, broker-dealers, investment banks and investment firms for a broad range of financial products globally, including fixed income securities, interest rate swaps, foreign exchange, equity derivatives, credit derivatives, futures, structured products and other instruments. Through its eSpeed and BGCantor Market Data brands, the Company also offers financial technology solutions, market data and analytics related to select financial instruments and markets. The Company s brokerage services include execution, clearing, processing and other back office services. BGC Partners has offices in New York and London, as well as Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Johannesburg, Mexico City, Nyon, Paris, Seoul, Singapore, Sydney, Tokyo and Toronto.

The merger has been accounted for as a combination of entities under common control. eSpeed was deemed the acquirer and BGC Partners, LLC was deemed the acquiree. According to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations,* since the merger was a transaction between entities under common control, the assets and liabilities of BGC Partners, LLC were transferred at historical cost and the results of operations and cash flows have been reflected in the accompanying unaudited condensed consolidated financial statements as if the merger occurred as of the earliest period presented.

The Company s unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from this report as is permitted by SEC rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the Condensed Consolidated Statements of Financial Condition, the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows of the Company for the interim periods presented. These unaudited condensed consolidated financial statements reflect the historical financial position, results of financial operations and cash flows of BGC Partners as if the merger occurred as of the earliest period presented, with the exception of certain capital and tax modifications which became effective as of April 1, 2008. Specifically, the historical financial statements of BGC Partners, for the periods prior to April 1, 2008, do not give effect to the following matters, which are described in more detail in Note 2, The Separation, Merger and Recapitalization, Note 3, Tax Restructuring and Note 4, Earnings Per Share:

- The capitalization of the acquired net assets of BGC Partners, LLC;
- Modification in tax structure;
- Allocations of net income (loss) to founding/working partners units and REUs;

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- Redeemable partnership interest;
- Minority interest held by Cantor; and
- Basic and fully diluted earnings per share calculations.

This report should be read in conjunction with the audited supplemental consolidated financial statements and notes for the year ended December 31, 2007, as well as the unaudited supplemental condensed consolidated financial statements and notes for the three months ended March 31, 2008, and the unaudited pro forma consolidated financial statements, included in the Company s final prospectus filed with the SEC on June 6, 2008. The results of operations for the interim period are not necessarily indicative of results to be expected for the entire year.

Recently Adopted Accounting Pronouncements:

SFAS No. 157: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability, in an orderly transaction between market participants. SFAS 157 nullifies the consensus reached in EITF Issue No. 02-3 prohibiting the recognition of day-one gain or loss on derivative contracts where the firm cannot verify all of the significant model inputs to observable market data and verify the model to market transactions. However, SFAS 157 requires that a fair value measurement technique include an adjustment for risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model, if market participants would also include such an adjustment. In addition, SFAS 157 prohibits the recognition of block discounts for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market. The provisions of SFAS 157 are to be applied prospectively, except for changes in fair value measurements that result from the initial application of SFAS 157 to existing derivative financial instruments measured under EITF Issue No. 02-3, existing hybrid instruments measured at fair value and block discounts, which are to be recorded as an adjustment to opening retained earnings in the year of adoption. The Company adopted the provisions of SFAS 157 when they became effective on January 1, 2008.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are as follows:

- Level 1 measurements Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 measurements Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 measurements Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

In determining fair value, the Company separates its financial instruments owned and its financial instruments sold, but not yet purchased into two categories: cash instruments and derivative contracts.

- **Cash Instruments** The Company s cash instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, certain sovereign government obligations and active listed equities. Such instruments

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are generally classified within Level 1 of the fair value hierarchy. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, certain sovereign government obligations, money market securities, and less liquid listed equities, state, municipal and provincial obligations. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Derivative Contracts The Company s derivative contracts can be exchange-traded or over-the-counter (OTC). Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy, depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using the closing price of the exchange-traded derivatives. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy.

See Note 5 for further information on SFAS 157.

SFAS No. 159: In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value, and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for the Company as of January 1, 2008. On January 1, 2008, the Company adopted the fair value option for its available-for-sale securities. The change in fair value of these instruments is recorded in Principal transactions. As a result, the related unrealized loss of approximately $61,000 for the year ended December 31, 2007 was reclassified from Accumulated other comprehensive loss to beginning Retained deficit, as a cumulative effect adjustment.

New Accounting Pronouncements:

SFAS No. 141(R): In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, *Business Combinations.* SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) amends the recognition provisions for assets and liabilities acquired in a business combination, including those arising from contractual and non-contractual contingencies. SFAS 141(R) also amends the recognition criteria for contingent consideration. SFAS 141(R) is effective as of January 1, 2009. Early adoption is not permitted. The Company is currently evaluating the potential impact of adopting SFAS 141(R) on its consolidated financial statements.

SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interest in Consolidated Financial Statements an amendment to ARB No. 51* (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 is effective as of January 1, 2009. Early adoption is not permitted. The Company is currently evaluating the potential impact of adopting SFAS 160.

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SFAS No. 161: In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flow. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating the potential impact of adopting SFAS 161.

FASB Staff Position (FSP) No. 142-3: In April 2008, the FASB issued FSP 142-3, *Determining the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in determining the useful life of intangible assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure such asset s fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact of adopting FSP 142-3.

SFAS No. 162: In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles . The Company is currently evaluating the potential impact of adopting SFAS 162.

FASB Staff Position (FSP) No. EITF 03-6-1: In June 2008, the FASB issued FSP EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (EITF 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Early adoption is not permitted. The Company is currently evaluating the potential impact of adopting EITF 03-6-1.

2. The Separation, Merger and Recapitalization

The Separation

On March 31, 2008, Cantor contributed the businesses of its inter-dealer brokerage business, known as the BGC Division, to BGC Partners, LLC and its subsidiaries. As part of the separation, two operating partnerships, BGC Partners, L.P. (BGC US) and BGC Global Holdings, L.P. (BGC Global), were established as wholly-owned subsidiaries of BGC Holdings, L.P. (BGC Holdings), a wholly-owned subsidiary of BGC Partners, LLC.

In connection with the separation, Cantor redeemed certain limited partnership interests in Cantor held by certain of its limited partners for limited partnership interests in BGC Holdings and rights to receive, following the merger, distributions of the Company s stock owned by Cantor. The limited partnership interests in BGC Holdings issued at the separation are referred to as founding partner interests.

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The Merger

On April 1, 2008, BGC Partners, LLC merged with and into eSpeed to form BGC Partners. In connection with the merger, eSpeed contributed its assets and liabilities to BGC US and BGC Global in exchange for limited partnership interests in these entities.

As a result of the separation and merger, the following four economic ownership classes of the Company were established:

Founding/working partners

Founding/working partners have a limited partnership interest in BGC Holdings. Prior to the merger, this interest was accounted for as a component of stockholders and members equity section of the Condensed Consolidated Statements of Financial Condition. With effect from the merger, the Company accounts for founding/working partnership interest outside of permanent capital, as Redeemable partnership interest , in the Condensed Consolidated Statements of Financial Condition. This classification is in accordance with EITF Topic D-98, Classification and Measurement of Redeemable Securities (EITF D-98), which requires that preferred securities, or other equity instruments, including common stock, derivative instruments, noncontrolling interests, and share-based payment arrangements that are classified as equity, that are redeemable for cash or other assets are to be classified outside of permanent equity if they are redeemable (1) at a fixed or determinable price on a fixed or determinable date, (2) at the option of the holder, or (3) upon the occurrence of an event that is not solely within the control of the issuer. EITF D-98 is applicable to founding/working partners interest because founding/working partner units are redeemable upon termination of a partner, which includes the termination of employment, which can be at the option of the partner and not within the control of the issuer.

Additionally, founding/working partners units receive allocations of net income based on their pro rata share of economic ownership. This allocation is reflected as Allocation of net income to founding/working partners units in the Company s Condensed Consolidated Statements of Operations, which is a separate component of compensation expense.

REUs

In connection with the merger, BGC Holdings issued REUs to certain of its limited partners. The REUs entitle the holder to participate in distributions of BGC Holdings income and to receive post-termination payments equal to the notional value of the grant in four equal yearly installments after the holder s termination. At the Company s discretion, the REUs may also be exchangeable for Class A Common Stock on a one-for-one basis. The allocation of income to REUs is reflected as Allocation of net income to REUs in the Company s Condensed Consolidated Statements of Operations, which is a separate component of compensation expense.

Cantor

Cantor s limited partnership interest in BGC Holdings as a result of its contribution of the BGC Division is reflected as a component of Minority interest on the Company s Condensed Consolidated Statements of Financial Condition. Cantor receives allocations of net income based on its pro rata share of economic ownership. This allocation is reflected as a component of Minority interest in the Company s Condensed Consolidated Statements of Operations.

Common stockholders

Common stockholders interest is the interest held by the public, including Cantor, in the form of Class A and Class B Common Stock. This interest is reflected as Stockholders equity in the Company s Condensed Consolidated Statements of Financial Condition.

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Primary and Secondary Offerings

On June 10, 2008, the Company closed an underwritten public offering of additional shares of its Class A Common Stock (the June 2008 Offering). The offering was composed of a primary offering (the Primary Offering) of 10,000,000 newly issued shares offered by the Company and a secondary offering (the Secondary Offering) of 10,000,000 issued and outstanding shares offered by Cantor and certain limited partners of Cantor and founding partners of BGC Holdings (the Selling Stockholders). In the Secondary Offering, 3,926,178 shares were offered by Cantor and 6,073,822 shares were offered by certain limited partners of Cantor and founding partners of BGC Holdings.

The offering price to the public was $8.00 per share, and the price, net of underwriters discount of 3.5%, was $7.72 per share. The Company received net proceeds of $77.2 million as a result of the Primary Offering. Offering expenses, other than underwriters discounts, of approximately $4.9 million were incurred by the Company. The Company did not receive any net proceeds from the sales of common stock offered by the Selling Stockholders in the Secondary Offering. The Company and Cantor, as a selling stockholder, granted the underwriters an option, exercisable not later than 30 days after June 5, 2008, to purchase up to 3,000,000 additional shares of Class A Common Stock at a price of $7.72 per share. The option shares were to be sold by the Company or Cantor, or a combination thereof, at the Company s election, however, the underwriters did not exercise this option.

Immediately following the Primary Offering, the Company repurchased 175,000 shares of Class A Common Stock from one of its executive officers for $7.72 per share, totaling approximately $1.4 million. BGC Partners contributed the remaining net proceeds from the Primary Offering to BGC US and BGC Global in exchange for additional partnership interests on a one-for-one basis. BGC US and BGC Global expect to use such proceeds for general corporate purposes, including potential acquisitions.

3. Tax Restructuring

eSpeed was a U.S. corporation and reported and paid U.S. federal income taxes as well as taxes to other jurisdictions in which it or its subsidiaries conducted business. Historically, much of BGC Partners, LLC had operated through entities that were treated as partnerships for U.S. federal income tax purposes. As such, much of the income was not subject to U.S. federal and state income taxes because taxes related to income earned by partnerships represent obligations of the individual partners. BGC Partners, LLC did have certain companies that were incorporated and subject to U.S. federal, state and local income tax and they did report and pay U.S. federal, state and local income taxes. Outside the United States, BGC Partners, LLC had operated principally through subsidiary corporations subject to local income taxes. Prior to April 1, 2008, income taxes reported on the consolidated financial statements for BGC Partners, LLC were primarily attributable to taxes incurred by its incorporated U.S. entities and by non-U.S. entities. Subsequent to the merger, the consolidated financial statements of the Company include U.S. federal, state and local income taxes on its allocable share of the U.S. results of operations, giving effect to the post-merger structure, as well as taxes payable to jurisdictions outside the U.S.

Income taxes are accounted for using the asset and liability method, as prescribed in SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is more likely than not those assets will not be realized. No deferred U.S. federal income taxes have been provided for the undistributed foreign corporate earnings since they have been permanently reinvested in the Company s foreign operations. It is not practical to determine the amount of additional tax that may be payable in the event these earnings are repatriated. Effective January 1, 2007, the Company, adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting For Uncertainty in Income Taxes an interpretation of SFAS No. 109* (FIN 48). It is the Company s policy to provide for uncertain tax positions and the related interest and penalties based upon management s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities.

4. Earnings Per Share

SFAS No. 128, *Earnings Per Share* (SFAS 128), establishes standards for computing and presenting earnings per share (EPS). SFAS 128 requires the dual presentation of basic and diluted EPS on the face of the accompanying Condensed Consolidated Statement of Operations and requires a reconciliation of numerators (net income (loss)) and denominators (weighted-average shares of common stock outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted-average shares of common stock outstanding. From April 1, 2008, net income is allocated to each of the four economic ownership classes described above, based on each class s pro rata economic ownership. The weighted-average shares of common stock outstanding have been retroactively restated to all periods prior to April 1, 2008 to give effect to the shares issued in connection with the merger. There were no net income allocations to founding/working partners units, REUs, or Cantor for the periods prior to April 1, 2008 as it is assumed that all of the Company s net income (loss) for those periods was allocated to all economic owners, including common stockholders.

The Company s earnings for the three months and nine months ended September 30, 2008 and 2007 were allocated as follows (in thousands):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(in thousands)			
Net income allocable to founding/working partner units	$ 3,716	$	$ 10,849	$
Net income allocable to REUs	299		551	
Net income allocable to Cantor	5,578		16,278	
Net income (loss) available to common stockholders	6,853	10,469	(29,696)	42,161

The following is information pertaining to the Company s basic earnings per share (in thousands, except for per share data):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(in thousands, except for per share data)			
Basic earnings (loss) per share:				
Net income (loss) available to common stockholders	$ 6,853	$ 10,469	$ (29,696)	$ 42,161
Basic weighted average shares of common stock outstanding (1)	82,432	184,315	114,198	184,295
Basic earning (loss) per share	$ 0.08	$ 0.06	$ (0.26)	$ 0.23

(1) The weighted average shares outstanding for the three and nine months ended September 30, 2007 have been retroactively restated to give effect to the shares and rights to acquire shares issued in connection with the merger because, for those periods, allocations to founding/working partners, REUs and Cantor have not been deducted from net income.

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Fully diluted earnings (loss) per share is calculated utilizing net income available for common stockholders plus net income allocations to the founding/working partners units, REUs, and Cantor; and dividing it by the weighted average number of BGC Holdings units held by founding/working partners and Cantor, the Company s outstanding shares of common stock, and the potential dilution that could occur if securities or other contracts to issue shares of common stock, including REUs, options, restricted stock units (RSUs) and warrants, were exercised, resulting in the issuance of shares of common stock that would then share in earnings in the Company s net income available to common stockholders. The following is information pertaining to the Company s fully diluted earnings (loss) per share (in thousands, except for per share data):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008(1)	Nine Months Ended September 30, 2007
	(in thousands, except for per share data)			
Fully diluted earnings (loss) per share:				
Net income (loss) available to common stockholders	$ 6,853	$ 10,469	$ (29,696)	$ 42,161
Allocation of net income to founding/working partner units	3,716			
Allocation of net income to REUs	299			
Allocation of net income to Cantor	5,578			
Net income (loss) for fully diluted shares	$ 16,446	$ 10,469	$ (29,696)	$ 42,161
Basic weighted average shares of common stock outstanding (2)	82,432	184,315	114,198	184,295
Stock options/restricted stock units/warrants	2,137			1,156
BGC Holdings units held by founding/working partners	44,702			
REUs	209			
BGC Holdings units held by Cantor	67,094			
Fully diluted weighted average shares of common stock outstanding	196,574	184,315	114,198	185,451
Fully diluted earnings (loss) per share	$ 0.08	$ 0.06	$ (0.26)	$ 0.23

(1) Allocations of net income to founding/working partner units, REUs and Cantor have been excluded from the calculation of net income (loss) for fully diluted shares for the nine months ended September 30, 2008 because their effect would have been anti-dilutive.

(2) The weighted average shares outstanding for the three and nine months ended September 30, 2007 have been retroactively restated to give effect to the shares and rights to acquire shares issued in connection with the merger because, for those periods, allocations to founding/working partners and minority interest to Cantor have not been deducted from net income.

For the three months ended September 30, 2008 and 2007, approximately 22.4 million and 17.0 million REUs, options, RSUs and warrants, respectively, were not included in the computation of diluted earnings (loss) per share because their effect would have been anti-dilutive because the exercise price exceeded the average share price for the period. For the nine months ended September 30, 2008 and 2007, approximately 21.2 million and 16.9 million REUs, options, RSUs and warrants, respectively, were not included in the computation of diluted earnings (loss) per share because their effect would have been anti-dilutive because the exercise price exceeded the average share price for the period.

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Stock Repurchase Program

The Company s Board of Directors has authorized the repurchase of up to $100 million of outstanding Class A Common Stock.

Stock repurchase activity for the three months ended September 30, 2008 was as follows:

	Issuer Purchases of Equity Securities			
Period	**Total number of shares purchased**	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Approximate dollar value of shares that may yet be purchased under the plan**
July 1, 2008 July 31, 2008		$		$ 58,202,695
August 1, 2008 August 31, 2008		$		$ 58,202,695
September 1, 2008 September 30, 2008	3,163,072	$ 4.82	3,163,072	$ 42,950,645

During the nine months ended September 30, 2008, under this plan, the Company repurchased 3,163,072 shares of its Class A Common Stock for an aggregate purchase price of approximately $15.3 million. These repurchases included 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.

The 1,261,491 shares were purchased as follows: (i) 198,487 shares were purchased from partners of Cantor, which shares were transferred pursuant to distribution rights from Cantor in connection with the separation and merger of BGC Partners; (ii) 259,882 shares were purchased from founding partners of BGC Holdings, which shares were transferred to them pursuant to distribution rights from Cantor in connection with the separation and merger; and (iii) 803,122 shares were purchased from founding partners of BGC Partners and were issued upon exchange of exchangeable Founding Partner Units in BGC Holdings that such founding partners received in connection with the separation and merger.

In connection with the stock repurchase, Cantor agreed to accelerate the distribution of the distribution rights solely to permit such partners to sell such shares to the Company. The Company, as the general partner of BGC Holdings, further removed the contractual resale restrictions on such shares solely to permit such founding partners to sell such shares to the Company.

At September 30, 2008, the Company had approximately $43.0 million remaining from its $100.0 million buyback authorization.

5. Fair Value of Financial Assets and Liabilities

The following table sets forth the Company s financial assets, including those pledged as collateral, and financial liabilities at fair value (in thousands):

	September 30, 2008	
	Assets	**Liabilities**
	(in thousands)	
Equities	$ 19,577	$ 2,301
Derivative contracts	3,758	5,503
Total	$ 23,335	$ 7,804

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under SFAS 157 at September 30, 2008 (in thousands):

	Assets at Fair Value at September 30, 2008				
	Level 1	Level 2	Level 3 (in thousands)	Netting and Collateral	Total
Equities	$ 19,577	$	$	$	$ 19,577
Derivative contracts		3,758			3,758
Total	$ 19,577	$ 3,758	$	$	$ 23,335

	Liabilities at Fair Value at September 30, 2008				
	Level 1	Level 2	Level 3 (in thousands)	Netting and Collateral	Total
Equities	$ 2,301	$	$	$	$ 2,301
Derivative contracts		5,503			5,503
Total	$ 2,301	$ 5,503	$	$	$ 7,804

(1) As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. (See Note 1, Organization and Basis of Presentation, for further information on the fair value hierarchy.)

6. Securities Owned and Securities Sold, Not Yet Purchased

The Company allows certain of its brokerage desks to enter into unmatched principal transactions in the ordinary course of business for the purpose of facilitating transactions, adding liquidity, improving customer satisfaction, increasing revenue opportunities, attracting additional order flow and, in a limited number of instances and subject to risk management limits, for the purpose of proprietary trading. Unmatched principal transactions were $21.9 million at September 30, 2008 and $34.1 million at December 31, 2007.

Securities owned consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
	(in thousands)	
Equities	$ 19,577	$ 30,511
Other		3,577
Total	$ 19,577	$ 34,088

As of September 30, 2008 all of the Companies securities owned positions were unencumbered. At December 31, 2007, the Company had pledged $31.4 million of securities owned to satisfy deposit requirements at various exchanges or clearing organizations.

Securities sold, not yet purchased consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
	(in thousands)	
Equities	$ 2,301	$
Other		
Total	$ 2,301	$

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7. Collateralized Transactions

Securities purchased under agreements to resell (Reverse Repurchase Agreements) are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be resold including accrued interest.

For Reverse Repurchase Agreements, it is the Company s policy to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under Reverse Repurchase Agreements. Collateral is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Certain Reverse Repurchase Agreements are with Cantor (see Note 10, Related Party Transactions, for more information regarding these agreements).

As of September 30, 2008, the Company had received, as collateral, U.S. Government, agency and equity securities with a fair value of $210.9 million, of which $204.5 million pertained to Reverse Repurchase Agreements with Cantor. Of the securities received as collateral, securities with a fair value of $28.8 million were repledged to exchanges or clearing organizations to fulfill deposit requirements and $60.2 million was used to cover settlement of principal transactions.

As of December 31, 2007, the Company had received, as collateral, U.S. Government and agency securities with a fair value of $150.7 million, of which $143.2 million pertained to Reverse Repurchase Agreements with Cantor. Of the securities received as collateral, securities with a fair value of $28.3 million were repledged to exchanges or clearing organizations to fulfill deposit requirements.

8. Receivables from and Payables to Brokers, Dealers, Clearing Organizations, Customers and Related Broker-Dealers

Receivables from and payables to brokers, dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, amounts related to open derivative contracts, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, and spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges.

The receivables from and payables to brokers, dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
	(in thousands)	
Receivables from brokers, dealers, clearing organization, customers and related broker-dealers:		
Contract values of fails to deliver	$ 467,170	$ 93,146
Open derivative contracts	3,758	23,094
Receivables from clearing organizations	98,007	81,574
Other receivables from brokers, dealers and customers	13,244	23,265
Total	$ 582,179	$ 221,079
Payables to brokers, dealers, clearing organization, customers and related broker-dealers:		
Contract values of fails to receive	$ 477,542	$ 88,873
Net pending trades	75,557	56,231
Open derivative contracts	5,503	23,450
Payables to clearing organizations	20,059	23,747
Other payables to brokers, dealers and customers	9,672	78,164
Total	$ 588,333	$ 270,465

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A portion of these receivables and payables is with Cantor (see Note 10, Related Party Transactions, for additional information related to these receivables and payables).

Substantially all open fails to deliver and fails to receive transactions as of September 30, 2008 have subsequently settled at the contracted amounts.

9. Derivatives

The Company has both OTC and exchange-traded derivative contracts. These derivative contracts primarily consist of bond futures, commodities, interest rate and foreign exchange futures, options, forwards and swaps. The Company enters into derivative contracts to facilitate client transactions, to hedge principal positions and to facilitate hedging activities of affiliated companies. Open derivative contracts are recognized at the fair value of the related assets and liabilities as part of Receivables from and Payables to brokers, dealers, clearing organizations, customers and related broker dealers in the accompanying Condensed Consolidated Statements of Financial Condition.

Fair values of derivative contracts are determined from quoted market prices or other public price sources. The Company does not designate any derivative contracts as hedges for accounting purposes. The change in fair value of derivative contracts is reported as part of Principal transactions in the accompanying Condensed Consolidated Statements of Operations.

The fair value of derivative financial instruments, computed in accordance with the Company s netting policy, is set forth below (in thousands):

	September 30, 2008		December 31, 2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward settlement contracts	$	$	$ 110	$ 98
Swap agreements	3,758	5,503	22,503	22,975
Futures			328	224
Option contracts			153	153
Total	$ 3,758	$ 5,503	$ 23,094	$ 23,450

Transactions with off-balance-sheet risk are primarily short-term in duration. At September 30, 2008 and December 31, 2007, the notional amounts of derivative instruments used for trading purposes were $892.3 million and $2.2 billion, respectively. These contracts had remaining maturities of less than one year.

A portion of the Company s derivative contracts is with Cantor. The fair value of derivative financial instruments with Cantor is set forth below (in thousands):

	September 30, 2008		December 31, 2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward settlement contracts	$	$	$ 78	$
Swap agreements	3,758	5,503	3,282	4,734
Futures			328	224
Total	$ 3,758	$ 5,503	$ 3,688	$ 4,958

At September 30, 2008 and December 31, 2007, the notional amounts outstanding for derivative contracts with Cantor totaled $892.3 million and $933.5 million, respectively.

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The replacement cost of contracts in a gain position at September 30, 2008, summarized by counterparty credit ratings, is as follows (in thousands):

Rating (a)	Net Replacement Cost (in thousands):
A	$
Other (b)	3,758

(a) Credit ratings based on Standard & Poor s.
(b) Other indicates counterparties for which no credit rating was available from an independent third-party source. It does not necessarily indicate that the counterparties credit is below investment grade.

10. Related Party Transactions
Administrative Services Agreements

In the United States, Cantor provides the Company with administrative services and other support for which Cantor charges the Company based on the cost to Cantor of providing such services. Such support includes allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources and legal services. On April 1, 2008, in connection with the services Cantor provides, the Company and Cantor entered into an employee lease agreement whereby certain employees of Cantor are deemed leased employees of the Company, and the Company has the powers and rights of a common law employer of such employees.

The fees paid to Cantor for administrative and support services, other than those to cover the compensation costs of leased employees, are included as part of Fees to related parties in the accompanying Condensed Consolidated Statements of Operations. The fees paid to Cantor to cover the compensation costs of leased employees are included as part of Compensation and employee benefits in the accompanying Condensed Consolidated Statements of Operations.

For the three months ended September 30, 2008, the Company was charged $7.6 million for the services provided by Cantor and its affiliates, of which $4.7 million was to cover compensation to leased employees. For the three months ended September 30, 2007, the Company was charged $10.1 million for the services provided by Cantor and its affiliates. For the nine months ended September 30, 2008, the Company was charged $22.1 million for the services provided by Cantor, of which $9.5 million was to cover compensation to leased employees. For the nine months ended September 30, 2007, the Company was charged $21.1 million for the services provided by Cantor.

Throughout Europe and Asia, the Company provides Cantor with administrative services and other support for which the Company charges Cantor based on the cost of providing such services plus a mark-up, currently 7.5%. Such support includes allocations for occupancy of office space, utilization of fixed assets, accounting, operations, human resources and legal services. In the UK, the Company provides these services to Cantor through Tower Bridge International Services L.P. (Tower Bridge). The Company established Tower Bridge on December 21, 2006, and as of the beginning of January 2007, transferred all of its current UK administrative employees and operations to Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. The Company recognizes minority interest for the investment held by Cantor.

In addition, prior to the merger, the Company had certain agreements with Cantor. Under these agreements, which were terminated upon closing of the merger, eSpeed was entitled to receive a portion of Cantor s and CO2e s revenues as fees for providing electronic brokerage services, voice-assisted brokerage services, fulfillment services and related services such as credit risk management, oversight of customer suitability and regulatory compliance, sales position of products and other services customary to marketplace intermediary operations.

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Also, through its eSpeed brand, the Company provides technology services to ELX Futures L.P. (ELX Futures), a partnership in which the Company holds an approximate 25% interest. Pursuant to a technology services agreement entered into on December 21, 2007, the Company provides a software technology license, monthly maintenance support and other technology services as requested by ELX Futures. (See Note 11, Investments and Joint Ventures, for more information regarding the Company s interest in ELX Futures and the related technology services agreement.)

For the three months ended September 30, 2008 and 2007, the Company recognized revenues of $19.4 million and $13.9 million, respectively, for the administrative and technology services provided to Cantor and its affiliates and ELX Futures. For the nine months ended September 30, 2008 and 2007, the Company recognized revenues of $58.9 million and $32.6 million, respectively, for the administrative and technology services provided to Cantor and its affiliates and ELX Futures. These revenues are included as part of Fees from related parties in the accompanying Condensed Consolidated Statements of Operations.

Employee Lease Agreement

Effective as of April 1, 2008, the Company was authorized to enter into an employee lease agreement with Cantor Fitzgerald Securities, pursuant to which certain employees of Cantor Fitzgerald Securities are deemed to be leased employees of the Company, which has the powers and rights of a common law employer of such employees.

Clearing Agreement

Following its merger on April 1, 2008, the Company received regulatory approval from FINRA for self-clearing its own securities transactions, and has begun self-clearing transactions in mortgage-backed securities, equities, corporate and other DTC-eligible bonds and repurchase agreements. However, BGC Partners has not begun to clear its own transactions in U.S. Treasury and U.S. Government Agency securities.

Accordingly, since the closing of the merger, the Company has continued to receive from Cantor 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 the Company of third-party clearing costs and allocated costs.

Debt Guaranty Agreements

On April 1, 2008, in connection with the Note Purchase Agreement, which authorized the issue and sale of $150.0 million principal amount of the Company s Senior Notes, Cantor provided a guaranty of payment and performance on such notes. Cantor charges the Company an amount equal to 2.3% of the outstanding principal amount of the loans for the provision of the guaranty. The fees paid to Cantor for the guaranty are included as part of Fees to related parties in the accompanying Condensed Consolidated Statements of Operations.

For the three and nine months ended September 30, 2008, the Company recognized expense of approximately $0.9 and $1.7 million respectively, in relation to this charge. The Company did not recognize any expense for the three and nine months ended September 30, 2007.

Receivables from and Payables to Brokers, Dealers, Clearing Organizations, Customers and Related Broker-Dealers

In Europe and the United States, certain trades executed by the Company are cleared and settled by Cantor. Additionally, in the UK, BGC Partners places certain trades on behalf of Cantor and its affiliates.

Amounts due from or to Cantor for undelivered securities or open derivative contracts are included as part of Receivables from and Payables to brokers, dealers, clearing organizations, customers and related broker dealers in the accompanying Condensed Consolidated Statements of Financial Condition. As of September 30, 2008, the Company had receivables from Cantor of approximately $3.8 million and payables to Cantor of approximately $5.5 million. As of December 31, 2007, the Company had receivables from Cantor of approximately $3.7 million and payables to Cantor of approximately $5.0 million.

Forgivable and Other Loan Receivables from Employees and Partners

The Company has entered into various agreements with certain of its employees and partners whereby these individuals receive forgivable loans. As of September 30, 2008 and December 31, 2007, the unamortized balance of these forgivable loans was $66.4 million and $55.8 million, respectively. These forgivable loans are included as part of Forgivable and other loan receivables from employees and partners in the accompanying Condensed Consolidated Statements of Financial Condition. Amortization expense for these forgivable loans for the three months ended September 30, 2008 and 2007 was $7.3 million and $7.7 million, respectively. Amortization expense for these forgivable loans for the nine months ended September 30, 2008 and 2007 was $22.3 million and $27.2 million, respectively. Amortization expense for forgivable loans is included as part of Compensation and employee benefits in the accompanying Condensed Consolidated Statements of Operations.

Additionally, from time to time, the Company may enter into agreements with employees and partners to grant bonus and salary advances or other types of loans that are non-forgivable. These advances and loans are repayable in the timeframes outlined in the underlying agreements. As of September 30, 2008 and December 31, 2007, the balance of these advances and non-forgivable loans was $12.4 million and $7.5 million, respectively. These advances and non-forgivable loans are included as part of Forgivable and other loan receivables from employees and partners in the accompanying Condensed Consolidated Statements of Financial Condition.

Reverse Repurchase Agreements

From time to time, the Company enters into overnight Reverse Repurchase Agreements with Cantor, whereby the Company receives U.S. Government, agency or eligible equity securities as collateral. As of September 30, 2008 and December 31, 2007, the Company had $202.9 million and $140.7 million, respectively, of Reverse Repurchase Agreements with Cantor, of which the fair value of the collateral received from Cantor was $204.5 million and $143.2 million, respectively.

Secured Loan to Cantor

On July 26, 2007, the Company entered into a Secured Promissory Note and Pledge Agreement (the Secured Loan) with Cantor in which the Company agreed to lend to Cantor up to $100.0 million (the Secured Loan Amount) on a secured basis from time to time. The Secured Loan was guaranteed by a pledge of the Company s Class A Common Stock or Class B Common Stock owned by Cantor equal to 125% of the outstanding Secured Loan amount, as determined on a next day basis. The Secured Loan earned interest at the market rate for equity repurchase agreements plus 0.25% and was payable on demand. The Secured Loan was approved by the Company s Audit Committee. In September 2008, the Company was authorized to increase the amount available under its Secured Loan with Cantor from up to $100.0 million to all excess cash other than that amount needed for regulatory purposes, and to also accept, as security, pledges of any securities in addition to pledges of Class A or Class B Common Stock of the Company provided for under the original Secured Loan. At September 30, 2008, there was no outstanding Secured Loan balance. At December 31, 2007, the outstanding balance of the Secured Loan was $65.0 million.

Notes Payable

Historically, the Company had various subordinated loans and notes payable outstanding to Cantor. At December 31, 2007, the amount of outstanding notes payable to Cantor was $196.8 million. All of these notes were repaid upon BGC Partners separation from Cantor on March 31, 2008.

The Company did not incur any interest expense related to the notes payable to Cantor for the three months ended September 30, 2008. The Company incurred interest expense related to the notes payable to Cantor of $4.9 million for the three months ended September 30, 2007. Interest expense related to notes payable to Cantor was $4.0 million and $15.1 million for the nine months ended September 30, 2008 and 2007, respectively. Interest expense related to these notes is recorded as part of Interest expense in the accompanying Condensed Consolidated Statements of Operations.

Grant Units

Prior to the merger, Cantor provided awards to certain employees of the Company in the form of grant units in Cantor (grant units). Grant units entitled the employees to participate in quarterly distributions of Cantor s net income and to receive certain post-termination payments. See Note 15, Stock-Based Compensation, for more information regarding grant units.

Other Transactions

In February 2006, a subsidiary of Cantor acquired all of the assets of IDT Horizon GT, Inc. (Horizon). Immediately prior to the closing of the acquisition, the Company entered into a software license agreement with Horizon pursuant to which Horizon granted the Company a perpetual, fully paid up, non-transferrable (except to affiliates of the Company) license of Horizon s GovREPO software, a multi-currency, multi-entity, multi-portfolio, collateral management and trading system for fixed income securities (the Horizon License). In consideration for the Horizon License and support services to be provided under the Horizon License, the Company issued to Horizon a warrant, which warrant was not transferred to Cantor. See Note 13, Goodwill and Other Intangible Assets, for more information regarding this transaction.

On August 10, 2006, the Company entered into a Sponsored Research Agreement with a researcher and a U.S. university (the university) in which the Company agreed to pay $100,000 per year for five years in exchange for research and certain patent rights. In October 2006, the Company agreed with Cantor that Cantor would pay 75% of all payments to be made by the Company in connection with the Sponsored Research Agreement. Additionally, Cantor agreed that to the extent, if any, that the Company makes charitable contributions to the university, Cantor will make a proportional charitable contribution. In exchange for this agreement, the Company will retain a nonexclusive license to all patents and patent applications resulting from the Sponsored Research Agreement within the field of financial services and Cantor will have patent rights to all other patents and patent applications. The Company further agreed that, in the event that the Company or Cantor grants a license to such technology in the field of fully electronic financial services, the Company and Cantor will each receive 50% of all revenue from any such license.

In January 2007, the Company announced the formation of Aqua Securities, L.P. (Aqua), an alternative electronic trading platform which offers new pools of block liquidity to the global equities markets. Aqua is 51% owned by Cantor and 49% owned by the Company. Cantor and the Company have collectively contributed financial, professional and technology assets to the venture, which included all of the Company s former equities order routing business. On August 21, 2008, the Company entered into a two- year Subordinated Loan Agreement, whereby the Company agreed to lend Aqua the principal sum of $1.0 million, at the applicable rate of six month LIBOR plus 200 basis points. The cash proceeds covered by this Agreement shall be used and dealt with by Aqua as part of its capital and shall be subject to the risks of the business. The loan is recorded as part of Loan receivables from related parties in the accompanying Condensed Consolidated Statements of Financial Condition. See Note 11, Investments and Joint Ventures, for information regarding these transactions.

The Company has a 15% investment in EIP Holdings, LLC (EIP Holdings), which in turn has a 99.5% investment in TradeSpark, L.P. (TradeSpark), a voice brokerage business in certain energy products. Cantor has an 85% investment in EIP Holdings. See Note 11, Investments and Joint Ventures, for information regarding this transaction.

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In April 2008, the Company was authorized to enter into short-term arrangements with Cantor to cover any failed U.S. treasury securities transactions and to share equally any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of September 30, 2008, the Company had not entered into any arrangements to cover any failed U.S. treasury transactions.

In April 2008, the Company was authorized to enter into an indemnity agreement with Cantor with respect to the guarantee by Cantor of any liabilities associated with our application for a brokering license in China.

In June 2008, the Company was authorized to enter into loans, investments or other credit support arrangements for Aqua of up to $5.0 million in the aggregate, which arrangements would be proportionally and on the same terms as similar arrangements between Aqua and Cantor. The Company was further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor. As of September 30, 2008, the Company had not entered into any arrangements for the Aqua business.

On April 1, 2008, pursuant to a registration rights agreement entered into by Cantor and the Company in connection with the merger, and a registration rights agreement entered into by BGC Partners, LLC in connection with the separation and assumed by the Company in the merger, Cantor has received piggyback and demand registration rights. Cantor exercised its piggyback rights under the separation registration rights agreement to participate in the June 2008 Offering, in which 3,926,178 shares of Class A Common Stock were sold by Cantor to the underwriters of such offering. The transaction resulted in aggregate net proceeds to Cantor, before underwriting discounts and commissions and counsel fees, of $30,310,094. Pursuant to the separation registration rights agreement, all expenses of the June 2008 Offering, except for underwriting discounts and commissions and counsel fees of the selling stockholders, were borne by the Company.

In connection with its sale of 3,926,178 shares of Class A Common Stock in the June 2008 Offering, Cantor did not exchange any of its BGC Holdings limited partnership units. Therefore, Cantor remains able to exchange up to an aggregate of 20,000,000 of its BGC Holdings limited partnership units prior to the first anniversary of the completion of the separation for shares of Class A Common Stock in connection with a broad-based public offering, including all shares of Class A Common Stock received upon such exchange, underwritten by a nationally recognized investment banking firm. In connection with the June 2008 Offering, Cantor determined to accelerate the distribution of 6,037,355 shares of Class A Common Stock, distributable pursuant to distribution rights provided by Cantor to retained and founding partners, solely to permit such partners to sell such shares in the June 2008 Offering. The Company repurchased 175,000 of these shares from an executive officer of the Company at a price of $7.72 per share for an aggregate purchase price of approximately $1.4 million. Additionally, in order to enable a founding partner to sell 467 shares of Class A Common Stock in the June 2008 Offering, the Company, as the general partner of BGC Holdings, determined to remove the resale restrictions on such shares.

As required by the Cantor Limited Partnership Agreement and the BGC Holdings Limited Partnership Agreement, as applicable, the partners who sold distribution rights shares and exchange shares in the June 2008 Offering used an aggregate of $22.6 million of their proceeds to repay indebtedness or other obligations owed to Cantor or to third-party lenders guaranteed by Cantor, incurred in connection with the acquisition of the original Cantor limited partnership units in respect of which the partners had received their distribution rights and BGC Holdings limited partnership units in connection with the separation.

The remaining net proceeds to the Company from the June 2008 Offering, after the repurchase of the 175,000 shares, $75.9 million, were contributed to BGC US and BGC Global in exchange for BGC US limited partnership interests and BGC Global limited partnership interests. Prior to the Company s contribution to BGC US and BGC Global, Cantor notified the Company and BGC Holdings that it had no intention of exercising any of its co-investment rights which would enable Cantor to acquire additional BGC Holdings limited partnership interests; therefore, no co-investment rights were triggered in Cantor when the Company made this contribution.

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Cantor Fitzgerald & Co. and CastleOak Securities, L.P., affiliates of the Company, were underwriters of the Primary and Secondary Offerings that closed on June 10, 2008. Pursuant to the underwriting agreement entered into in connection with these offerings, Cantor Fitzgerald & Co. and CastleOak Securities, L.P. agreed to purchase 6,435,000 shares and 200,000 shares, respectively, for approximately 3.5% in underwriting discounts and commissions. In connection with the offerings, Cantor Fitzgerald & Co and CastleOak Securities, L.P. were paid $1,801,800 and $56,000, respectively, in discounts and commissions.

Pursuant to the underwriting agreement entered into in connection with the June 2008 Offering, the Company and Cantor, as a selling stockholder, granted the underwriters an option, exercisable not later than 30 days after June 5, 2008, to purchase up to 3,000,000 additional shares of Class A Common Stock at a price of $7.72 per share. The option shares were to be sold by the Company or Cantor, or a combination thereof, at the Company s election; however, the underwriters did not exercise this option.

In August 2008, the Company was authorized to cause BGC Holdings to issue REUs in connection with acquisitions and to provide for such acquisitions to be done in only one of the operating entities when appropriate. In such event, the Company would not expect to maintain parity with respect to outstanding units in such operating entities.

Effective as of September 1, 2008, the Company was authorized to divide the quarterly allocation of any profit or loss relating to foreign exchange currency hedging between Cantor Fitzgerald, L.P. and its affiliates and BGC Partners. The amount allocated to each party is based on the ratio of the total net amount of exposure for BGC Partners and Cantor. In the event of any net amount of exposure for each of Cantor and BGC Partners, the ratio of gross exposures between Cantor and BGC Partners will be utilized to determine the shares of profit or loss allocated to each for the period. Each calculation is made monthly and is determined for a particular month using the weighted average for the prior month in the succeeding month.

On September 22, 2008, Cantor accelerated the distribution of 198,487 shares of Class A Common Stock to retained partners of Cantor and 259,882 shares of Class A Common Stock to founding partners of BGC Holdings. Cantor agreed to accelerate the distribution of the 458,369 aggregate shares of Class A Common Stock solely to permit such partners to sell such distribution rights shares to the Company pursuant to the Company s previously announced stock repurchase program. In connection with Cantor s agreement to accelerate the distribution of the distribution rights shares, the Company, as the general partner of BGC Holdings, agreed to remove the contractual resale restrictions from 803,122 shares of Class A Common Stock receivable by founding partners upon exchange of BGC Holdings limited partnership units solely to permit such founding partners to sell such exchange shares to the Company pursuant to the Company s repurchase program. The Company purchased the 1,261,491 aggregate shares of Class A Common Stock from the partners at $4.00 per share, for an aggregate purchase price of $5,045,963. As required by the Cantor Limited Partnership Agreement and the BGC Holdings Limited Partnership Agreement, as applicable, an aggregate of $2,120,356 of the partners proceeds of such sales of distribution rights shares and exchange shares was used to repay indebtedness or other obligations of such partners to Cantor or to third-party lenders guaranteed by Cantor, incurred in connection with the acquisition of the original Cantor limited partnership units in respect of which the partners had received their distribution rights and BGC Holdings limited partnership units in connection with the separation.

On September 26, 2008, the limited partnership agreement of BGC US and the limited partnership agreement of BGC Global were amended, effective as of September 1, 2008, to provide that, at the Company s election, in connection with a repurchase of our Class A Common Stock or similar actions, BGC US and BGC Global will redeem and repurchase from the Company a number of units in BGC US and BGC Global equivalent to the number of shares of Class A Common Stock repurchased by the Company in exchange for cash in the amount of the gross proceeds to be paid in connection with such stock repurchase. The proportion of such amount to be paid by BGC US or BGC Global will be determined by BGC Partners. Certain technical amendments were also made to conform such limited partnership agreements to the BGC Holdings limited partnership agreement.

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Cantor has the right to purchase from BGC Holdings any non-exchangeable BGC Holdings limited partnership units held by any founding partner that are redeemed by BGC Holdings upon termination or bankruptcy of the founding partner. Any such BGC Holdings limited partnership units purchased by Cantor from BGC Holdings will be exchangeable by Cantor for shares of Class B Common Stock or, at Cantor s election, shares of Class A Common Stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments), from the Company, on the same basis as Cantor s other BGC Holdings limited partnership units. As of September 30, 2008, as a result of the termination of 11 founding partners, BGC Holdings has the right to redeem an aggregate of 294,056 BGC Holdings limited partnership units. Accordingly, upon the redemption of any of the founding partners BGC Holdings limited partnership units, Cantor will have the right to purchase from BGC Holdings an equivalent number of exchangeable BGC Holdings limited partnership units pursuant to terms yet to be determined.

11. Investments and Joint Ventures

The Company s investments consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
ELX	$ 15,891	$
Freedom International Brokerage	9,927	9,913
Aqua Securities, L.P.	1,982	1,529
EIP Holdings	848	819
Tradespark	3	3
Total investments	$ 28,651	$ 12,264

ELX

On December 21, 2007, the Company and 11 other leading financial institutions announced the formation of a limited partnership that will establish a fully-electronic futures exchange. The Company holds an approximate 25% interest in ELX Futures, and its holding company general partner, ELX Futures Holdings, LLC (combined ELX). Assuming the Company maintains its present ownership percentage, it will be entitled to approximately 25% of distributions from each entity. The Company has also entered into a technology services agreement with ELX pursuant to which the Company will provide a software technology license, monthly maintenance support and other technology services as requested by ELX. In conjunction with this transaction, the Company recorded an investment and deferred revenue of approximately $18.3 million in January 2008. The deferred revenue is being amortized over the license agreement term of four years. The Company is also developing software for the exchange. In accordance with the provisions of Statement of Position 97-2, Software Revenue Recognition, since delivery of the software has not yet occurred, the Company records the cost of work performed as deferred revenue. As of September 30, 2008, in relation to the development of software, the Company has recognized approximately $1.0 million of deferred revenue, which is included as part of Accounts payable, accrued and other liabilities in the accompanying Condensed Consolidated Statements of Financial Condition.

In addition, the Company receives approximately $1.1 million per month for providing maintenance services to support the trading platform. For the three and nine months ended September 30 2008, approximately $4.6 million and $13.6 million, respectively, was recognized in income and is included as of Fees from related parties in the accompanying Condensed Consolidated Statements of Operations.

The Company s share of ELX s net loss was $1.2 million and $2.4 million for the three and nine months ended September 30, 2008, respectively, and the Company did not recognize any gains or losses for the three or nine months ended September 30, 2007 in connection with its investment in ELX. The Company s share of the losses is included as part of Other (losses) revenues in the accompanying Condensed Consolidated Statements of Operations.

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Freedom

The Company formed a limited partnership (the Freedom LP) to acquire an interest in Freedom International Brokerage (Freedom), a Canadian government securities broker-dealer and Nova Scotia unlimited liability company. The Company contributed 414,357 shares of its Class A Common Stock, valued at the time of the investment at approximately $9.3 million, to the Freedom LP, which entitles the Combined Company to 100.0% of the equity and cumulative profits of the Freedom LP. The Freedom LP exchanged the 414,357 shares for a 66.7% interest in Freedom.

The Company s share of Freedom s net income was negligible for the three and nine months ended September 30, 2008, and was negligible for the three and nine months ended September 30, 2007. The Company s share of the income is included as part of Other (losses) revenues in the accompanying Condensed Consolidated Statements of Operations.

Aqua

In January 2007, the Company announced the formation of Aqua, an alternative electronic trading platform which will offer new pools of block liquidity to the global equities markets. Aqua is 51% owned by Cantor and 49% owned by the Company. In June 2007, the Company contributed to Aqua $0.7 million cash and technology assets with a net book value of approximately $0.6 million. During the fourth quarter of 2007, Aqua received certain FINRA approvals. With that, BGC Partners further contributed to Aqua $0.6 million cash and technology assets with a net book value of approximately $0.5 million. During the nine months ended September 30, 2008, the Company contributed an additional $3.0 million to Aqua.

On August 21, 2008, the Company entered into a two- year Subordinated Loan Agreement, whereby the Company agreed to lend Aqua the principal sum of $1.0 million, at the applicable rate of six month LIBOR plus 200 basis points. The cash proceeds covered by this Agreement shall be used and dealt with by Aqua as part of its capital and shall be subject to the risks of the business. The loan is recorded as part of Loan receivables from related parties in the accompanying Condensed Consolidated Statements of Financial Condition. Interest income related to the subordinated loan was negligible for the three and nine months ended September 30, 2008. Interest income related to these notes is recorded as part of Interest income in the accompanying Condensed Consolidated Statements of Operations.

The Company s share of Aqua s net loss was $0.8 million and $0.3 million for the three months ended September 30, 2008 and 2007, respectively, and was $2.6 million and $0.5 million for the nine months ended September 30, 2008, respectively. The Company s share of the losses is included as part of Other (losses) revenues in the accompanying Condensed Consolidated Statements of Operations.

EIP Holdings/Tradespark

The Company has a 15% investment in EIP Holdings, LLC (EIP Holdings), which in turn has a 99.5% investment in TradeSpark, L.P. (TradeSpark), a voice broker in certain energy products. Cantor has an 85% investment in EIP Holdings. The Company s net income from its investment in TradeSpark, through both direct and indirect investments, was negligible for the three months and nine months ended September 30, 2008, and was negligible for the three and nine months ended September 30, 2007. The Company share of the income is included as part of Other (losses) revenues in the accompanying Condensed Consolidated Statements of Operations.

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12. Fixed Assets, Net

Fixed assets, net consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Computer and communications equipment	$ 163,055	$ 149,224
Software, including software development costs	141,177	129,847
Leasehold improvements and other fixed assets	121,703	113,029
	425,935	392,100
Less: Accumulated depreciation and amortization	285,553	254,285
Fixed assets, net	$ 140,382	$ 137,815

Depreciation expense was $9.9 million and $8.4 million for the three months ended September 30, 2008 and 2007, respectively, and $28.7 million and $27.6 million for the nine months ended September 30, 2008 and 2007, respectively. Depreciation is included as part of Occupancy and equipment in the accompanying Condensed Consolidated Statements of Operations.

In accordance with the provisions of Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1), the Company capitalizes qualifying computer software costs incurred during the application development stage and amortizes them over their estimated useful life of three years on a straight-line basis. For the three months ended September 30, 2008 and 2007, software development costs totaling $6.9 million and $5.1 million, respectively, were capitalized. For the nine months ended September 30, 2008 and 2007, software development costs totaling $15.3 million and $16.1 million, respectively, were capitalized. Amortization of software development costs totaled $3.9 million and $4.2 million for the three months ended September 30, 2008 and 2007, respectively, and $11.7 million and $12.8 million for the nine months ended September 30, 2008 and 2007, respectively.

13. Goodwill and Other Intangible Assets

In March 2008, the Company acquired Radix Energy (Singapore) Pte Ltd (Radix) for $5.0 million in cash. Radix is an OTC energy broker based in Singapore. This acquisition will enable the Company to offer its clients voice and electronic brokerage services in the world s energy markets for the first time, with products including crude oil, fuel oil, naptha and middle distillates. Through this acquisition, the Company added approximately 30 brokers who continue to be based in Singapore, serving clients throughout the region and beyond. In addition, certain employees of Radix received awards of REUs with an estimated fair value of $5.0 million issued upon closing of the merger. 526,315 REUs, which vest and become exchangeable into shares of common stock over time as certain performance goals are met, were issued to the employees.

The $5.0 million in cash paid was allocated to goodwill. The purchase price allocation is preliminary and is dependent on the Company s final analysis of the net assets, including intangibles, which is expected to be completed within the one-year period following the consummation of the acquisition. The results of operations of Radix have been included in the Company s condensed consolidated financial statements subsequent to the date of acquisition. Goodwill will not be amortized but will be reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*.

The changes in the carrying amount of goodwill at September 30, 2008 were as follows (in thousands):

Balance at December 31, 2007	$ 62,826
Radix acquisition	5,000
Balance September 30, 2008	$ 67,826

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Other intangible assets consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Definite life intangible assets:		
Patents	$ 34,161	$ 32,474
Customer base/relationships	11,464	11,464
Internally developed software	5,722	5,722
Covenant not to compete	1,628	1,628
Trademarks	1,315	1,315
Total gross definite life intangible assets	54,290	52,603
Less: Accumulated amortization	41,689	38,427
Net definite life intangible assets	12,601	14,176
Horizon license	1,500	1,500
Total net intangible assets	$ 14,101	$ 15,676

Amortization expense was $1.1 million and $1.2 million for the three months ended September 30, 2008 and 2007, respectively, and $3.3 million and $4.2 million for the nine months ended September 30, 2008 and 2007, respectively. Intangible amortization is included as part of Other expenses in the accompanying Condensed Consolidated Statements of Operations.

14. Long-Term Notes

On March 31, 2008, the Company entered into a Note Purchase Agreement pursuant to which it issued $150.0 million principal amount of its Senior Notes to a number of investors. The Notes are due April 1, 2010, with interest payable semiannually at the rate of 5.19% per annum. The Notes are subject to certain covenants, including capital covenants that require the Company to maintain consolidated capital at an amount not less than $227.5 million and debt covenants that require that the Company s consolidated debt not to exceed 60% of its consolidation capitalization; provided, however, that if the Company s consolidated debt exceeds 55%, then the applicable interest rate of the notes will be increased by 0.25% per annum. As of September 30, 2008, the Company was in compliance with all debt covenants.

The Company recorded interest expense of $1.9 million and $3.9 million for the three and nine months ended September 30, 2008, respectively.

15. Stock-Based Compensation

Restricted Stock Units

A summary of the activity associated with restricted stock units is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)
Balance at December 31, 2007	342,325	$ 9.79	
Granted	2,395,281	11.32	
Less: Vested units	539,762	11.68	

Less: Forfeited units	157,673		11.28	
Balance at September 30, 2008	2,040,171	$	11.02	1.92

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The fair value of the restricted stock units (RSUs) is determined on the date of grant based on the market value of Class A Common Stock, and is recognized, net of the effect of estimated forfeitures, over the vesting period. This method of valuation is used for employees of the Company. RSUs may be issued to non employees as compensation for services provided. In this case, the value of the RSU is adjusted on a monthly basis to reflect current market value. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and non employee RSUs.

During the three months ended September 2008, the Company issued approximately 232,000 RSUs, with an aggregate estimated grant date fair value of $1.8 million, to employees. These RSUs, which vest over a three-year period from the grant date, were awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses. Issuance of these RSUs had the effect of deferring a portion of the Company s compensation expense to future periods.

As of September 30, 2008 and December 31, 2007, the aggregate estimated grant date fair value of outstanding RSUs was $22.5 million and $3.4 million, respectively.

Compensation expense related to RSUs was approximately $1.6 million and $0.5 million for the three months ended September 30, 2008 and 2007, respectively, and $5.5 million and $1.3 million for the nine months ended September 30, 2008 and 2007, respectively.

Stock Options

A summary of the activity associated with stock options is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregrate Intrinsic Value
Balance at December 31, 2007	15,526,899	$ 14.63		
Granted				
Less: Exercised options	145,525	8.07		
Less: Forfeited options	197,526	14.94		
Balance at September 30, 2008	15,183,848	14.69	4.4	$
Options exercisable at September 30, 2008	15,166,615	$ 14.70	4.4	$

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company s Class A Common Stock. At September 30, 2008 there were no in-the-money options.

During the nine months ended September 30, 2008 and 2007, the aggregate intrinsic value of options exercised was $0.5 million and $0.1 million, respectively, determined as of the date of option exercise. The exercise prices for these options equaled the closing price of the Company s Class A Common Stock on the date of grant of each option. The options generally vest ratably on a quarterly basis over four years from the grant date. In December 2007, the Board of Directors accelerated the vesting of the majority of outstanding stock options. Therefore, for the three and nine months ended September 30, 2008, there was approximately $3,000 of total unrecognized compensation expense related to unvested stock options granted under the Amended and Restated Long Term Incentive Plan (LT Plan). Total compensation expense related to employee stock options before associated income taxes was approximately $2,200 and $0.4 million for the three months ended September 30, 2008 and 2007, respectively, and $8,600 and $1.1 million for the nine months ended September 30, 2008 and 2007, respectively.

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Grant Units

Prior to 2008, Cantor provided awards to certain employees of the Company in the form of grant units. Grant units entitled the employees to participate in quarterly distributions of Cantors net income and to receive certain post-termination payments. Grant units awarded to employees of the Company in 2005 vested immediately upon receipt by the employee. Grant units awarded to employees of the Company in 2006 and 2007 generally vested over a four-year period.

In connection with BGC Partners separation from Cantor, the unvested portion of the grant units that had been awarded to individuals whose partnership interests were contributed to BGC Holdings were transferred to BGC Holdings on March 31, 2008.

As of September 30, 2008 and December 31, 2007, the estimated fair value of the grant units held by the Company s employees was $3.0 million and $2.8 million, respectively. As of September 30, 2008 and December 31, 2007, the notional amount of grant units outstanding was $6.7 million and $7.2 million, respectively.

Non-cash compensation expense is recorded to account for changes in the estimated fair value. For the three months ended September 30, 2008 and 2007, the Company recorded total non-cash compensation expense of $0.2 million and $0.2 million, respectively. For the nine months ended September 30, 2008 and 2007, the Company recorded total non-cash compensation expense of $0.2 million and $0.5 million, respectively.

REUs

The Company provides limited partnership interests in BGC Holdings, termed REUs, to certain employees. These REUs entitle the holder to participate in distributions of BGC Holdings income and to receive post-termination payments equal to the notional value of the grant in four equal yearly installments after the holder s termination provided that the holder has not engaged in any competitive activity with the Company or its affiliates prior to the date each payment is due. These REUs may also be exchangeable for Class A Common Stock in accordance with the terms and conditions of the grant of such REUs. REUs are accounted for by the Company as liability awards under SFAS 123R. The liability incurred for REUs is re-measured at the end of each reporting period. Non-cash compensation is recorded to account for changes in the estimated fair value of REUs.

On September 8, 2008, the Company granted approximately 0.6 million REUs to certain executives as interim bonuses paid in lieu of cash. These REUs, which had a notional value of $3.3 million, vested immediately upon grant date.

As of September 30, 2008, the aggregate estimated fair value of the REUs held by executives was $3.8 million, and the aggregate notional amount of these REUs was $9.3 million. As of December 31, 2007, the aggregate estimated fair value of the REUs held by executives was $2.3 million and the aggregate notional amount of these REUs was $6.0 million. Issuance of these REUs had the effect of deferring a portion of the Company s compensation expense to future periods.

As of September 30, 2008, the aggregate estimated fair value of the REUs held by non-executive employees was $1.7 million, and the aggregate notional amount of these REUs was $27.3 million. As of December 31, 2007, the aggregate estimated fair value of the REUs held by non-executive employees was $2.6 million and the aggregate notional amount of these REUs was $5.2 million. These REUs, which vest over a three-year period, were awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses. Issuance of these REUs had the effect of deferring a portion of the Company s compensation expense to future periods.

Compensation expense related to REUs is recognized over the stated service period. The Company recognized compensation expense related to REUs of $2.9 million and $3.3 million for the three and nine months ended September 30, 2008. The Company did not recognize any compensation expense related to REUs for the three and nine months ended September 30, 2007.

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Business Partner Warrants

A summary of the activity associated with business partner warrants is as follows (warrants in thousands):

	Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance at December 31, 2007	1,986	$ 27.04	
Granted			
Less: Exercised			
Less: Forfeited			
Balance at September 30, 2008	1,986	$ 27.04	3.0

The Company did not recognize any expense related to the business partner warrants for the three and nine months ended September 30, 2008 and 2007, respectively.

16. Commitments, Contingencies and Guarantees

Contingencies

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

Employment and Competitor-Related Litigation

From time to time, the Company and its affiliates are involved in litigation, claims and arbitrations, in the United States and internationally, relating to various employment matters, including with respect to termination of employment, hiring of employees currently or previously employed by its competitors, terms and conditions of employment and other matters. In light of the competitive nature of the brokerage industry, litigation, claims and arbitration between competitors regarding employee hiring are not uncommon.

Other Matters

The National Australia Bank Limited (NAB) has filed a claim against BGC International (BGCI) and BGC Capital Markets (Japan) LLC (formerly known as Cantor Fitzgerald LLC), which we refer to as BGC Capital Markets (Japan). 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 which they held. NAB claims that it was the object of conduct by BGCI and BGC Capital Markets (Japan) and certain traders on NAB s currency options desk, whereby 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 .7924 at September 30, 2008, approximately $246 million). The 2006 NAB annual report claims that NAB s total loss amounted to AUD 539 million (or, based on an exchange rate of .7924 at September 30, 2008, approximately $427 million), implying that its consequential losses amounted to AUD 228 million (or, based on an exchange rate of .7924 at September 30, 2008, approximately $181 million). BGCI and BGC Capital Markets (Japan) have investigated and are investigating the legal and factual basis of the NAB allegations. At this time, based on the information provided, BGCI and BGC Capital

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Markets (Japan) believe that they have substantial defenses in respect of the losses claimed by NAB. Accordingly, BGCI and BGC Capital Markets (Japan) do not believe that they are responsible for the losses claimed by NAB. While no specific request for damages is alleged, the amount claimed is expected to be in excess of $600 million. If BGCI and BGC Capital Markets (Japan) do not prevail, BGCI and BGC Capital Markets (Japan) could be subject to substantial liability, and in any event, would likely incur significant legal and other costs in connection with the defense of any such action, however, at this time, BGC Partners is unable to estimate a loss or range of losses. From and after the closing date of the merger, any such losses of BGC US and BGC Global will be allocated to BGC Holdings pursuant to the BGC US limited partnership agreement and BGC Global limited partnership agreement.

In August 2004, Trading Technologies International, Inc. (TT) commenced an action in the United States District Court, Northern District of Illinois, Eastern Division, against the Company. In its complaint, TT alleged that the Company 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 ECCOWare Ltd as defendants in a second amended complaint. On January 5, 2006, the Company answered TT s second amended complaint in which the Company denied the infringement allegations, and the Company filed an amended counterclaim seeking a declaration that the patents in suit are invalid, the Company does 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 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 trial court consolidated for certain discovery and Markman hearing purposes the Company s 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 trial court issued a ruling on claim construction, which provides the meanings of the various terms in dispute in the asserted patents. In that ruling, the trial court found that the Company correctly defined several of the patents key terms. The trial court s ruling supports our consistent position that the Company s products fall outside the scope of TT s patents. In February 2007, the trial court denied TT s motion for clarification and reconsideration of the Markman decision and reconfirmed its October 2006 ruling. In light of the claim construction ruling, on June 20, 2007, the trial court granted the Company s motion for partial summary judgment on TT s claims of infringement covering the Dual Dynamic, eSpeedometer and modified eSpeedometer versions of the Company s products. As a result, the remaining products at issue in the case are the versions of the Company s 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 the Company willfully infringed. The jury awarded damages in the amount of $3.5 million. On January 3, 2008, the court granted the Company s motion for directed verdict on willfulness, finding that the Company s infringement was not willful as a matter of law, and denied the Company s general motions for directed verdict and for new trial. On February 6, 2008, the Company s remittitur motion was conditionally granted and on February 12, 2008, TT accepted the remittitur. Accordingly, the verdict has been reduced to approximately $2.6 million plus interest. Additionally, TT s motion for pre-judgment interest was granted and interest was set at the prime rate, compounded monthly. On May 6, 2008, the trial court denied the Company s counterclaim for a declaration of unenforceability due to inequitable conduct. On May 23, 2008, the trial court entered a permanent injunction against the Company s infringement of the TT patents. On June 11, 2008, the trial court denied TT s request for attorneys fees. TT is seeking costs, and that request is pending with the trial court. Both the Company and TT have appealed to the U.S. Court of Appeals for the Federal Circuit. On July 24, 2008, the trial court granted the Company s motion to stay the judgment without the posting of a bond. If TT ultimately prevails in the litigation, the Company may be required to pay TT damages and/or certain costs and expenses, and the Company may be forced to modify or withdraw certain products from the market.

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 the Company, (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 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. Management believes that, based on the currently available information, the final outcome of the investigation will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

In addition to the matters discussed above, the Company is 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 the Company 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 the Company s financial condition, results of operations or cash flows.

Legal reserves are established in accordance with SFAS No. 5, *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.

Letter of Credit Agreements

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which we transact, that are used in lieu of margin and deposits with those clearing organizations. As of September 30, 2008, the Company was contingently liable for $58.5 million under these letters of credit, and paid an average fee of 0.70% on them. During the three months ended September 30, 2008, the Company renewed its letter of credit for the benefit of Euroclear, at which time the fee was increased from 0.38% to 0.75%.

Risk and Uncertainties

The Company generates revenues by providing securities trading and brokerage activities to institutional customers and by executing and, in some cases, clearing transactions for institutional counterparties. Revenues for these services are transaction-based. As a result, revenues could vary based on the transaction volume of global financial markets. Additionally, financing is sensitive to interest rate fluctuations, which could have an impact on its overall profitability.

Guarantees

The Company provides guarantees to securities clearing houses and exchanges which meet the definition of a guarantee under FASB Interpretations No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Under these standard securities clearing house and exchange membership agreements, members are required to guarantee, collectively, the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearing house or exchange, all other members would be required to meet the shortfall. In the opinion of management, the Company s liability under these agreements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential of being required to make payments under these arrangements is remote. Accordingly, no contingent liability was recorded in the accompanying Condensed Consolidated Statements of Financial Condition for these agreements.

17. Income Taxes

As of September 30, 2008 and December 31, 2007, the Company had $4.1 million and $3.6 million of unrecognized tax benefits, respectively, all of which would affect the Company s effective tax rate if recognized.

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During the three months and nine months ended September 30, 2008, the Company did not have any material changes with respect to interest and penalties.

The Company does not anticipate any significant change in the total amount of unrecognized benefits (excluding interest and penalties) over the next twelve months.

18. Regulatory Requirements

Many of the Company s businesses are subject to regulatory restrictions and minimum capital requirements. These regulatory capital requirements may restrict the ability to withdraw capital from subsidiaries. As of September 30, 2008, $251.3 million of net assets were held by regulated subsidiaries. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of $163.5 million.

19. Geographic Information

The Company offers products and services in the United States, Europe and the AMEA region (defined as Africa, Middle East and Asia-Pacific). For the nine months ended September 30, 2008, the United Kingdom and France were the only individual foreign countries that accounted for at least 10% of total revenues and long-lived assets.

Information regarding revenues for the three months and nine months ended September 30, 2008 and 2007, respectively, and information regarding long-lived assets (defined as forgivable loans, fixed assets, net of accumulated depreciation, investment, goodwill, other intangible assets, net of accumulated amortization, and rent and other deposits) in geographic areas as of September 30, 2008 and December 31, 2007, respectively, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
United Kingdom	$ 140,521	$ 127,156	$ 435,051	$ 351,535
United States	81,427	105,239	251,617	291,376
France	25,242	26,273	96,420	85,527
AMEA	46,966	36,472	138,501	102,355
Other Europe	5,837	2,931	18,094	10,776
Other Americas	875	1,307	3,767	3,841
Total revenues	$ 300,868	$ 299,378	$ 943,450	$ 845,410

	September 30, 2008	December 31, 2007
Long-lived assets:		
United Kingdom	$ 134,965	$ 125,613
United States	126,301	127,184
France	30,515	26,880
AMEA	22,817	16,618
Other Europe	3,199	3,311
Other Americas	765	1,037
Total long-lived assets	$ 318,562	$ 300,643

20. Subsequent Events

Acquisition of Liquidez

In August 2008, the Company entered into a purchase agreement to acquire 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, for approximately $15 million. This acquisition will enable the Company to enter the Brazilian economy, which is fast becoming one of the world's major economies, and will provide a platform for further expansion in Brazil and Latin America. The purchase transaction is subject to the approval of the Central Bank of Brazil, CMN and the President of the Federative Republic of Brazil. The transaction is expected to close in the first half of 2009.

Third Quarter Dividend

On November 4, 2008, the Company s Board of Directors declared a quarterly cash dividend of $0.10 per share payable on December 1, 2008 to Class A and Class B common stockholders of record as of November 17, 2008.

Clearing Capital Agreement

On November 5, 2008, the Company entered into an Agreement (the Agreement) with Cantor. Pursuant to the terms of the Agreement, so long as Cantor is providing Clearing Services to the Company, Cantor shall be entitled to request from the Company, and the Company 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 the Company.

The Agreement shall not require the Company to provide cash or property which is required to be maintained by the Company to meet the capital requirements of its regulated entities or the needs of the ordinary operation of its businesses. Cantor shall not be required to pay interest on the amounts provided by the Company.

The Agreement is terminable by either party on 90 days notice. The Company shall be entitled to withdraw a portion of the provided assets from time to time with mutual agreement by Cantor that such funds are in excess of the amounts reasonably required by Cantor. As soon as practicable following termination of the Agreement by either party, Cantor has agreed to return the provided assets to the Company.

The Company has further agreed to formalize its agreement to pay Cantor to clear its securities transactions at Cantor s cost, which shall include all direct and third-party costs, as well as allocated costs. These amounts have been paid to Cantor since April 1, 2008.

The Company 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 otherwise on less favorable terms.

The Company intends to continue this relationship with Cantor. Accordingly, the Company expects that Cantor will continue to post clearing capital on the Company s behalf and the Company will either post clearing capital with Cantor as requested under the Agreement or continue to invest its excess cash via reverse repurchase agreements or in other overnight investments. In the absence of such an arrangement, the Company 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 the Company s securities transactions could have a material adverse impact on the Company s ability to pay dividends, repurchase its stock or affect strategic acquisitions or other opportunities. However, the Company believes that the Agreement with Cantor, or, in the alternative, a clearing agreement with an additional third-party clearing agent, will not preclude the Company from meeting its cash needs in the near term.

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Co-Chief Executive Officer Resignation and Appointment of Chief Operating Officer

On November 5, 2008, the Company announced that, effective on December 19, 2008, Mr. Lee M. Amaitis will cease to be Co-Chief Executive Officer of BGC Partners and will become Vice Chairman of the Company. In this role, Mr. Amaitis will focus on strategic acquisitions and transactions and corporate development for BGC Partners and spend approximately 25% of his time on BGC Partners matters. Shaun Lynn, President of BGC Partners, will continue to manage the day-to-day activities of the business. Mr. Amaitis will also continue to be employed as President and Chief Executive Officer of the gaming businesses of Cantor Fitzgerald, L.P. and its affiliates, a role which is expected to require a larger time commitment from Mr. Amaitis. In his new role as Vice Chairman of the Company, Mr. Amaitis will no longer serve as an executive officer of BGC Partners. His 2008 bonus compensation and 2009 salary will be determined in December 2008 by the Compensation Committee.

In addition, on November 5, 2008, Mr. Amaitis informed the Board of Directors of BGC Partners that he will not stand for re-election at the 2008 Annual Meeting of Stockholders and he will leave the Board effective December 8, 2008, the date of the 2008 Annual Meeting.

Howard W. Lutnick will continue to serve as Chairman of the Board and Chief Executive Officer of BGC Partners.

Further, effective January 1, 2009, the BGC Partners Board of Directors appointed Sean Windeatt to serve as the Chief Operating Officer of BGC Partners. Mr. Windeatt, age 35, has been Executive Managing Director and Vice President of BGC Partners, since 2007 and served as a Director of Cantor Fitzgerald International from 2004 to 2007. Mr. Windeatt also served as a Business Manager and member of the Finance department of Cantor Fitzgerald International from 1997 to 2003.

Mr. Windeatt, who will be our Chief Operating Officer effective January 1, 2009, has a standard employment agreement with us which is currently in effect and pursuant to which he is paid 200,000 GBP per year, or $316,280 (based on a U.S. dollar exchange rate of USD 1.00=GBP 1.5814 in effect on November 6, 2008). In addition to his salary and discretionary bonus payments, we provide to Mr. Windeatt a car lease and automotive insurance allowance having a value of approximately $2,066 per month and a premium apartment lease in the amount of approximately $89,972 per year. The premium lease is an agreement between us and his landlord in which we pay the lease amount on behalf of Mr. Windeatt for the period of the lease. In September 2007, Mr. Windeatt received 18,628 RSUs of BGC Partners which vest over two years. In 2008, Mr. Windeatt received 11,800 REUs of BGC Holdings which vest over three years and have a post termination amount of $120,355. None of the REUs is currently exchangeable. As a partner of BGC Holdings, Mr. Windeatt s capital account has a value of approximately $425,000. He does not have any outstanding loans. In connection with the merger, Mr. Windeatt received 26,052 rights to shares from Cantor and 130,260 founding partner units. On March 31, 2008, Mr. Windeatt repaid his outstanding High Distribution II and High Distribution III Accounts in the total amount of $262,351 together with an outstanding special loss allocation of $4,500 to Cantor by redemption of all of his distribution right shares and 16,473 founding partner units. As of November 5, 2008, Mr. Windeatt held no distribution rights shares and 113,787 founding partner units, of which 9,579 are currently exchangeable into shares of Class A Common Stock.

Charity Day Contributions

In November, 2008, certain partners of BGC Holdings, including Lee M. Amaitis, an executive officer of the Company, offered to donate shares of Class A Common Stock receivable pursuant to the separation and merger to The Cantor Relief Fund to cover the proceeds of Charity Day. The donation is intended to cover the approximately $6.4 million raised by employees of the Company on its annual September 11, 2008 Charity Day and, valued at the closing price of Class A Common Stock on November 5, 2008, would be approximately 1,893,492 shares. The shares, when donated, are expected to be sold from time to time by The Cantor Relief Fund in the future and proceeds will be donated to the various charities honored at Charity Day. The donations were approved by the BGC Partners Audit and Compensation Committees.

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The shares are expected to include (i) shares donated by founding partners of BGC Holdings, which shares were transferred to them pursuant to distribution rights from Cantor in connection with the separation and merger; and (ii) shares donated by founding partners of BGC Holdings that were issued upon exchange of exchangeable founding partner units in BGC Holdings that such founding partners received in connection with the separation and merger.

In connection with the charitable donation, Cantor agreed to accelerate the distribution of the distribution rights shares solely to permit such partners to donate such shares to The Cantor Relief Fund. BGC Partners, as the general partner of BGC Holdings, has further agreed to remove the contractual resale restrictions on the exchange shares solely to permit such founding partners to donate such shares to The Cantor Relief Fund. The Company may, from time to time, choose to purchase shares from the Cantor Relief Fund.

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ITEM 2. 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. condensed 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-Q 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:

- 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;
- 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;
- 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;
- 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 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;

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 screen-assisted, voice-assisted 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;

- the ability to meet expectations with respect to payment 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.

The foregoing risks and uncertainties, as well as those risks discussed under the headings Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 3 Quantitative and Qualitative Disclosures About Market Risk and elsewhere in this Form 10-Q, 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-Q 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 report should be read in conjunction with the audited supplemental consolidated financial statements and notes for the year ended December 31, 2007, as well as the unaudited supplemental condensed consolidated financial statements and notes for the three months ended March 31, 2008, and the unaudited pro forma consolidated financial statements, included in the Company s final prospectus filed with the SEC on June 6, 2008. The results of operations for the interim period are not necessarily indicative of results to be expected for the entire year.

Overview

BGC Partners is a leading global inter-dealer broker specializing in the brokering of a broad range of financial products globally, including fixed income securities, interest rate swaps, foreign exchange, equity derivatives, credit derivatives, commodities, futures, structured products and other instruments. We provide a full range of services, including execution, clearing, processing and other back office services. Through our eSpeed and BGCantor Market Data brands, we also offer financial technology solutions and market data and analytics related to select financial instruments and markets. Our customers include many of the world s largest and most creditworthy banks, broker-dealers, investment banks 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, screen-assisted, voice-assisted 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, Nyon, Paris, Seoul, Singapore, Sydney, Tokyo and Toronto.

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. 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 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 three 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. Additionally, we have also added departments and staff to many product desks globally to facilitate growth in its business. Through these actions, we have been able to expand our presence in key markets and position our business for sustained growth.

On April 1, 2008, the merger of BGC Partners and eSpeed was completed. 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 inter-dealer brokerage businesses. Management believes this combination will position us as one of the few inter-dealer brokers with hybrid capabilities and technology thus allowing us to offer superior execution to our clients and drive higher trading volumes.

Business Environment

Over the past several years, the inter-dealer broker sector has been a competitive sector that has experienced robust growth 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. 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.

Another key factor in the growth of the inter-dealer broker sector 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.

One of the changes developing in the market as a consequence of the current financial system rescues is a trend toward more utilization of central-party clearers as a way to limit credit risk for market participants. As much of our business is transacted in the OTC markets, we see the advent of a central-party clearer as a positive development as it should increase volumes and expedite the collection of our commission revenues. We currently transact in many OTC products that have central clearing, such as U.S. Treasuries, which are cleared by the DTCC, and European interest rate swaps, which clear through LCH.

Finally, the heightened levels of volatility in commodity, currency, interest rate, equity and credit markets have led to continued 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. We believe this additional volatility, the increasing utilization of derivatives and the continual development of new products, among other factors, will continue to drive growth in the industry for the foreseeable future.

We have 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. We have been able to attract businesses and brokers to our platform as they recognize that BGC Partners has the scale, technology, experience and expertise to succeed in the current business environment.

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Financial Overview

Revenue Growth

Total revenues were $300.9 million and $299.4 million for the three months ended September 30, 2008 and 2007, respectively, representing a 0.5% increase. Total revenues were $943.5 million and $845.4 million for the nine months ended September 30, 2008 and 2007, respectively, representing an 11.6% increase. The main factors contributing to our growth were:

- an increase in our brokerage personnel from 1,200 at September 30, 2007 to 1,294 at September 30, 2008;
- overall volume growth in markets in which we provide brokerage services;
- a continued focus on, and investment in, growing and higher margin product areas that complement our existing brokerage services, including credit products for which revenues increased 35.3% for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007; and other asset classes, particularly equities and equity derivatives, for which revenues increased 52.1% for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007;
- the introduction and continued development and expansion of hybrid brokerage capabilities;
- fees from technology services and software licenses provided to ELX in conjunction with the technology services agreement, which commenced in January 2008; and
- the continued development, marketing and sale of our data and analytical products.

Net Income

For the three months ended September 30, 2008, we had a net income of $6.9 million compared to a net income of $10.5 million for the three months ended September 30, 2007. Included in expense in the third quarter of 2008 were non-cash compensation charges for grant units, REUs and RSUs of $4.5 million and losses from our equity investments in Aqua and ELX of $0.8 million and $1.2 million, respectively.

For the nine months ended September 30, 2008, we had a net loss of $29.7 million compared to a net income of $42.2 million for the nine months ended September 30, 2007. Included in our current year expenses were one-time non-cash, compensation charges of $84.1 million, relating to the redemption of partnership units held by certain of our executive officers to settle outstanding loan obligations, as well as, the activation of exchangeability of founding partner interests held by certain executives, as part of the separation. Also included in expense were non-cash compensation charges for REUs and RSUs of $8.8 million and losses from our equity investments in Aqua and ELX of $2.6 million and $2.4 million, respectively. This charge was partially offset by increased profitability across all product categories. These variances are discussed in more detail under the discussion of Results of Operations .

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Results of Operations

Revenues and Expenses for the Three Months and Nine Months Ended September 30, 2008 Compared with the Three Months and Nine Months Ended September 30, 2007

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008		2007		2008		2007	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Revenues:								
Commissions	$ 225,482	74.9%	$ 204,233	68.2%	$ 692,054	73.4%	$ 585,048	69.2%
Principal transactions	48,832	16.2	70,406	23.5	166,790	17.7	181,679	21.5
Total brokerage revenues	274,314	91.1	274,639	91.7	858,844	91.1	766,727	90.7
Fees from related parties	19,409	6.5	13,851	4.6	58,921	6.2	32,642	3.9
Market data	4,842	1.6	4,508	1.5	15,487	1.6	14,240	1.7
Software solutions	2,109	0.7	2,715	0.9	5,646	0.6	9,057	1.1
Interest income	1,019	0.3	4,873	1.6	8,803	0.9	19,885	2.4
Other (losses)revenues	(825)	(0.2)	(1,208)	(0.3)	(4,251)	(0.4)	2,859	0.2
Total revenues	300,868	100.0	299,378	100.0	943,450	100.0	845,410	100.0
Expenses:								
Compensation and employee benefits	177,739	59.1	168,592	56.3	629,205	66.7	486,912	57.6
Allocation of net income to founding/working partner units	3,716	1.2			10,849	1.1		
Allocation of net income to REUs	299	0.1			551	0.1		
Total compensation and employee benefits	181,754	60.4	168,592	56.3	640,605	67.9	486,912	57.6
Occupancy and equipment	25,686	8.5	27,769	9.3	85,183	9.0	83,795	9.9
Fees to related parties	2,883	1.0	10,145	3.4	12,563	1.3	21,108	2.5
Professional and consulting fees	15,460	5.1	17,558	5.9	42,809	4.5	41,412	4.9
Communications	17,459	5.8	14,295	4.8	51,220	5.4	42,363	5.0
Selling and promotion	16,262	5.4	13,737	4.6	46,567	4.9	40,536	4.8
Commissions and floor brokerage	3,418	1.1	2,354	0.8	13,316	1.4	10,320	1.2
Interest expense	2,217	0.7	7,213	2.4	13,508	1.4	25,961	3.1
Other expenses	17,603	5.9	22,972	7.7	27,229	2.9	45,884	5.4
Total expenses	282,742	94.0	284,635	95.2	933,000	98.9	798,291	94.4
Income from continuing operations before minority interest and income taxes	18,126	6.0	14,743	4.9	10,450	1.1	47,119	5.6
Minority interest	6,511	2.2	375	0.1	18,591	2.0	1,424	0.2
Provision for income taxes	4,762	1.6	3,899	1.3	21,555	2.3	3,534	0.4
Net income (loss) available to common stockholders	$ 6,853	2.3%	$ 10,469	3.5%	$ (29,696)	(3.1)%	$ 42,161	5.0%

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Brokerage revenue by product (actual results):				
Rates	$ 142,162	$ 162,375	$ 437,712	$ 442,497
Credit	67,923	57,963	224,230	165,682
Foreign exchange	38,434	36,132	109,948	101,394
Other asset classes	25,795	18,169	86,954	57,154
Total brokerage revenues	$ 274,314	$ 274,639	$ 858,844	$ 766,727
Brokerage revenue by product (percentage):				
Rates	51.8%	59.1%	51.0%	57.7%
Credit	24.8	21.1	26.1	21.6
Foreign exchange	14.0	13.2	12.8	13.2
Other asset classes	9.4	6.6	10.1	7.5
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%
Brokerage revenue by voice/hybrid and fully electronic (actual results):				
Voice/hybrid	$ 255,143	$ 252,294	$ 807,200	$ 698,419
Fully electronic	19,171	22,345	51,644	68,308
Total brokerage revenues	$ 274,314	$ 274,639	$ 858,844	$ 766,727
Brokerage revenue by voice/hybrid and fully electronic (percentage):				
Voice/hybrid	93.0%	91.9%	94.0%	91.1%
Fully electronic	7.0	8.1	6.0	8.9
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%

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

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Revenues

Brokerage Revenues

Total brokerage revenues decreased by $0.3 million, or 0.1%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. Commission revenues increased by $21.2 million, or 10.4%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. Principal transactions revenues decreased by $21.6 million, or 30.6%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007.

The decrease in rates revenues of $20.2 million was primarily attributable to lower transaction revenues from our partners in ELX, which are offset by the technology services software license revenues paid to us by ELX, which are included as part of fees from related parties; as well as a decline in our interest rates business in the United Kingdom and the United States and our repurchase agreements businesses in the United Kingdom.

The increase in credit brokerage revenues of $10.0 million was driven primarily by continued expansion of our core credit business, as well as growth in electronically executed transactions in credit products.

The increase in foreign exchange revenues of $2.3 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 $7.6 million was driven by the global expansion of our cash equity and equity derivatives businesses, as well as our oil derivatives business, which was part of the Radix acquisition earlier this year.

Fees from Related Parties

Fees from related parties increased by $5.6 million, or 40.1%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 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 affiliates 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 $0.3 million, or 7.4%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The increase was primarily due to growth in existing customer usage.

Software Solutions

Software solutions revenues decreased by $0.6 million, or 22.3%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. This decrease was primarily due to a reduction in license fee revenues.

Interest Income

Interest revenues decreased by $3.9 million, or 79.1%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The decrease was primarily due to lower yields on investments of our excess cash.

Other (Losses) Revenues

Other (losses) revenues increased by $0.4 million, or 31.7%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The increase was primarily driven by income generated by the North American futures business that was contributed to us by Cantor upon close of the merger, offset by our share of losses in non-consolidated investments, including Aqua and ELX.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased $9.1 million, or 5.4%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The increase was primarily due to $4.3 million higher compensation and benefits as a result our expansion, of which $3.3 million relates to our equities and equity derivatives business and $1.0 million relates to the acquisition of Radix. Additionally, we had $4.8 million in compensation expense, related to certain administrative and other support employees who provide

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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 $3.7 million for the three months ended September 30, 2008 from zero for the three months ended September 30, 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 of the Company, which was 22.6% for the three months ended September 30, 2008.

Allocation of Net Income to REUs

Allocation of net income to REUs increased to $0.3 million for the three months ended September 30, 2008 from zero for the three months ended September 30, 2007. The recognition of the allocation to REUs is related to the recapitalization in conjunction with the merger. The allocation of net income to REUs is based on their pro rata economic ownership of the Company, which was 1.8% for the three months ended September 30, 2008.

Occupancy and Equipment

Occupancy and equipment expense decreased by $2.1 million, or 7.5%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The decrease was primarily due to higher levels of in-progress software development projects, including those related to creation of ELX, that are not yet amortized.

Fees to Related Parties

Fees to related parties decreased by $7.3 million, or 71.6%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 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 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 periods, is now recorded as compensation.

Professional and Consulting Fees

Professional and consulting fees decreased by $2.1 million, or 11.9%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The decrease was primarily attributable to the conclusion of certain initiatives related to upgrading our regulatory reporting application to comply with FSA requirements and other initiatives related to the merger.

Communications

Communications expense increased by $3.2 million, or 22.1%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. This increase was primarily driven by expansion efforts in Asia, including the acquisition of Radix and the launch of several new equities and FX options desks in Hong Kong, Singapore and Tokyo, as well as investment in the communications infrastructure to support this expansion.

Selling and Promotion

Selling and promotion expense increased by $2.5 million, or 18.4%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. This expense was primarily due to the increase in voice-brokerage revenues.

Commissions and Floor Brokerage

Commissions and floor brokerage expense increased by $1.1 million, or 45.2%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. This increase was primarily related to the expansion of our equity derivatives business, which is executed on exchange or via third-party.

Interest Expense

Interest expense decreased by $5.0 million, or 69.3%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 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.

Other Expenses

Other expenses decreased $5.4 million, or 23.4%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The decrease was primarily due to $1.6 million in merger-related expenses and an $8.5 million litigation reserve that were recognized during the third quarter of 2007, partially offset by a $2.1 million increase in charitable contributions related to our annual Charity Day and a $1.5 million asset write-off charge in connection with us vacating certain offices in Paris that were recognized during the third quarter of 2008.

Minority Interest

Minority interest increased $6.1 million, or approximately 1,600%, for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. The increase was due to the recognition of $5.6 million in minority interest for Cantor s interest in BGC Holdings, which is based on Cantor s pro rata economic ownership of the Company, which was 33.9%, as well as a $0.5 million increase in the minority interest recognized for Cantor s interest in Tower Bridge Services, L.P.

Provision for Income Taxes

Provision for income taxes increased $0.9 million, or 22.1% for the three months ended September 30, 2008 as compared to the three months ended September 30, 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 an increase in pre-tax earnings. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Revenues

Brokerage Revenues

Total brokerage revenues increased by $92.1 million, or 12.0%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. Commission revenues increased by $107.0 million, or 18.3%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. Principal transactions revenues decreased by $14.9 million, or 8.2%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007.

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The decrease in rates revenues of $4.8 million was primarily due to lower transaction revenues from our partners in ELX, which are offset by the technology services software license revenues paid to us by ELX, which are included as part of fees from related parties, which were offset by growth from brokerage desks covering interest rate derivatives, interest rate swaps, dollar derivatives, repurchase agreements, non-deliverable forwards, non-deliverable swaps, particularly in the United Kingdom and Australia.

The increase in credit brokerage revenues of $58.5 million was driven primarily by the continued expansion of our core credit business and development of new structured and other credit businesses, as well as growth in our emerging market bonds business, and in electronically executed transactions in credit products.

The increase in foreign exchange revenues of $8.6 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 options desks in Asia. The volatility in the currency markets, in response to the fluctuating US Dollar, Euro and Sterling also contributed to the increase.

The increase in brokerage revenues from other asset classes of $29.8 million was driven by the global expansion of our cash equity and equity derivatives businesses, as well as our oil derivatives business, which was part of the Radix acquisition earlier this year.

Fees from Related Parties

Fees from related parties increased by $26.3 million, or 80.5%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 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 affiliates 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 $1.2 million, or 8.8%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily due to growth in existing customer usage.

Software Solutions

Software solutions revenues decreased $3.4 million, or 37.7%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The decrease was primarily due to the expiration of the Wagner Patent on February 20, 2007 and a decrease in other license fees.

Interest Income

Interest revenues decreased by $11.1 million or 55.7% for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The decrease was primarily due to less reverse repurchase transactions with Cantor, as well as lower yields on investments of our excess cash.

Other (Losses) Revenues

Other (losses) revenues decreased by $7.1 million, or 248.7%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The decrease is primarily driven by our share of losses in non-consolidated investments, including Aqua and ELX.

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Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased $142.3 million, or 29.2%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase in these expenses was primarily due to non-cash compensation charges of $84.3 million, $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 revenues of $92.1 million, which resulted in higher commissions to brokers of $51.0 million. Additionally, we had $9.5 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 nine months ended September 30, 2008 from zero for the nine months ended September 30, 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 of the Company, which averaged 23.2% since the merger.

Allocation of Net Income to REUs

Allocation of net income to REUs increased to $0.6 million for the nine months ended September 30, 2008 from zero for the nine months ended September 30, 2007. The recognition of the allocation to REUs is related to the recapitalization in conjunction with the merger. The allocation of net income to REUs is based on their pro rata economic ownership of the Company, which averaged 1.3% since the merger.

Occupancy and Equipment

Occupancy and equipment expense increased by $1.4 million, or 1.7%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily due to higher occupancy costs related to the relocation and merger of our Paris offices and the expansion of our disaster recovery facilities.

Fees to Related Parties

Fees to related parties decreased by $8.5 million, or 40.5%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The decrease was primarily due to the fact that, in conjunction with the merger, we entered into an agreement whereby we leased certain administrative and other support employees, who 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 periods, is now recorded as compensation.

Professional and Consulting Fees

Professional and consulting fees increased by $1.4 million, or 3.4%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to consulting fees incurred to upgrade our regulatory reporting application to comply with FSA requirements, as well as increased audit and other fees in conjunction with the separation and merger, particular in early 2008.

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Communications

Communications expenses increased by $8.9 million, or 20.9%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. As a percentage of total revenues, communications remained relatively unchanged across the two periods.

Selling and Promotion

Selling and promotion expense increased by $6.0 million, or 14.9%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. This expense as a percentage of total revenues remained relatively unchanged across the two periods.

Commissions and Floor Brokerage

Commissions and floor brokerage expense increased by $3.0 million, or 29%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. This increase was primarily related to the expansion of our equity derivatives business, which is executed on exchange or via third-party.

Interest Expense

Interest expense decreased by $12.5 million, or 48.0%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 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.

Other Expenses

Other expenses decreased $18.7 million, or 40.7%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The decrease was primarily due to $5.3 million in merger-related expenses, an $8.5 million litigation reserve and a $4.0 million impairment charge on discarded software and other fixed assets recognized that were recognized in during the second and third quarters of 2007, partially offset by a $2.1 million increase in charitable contributions in related to our annual Charity Day and a $1.5 million asset write-off charge in connection with us vacating certain offices in Paris that were recognized during the third quarter of 2008.

Minority Interest

Minority interest increased $17.2 million, or approximately 1,200%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase was due to the recognition of $16.3 million in minority interest for Cantor s interest in BGC Holdings LP, which is based on Cantor s pro rata economic ownership of the Company, which averaged 34.8% since the merger, as well as a $0.9 million increase in the minority interest recognized for Cantor s interest in Tower Bridge Services, L.P.

Provision for Income Taxes

Provision for income taxes increased $18.0 million, or 509.9%, for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. Income taxes increased due to the utilization of net operating loss carryforwards in 2007 that were not available to the Company in 2008 and due to nondeductible one-time merger related 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.

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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.

	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
	(in thousands, except for per share data)							
Revenues:								
Commissions	$ 225,482	$ 212,541	$ 254,031	$ 217,908	$ 204,233	$ 190,711	$ 190,104	$ 159,167
Principal transactions	48,832	66,062	51,896	23,370	70,406	58,263	53,010	27,455
Fees from related parties	19,409	18,599	20,913	21,167	13,851	7,898	10,893	8,123
Market data	4,842	5,101	5,544	4,741	4,508	5,359	4,373	5,287
Software solutions	2,109	1,454	2,083	1,926	2,715	2,778	3,564	4,273
Interest income	1,019	3,931	3,853	3,083	4,873	5,945	9,067	5,696
Other (losses) revenues	(825)	(2,216)	(1,210)	36	(1,208)	2,002	2,065	9,247
Total revenues	300,868	305,472	337,110	272,231	299,378	272,956	273,076	219,248
Expenses:								
Compensation and employee benefits	177,739	176,921	274,545	162,595	168,592	159,613	158,707	134,677
Allocation of net income to founding/working partner units	3,716	7,133						
Allocation of net income to REUs	299	252						
Total compensation and employee benefits	181,754	184,306	274,545	162,595	168,592	159,613	158,707	134,677
Occupancy and equipment	25,686	28,775	30,722	27,696	27,769	29,581	29,449	34,827
Fees to related parties	2,883	3,140	6,540	10,778	10,145	4,607	6,356	8,699
Professional and consulting fees	15,460	11,803	15,546	22,820	17,558	14,329	9,525	15,946
Communications	17,459	17,041	16,720	15,972	14,295	13,950	14,118	13,741
Selling and promotion	16,262	15,070	15,235	15,183	13,737	13,795	13,004	12,017
Commissions and floor brokerage	3,418	6,185	3,713	11,730	2,354	2,588	5,378	7,580
Interest expense	2,217	3,628	7,663	290	7,213	9,065	9,683	3,591
Other expenses	17,603	3,391	6,235	9,612	22,972	14,580	5,328	19,928
Total expenses	282,742	273,339	376,919	276,676	284,635	262,108	251,548	251,006
Income (loss) from continuing operations before minority interest and income taxes	18,126	32,133	(39,809)	(4,445)	14,743	10,848	21,528	(31,758)
Minority interest	6,511	11,426	654	928	375	894	155	
Provision (benefit) for income taxes	4,762	8,723	8,070	5,786	3,899	(2,697)	2,332	(204)
Net income (loss) available to common stockholders	$ 6,853	$ 11,984	$ (48,533)	$ (11,159)	$ 10,469	$ 12,651	$ 19,041	$ (31,554)

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

	For the three months ended							
	September 30, 2008	**June 30, 2008**	**March 31, 2008**	**December 31, 2007**	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**	**December 31, 2006**
Brokerage revenue by product (actual results):								
Rates	$ 142,162	$ 143,100	$ 152,450	$ 117,844	$ 162,375	$ 140,611	$ 139,511	$ 110,909
Credit	67,923	69,114	87,193	63,439	57,963	55,857	51,862	50,012
Foreign exchange	38,434	34,048	37,466	34,417	36,132	32,215	33,047	21,150
Other asset classes	25,795	32,341	28,818	25,578	18,169	20,291	18,694	4,551
Total brokerage revenues	$ 274,314	$ 278,603	$ 305,927	$ 241,278	$ 274,639	$		