

BGC Partners, Inc.
Form 10-Q
May 11, 2009
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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 March 31, 2009

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

499 Park Avenue, New York, NY
(Address of principal executive offices)

10022
(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. Yes No

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

Indicate by check mark 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
Non-accelerated filer

Accelerated filer
Smaller reporting company

(Do not check if a smaller reporting company)

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

On May 6, 2009, the registrant had 47,689,501 shares of Class A common stock, \$0.01 par value, and 30,148,107 shares of Class B common stock, \$0.01 par value, outstanding.

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BGC PARTNERS, INC.

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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;

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

the ability to hire new personnel;

the ability to expand the use of technology for screen-assisted, voice-assisted and fully electronic trading;

effectively managing any growth that may be achieved;

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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 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.

Table of Contents**PART I FINANCIAL INFORMATION****BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(in thousands)****(unaudited)**

| | March 31, 2009 | December 31, 2008 |
|--|---------------------------|------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 300,874 | \$ 204,930 |
| Cash segregated under regulatory requirements | 2,437 | 5,101 |
| Reverse repurchase agreements with related parties | 63,011 | 151,224 |
| Loan receivables from related parties | 980 | 980 |
| Securities owned | 4,801 | 887 |
| Marketable securities | 1,106 | 920 |
| Securities borrowed | 23,734 | |
| Receivables from brokers, dealers, clearing organizations, customers and related broker-dealers | 250,755 | 177,831 |
| Accrued commissions receivable, net | 129,628 | 127,639 |
| Forgivable loans and other receivables from employees and partners | 90,634 | 80,597 |
| Fixed assets, net | 135,433 | 136,812 |
| Investments | 25,287 | 26,559 |
| Goodwill | 63,500 | 63,500 |
| Other intangible assets, net | 16,240 | 17,066 |
| Receivables from related parties | 29,102 | 14,780 |
| Other assets | 58,161 | 59,515 |
| Total assets | \$ 1,195,683 | \$ 1,068,341 |
| Liabilities, Redeemable Partnership Interest, and Total Equity | | |
| Accrued compensation | \$ 128,108 | \$ 113,547 |
| Securities sold, not yet purchased | 1,151 | 321 |
| Payables to brokers, dealers, clearing organizations, customers and related broker-dealers | 224,615 | 119,262 |
| Payables to related parties | 61,268 | 50,316 |
| Accounts payable, accrued and other liabilities | 169,744 | 177,340 |
| Deferred revenue | 12,896 | 13,774 |
| Long-term debt (Note 14) | 150,000 | 150,000 |
| Total liabilities | 747,782 | 624,560 |
| Redeemable partnership interest (Note 2) | 112,859 | 102,579 |
| Equity (Note 2) | | |
| Stockholders' equity: | | |
| Class A common stock, par value \$0.01 per share; 500,000 shares authorized; 61,735 and 61,735 shares issued at March 31, 2009 and December 31, 2008, respectively; and 47,685 and 51,222 shares outstanding at March 31, 2009 and December 31, 2008, respectively | 617 | 617 |
| Class B common stock, par value \$0.01 per share; 100,000 shares authorized; 30,148 and 30,148 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively, convertible into Class A common stock | 301 | 301 |
| Additional paid-in capital | 269,641 | 271,161 |
| Treasury stock, at cost: 14,050 and 10,513 shares of Class A common stock at March 31, 2009 and December 31, 2008, respectively | (88,540) | (81,845) |

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| | | |
|--|----------------|----------------|
| Retained earnings | 10,038 | 1,958 |
| Accumulated other comprehensive loss | (3,408) | (3,942) |
| Total stockholders' equity | 188,649 | 188,250 |
| Noncontrolling interest in subsidiaries (Note 2) | 146,393 | 152,952 |
| Total equity | 335,042 | 341,202 |
| Total liabilities, redeemable partnership interest, and equity | \$ 1,195,683 | \$ 1,068,341 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2009 | 2008 |
| Revenues: | | |
| Commissions | \$ 172,280 | \$ 254,031 |
| Principal transactions | 91,261 | 51,896 |
| Fees from related parties | 14,924 | 20,913 |
| Market data | 4,462 | 5,544 |
| Software solutions | 1,498 | 2,083 |
| Interest income | 1,312 | 3,853 |
| Other revenues | 320 | 586 |
| Losses on equity investments | (2,143) | (1,796) |
| Total revenues | 283,914 | 337,110 |
| Expenses: | | |
| Compensation and employee benefits | 175,837 | 274,545 |
| Allocation of income to founding/working partner units | 4,227 | |
| Allocation of income to REUs | 852 | |
| Total compensation and employee benefits | 180,916 | 274,545 |
| Occupancy and equipment | 25,824 | 30,722 |
| Fees to related parties | 4,335 | 6,540 |
| Professional and consulting fees | 7,484 | 15,546 |
| Communications | 15,324 | 16,720 |
| Selling and promotion | 15,004 | 15,235 |
| Commissions and floor brokerage | 3,675 | 3,713 |
| Interest expense | 2,397 | 7,663 |
| Other expenses | 7,630 | 6,235 |
| Total expenses | 262,589 | 376,919 |
| Income (loss) from continuing operations before income taxes | 21,325 | (39,809) |
| Provision for income taxes | 7,031 | 8,070 |
| Consolidated net income (loss) | 14,294 | (47,879) |
| Less: Net income attributable to noncontrolling interest in subsidiaries | 6,214 | 654 |
| Net income (loss) available to common stockholders | \$ 8,080 | \$ (48,533) |
| Per share data: | | |
| <i>Basic earnings (loss) per share</i> | | |
| Net income (loss) available to common stockholders | \$ 8,080 | \$ (48,533) |
| Basic earnings (loss) per share | \$ 0.10 | \$ (0.26) |

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| | | |
|---|-----------|-------------|
| Basic weighted average shares of common stock outstanding | 80,561 | 184,967 |
| <i>Fully diluted earnings (loss) per share</i> | | |
| Net income (loss) for fully diluted shares | \$ 19,892 | \$ (48,533) |
| Fully diluted earnings (loss) per share | \$ 0.10 | \$ (0.26) |
| Fully diluted weighted average shares of common stock outstanding | 199,981 | 184,967 |
| Dividends declared per share of common stock | \$ 0.09 | \$ |
| Dividends declared and paid per share of common stock | \$ | \$ |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

| | Three Months Ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2009 | 2008 |
| Consolidated net income (loss) | \$ 14,294 | \$ (47,879) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Compensation related to partner redemptions and exchangeability of founding partner units | | 84,063 |
| Allocation of income to founding/working partner units and REUs | 5,079 | |
| Fixed asset depreciation and intangible asset amortization | 13,078 | 15,123 |
| Forgivable loan amortization | 7,185 | 7,974 |
| Stock-based compensation | 2,686 | 3,580 |
| Other investment losses | 2,143 | 1,796 |
| Deferred tax benefit | (2,883) | (78) |
| Recognition of deferred revenue | (3,412) | (2,611) |
| Other | 501 | 1,281 |
| Changes in operating assets and liabilities: | | |
| Decrease in cash segregated under regulatory requirements | 2,664 | 463 |
| Decrease in reverse repurchase agreements | | 7,560 |
| Increase in reverse repurchase agreements with related parties | (3,009) | (242,929) |
| Increase in securities borrowed | (23,734) | |
| Increase in securities owned | (3,967) | (1,067) |
| (Increase) decrease in receivables from brokers, dealers, clearing organizations, customers and related broker-dealers | (76,162) | 31,113 |
| Increase in accrued commissions receivable, net | (2,398) | (36,483) |
| Increase in receivables from related parties | (14,055) | (13,461) |
| Increase in forgivable loans and other receivables from employees and partners | (17,316) | (13,550) |
| Decrease (increase) in other assets | 2,232 | (5,593) |
| Increase in securities sold, not yet purchased | 830 | |
| Increase in payables to brokers, dealers, clearing organizations, customers and related broker-dealers | 107,362 | 133,401 |
| Increase in accrued compensation | 13,471 | 24,061 |
| Increase in deferred revenue | 2,534 | 671 |
| Decrease in accounts payable, accrued and other liabilities | (4,856) | (473) |
| Increase (decrease) in payables to related parties | 10,952 | (110,611) |
| Net cash provided by (used in) operating activities | 33,219 | (163,649) |

(Continued)

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****(in thousands)****(unaudited)**

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2009 | 2008 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment of secured loan by related party | | 65,000 |
| Reverse repurchase agreements with related party | 91,222 | 21,182 |
| Purchases of fixed assets | (5,895) | (5,805) |
| Decrease in restricted cash | | 302 |
| Capitalization of software development costs | (4,091) | (4,155) |
| Capitalization of patent defense and registration costs | (363) | (520) |
| Increase in loan receivables from related parties | | (980) |
| Investment in unconsolidated entities | (871) | |
| Net cash provided by investing activities | 80,002 | 75,024 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Capital contributions | | 76,232 |
| Long-term borrowings | | 150,000 |
| Repayments of long-term borrowings with related parties | | (196,818) |
| Repurchase of Class A common stock | (6,695) | |
| Proceeds from exercises of stock options and warrants | | 1,105 |
| Excess tax benefit from stock-based compensation | | 13 |
| Earnings distributions to Cantor, founding/working and REU partners | (5,155) | |
| Dividends to stockholders | (3,255) | |
| Cancellation of restricted stock units in satisfaction of withholding tax requirements | | (273) |
| Net cash (used in) provided by financing activities | (15,105) | 30,259 |
| Effect of exchange rate changes on cash | (2,172) | |
| Net increase (decrease) in cash and cash equivalents | 95,944 | (58,366) |
| Cash and cash equivalents at beginning of period | 204,930 | 277,299 |
| Cash and cash equivalents at end of period | \$ 300,874 | \$ 218,933 |
| Supplemental cash information: | | |
| Cash paid during the period for taxes | \$ 5,895 | \$ 2,611 |
| Cash paid during the period for interest | \$ 450 | \$ 7,761 |
| Supplemental non-cash information | | |
| Conversion of Class B common stock into Class A common stock | \$ | \$ 10 |
| Investment of non-cash assets in ELX | \$ | \$ 18,333 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral

part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****For the Year Ended December 31, 2008****(in thousands, except share amounts)****(unaudited)**

| | Members' Equity | Class A Common Stock | Class B Common Stock | Additional Paid-in- Capital | Treasury Stock | Retained Earnings (Deficit) | Accumulated Other Comprehensive Loss | Noncontrolling Interest in Subsidiaries |
|--|--------------------|----------------------------|----------------------------|-----------------------------------|-------------------|-----------------------------------|---|---|
| Balance, January 1, 2008 | \$ 235,454 | \$ 368 | \$ 205 | \$ 313,238 | \$ (62,597) | \$ (17,282) | \$ (61) | \$ 2,352 |
| Capital distribution to Cantor upon separation/merger | (130,000) | | | | | | | |
| Contribution of common stock from Cantor upon separation/merger (9,618,764 Class A common stock and 12,350,307 Class B common stock) | (23,946) | 97 | 123 | 23,726 | | | | |
| Settlement of intercompany balances upon separation/merger | 4,354 | | | | | | | |
| Redemption of founding partner units upon separation/merger | 84,063 | | | | | | | |
| Recapitalization upon merger; allocation of equity to founding partners and Cantor | (121,847) | | | (93,309) | | | | 113,038 |
| Conversion of Class B common stock to Class A common stock | | 27 | (27) | | | | | |
| Primary offering of Class A common stock, net | | 100 | | 28,403 | | | | 43,839 |
| Capital contribution by founding partners to cover 2008 Charity Day | | | | 6,191 | | | | |
| Repurchase of Class A common stock, 4,011,072 shares | | | | | (19,248) | | | |
| Dividends to stockholders | | | | (19,468) | | 868 | | |
| Earnings distributions to Cantor, founding/working and REU partners | | | | | | | | (24,478) |
| Stock-based compensation | | 4 | | 5,927 | | | | |
| Issuance of Class A common stock upon exchange of founding partner units and distribution rights, 1,809,524 shares | | 18 | | 6,783 | | | | |
| Other | | 3 | | (330) | | 3 | | (1,167) |
| Comprehensive income: | | | | | | | | |
| Consolidated net (loss) income | (48,078) | | | | | 18,369 | | 19,368 |
| Other comprehensive income, net of tax | | | | | | | | |
| Change in cumulative translation adjustment | | | | | | | (2,448) | |
| Unrealized loss on marketable securities | | | | | | | (1,433) | |
| Comprehensive (loss) income | (48,078) | | | | | 18,369 | (3,881) | 19,368 |
| Balance, December 31, 2008 | \$ | \$ 617 | \$ 301 | \$ 271,161 | \$ (81,845) | \$ 1,958 | \$ (3,942) | \$ 152,952 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****For the Three Months Ended March 31, 2009****(in thousands, except share amounts)****(unaudited)**

| | BGC Partners, Inc. Stockholders | | | | | Accumulated Other Comprehensive Loss | Noncontrolling Interest in Subsidiaries | Total |
|--|---------------------------------|----------------------------|-------------------------------|-------------------|----------------------|---|---|---------------|
| | Class A Common Stock | Class B Common Stock | Additional Paid-in-Capital | Treasury Stock | Retained Earnings | | | |
| Balance, December 31, 2008 | \$ 617 | \$ 301 | \$ 271,161 | \$ (81,845) | \$ 1,958 | \$ (3,942) | \$ 152,952 | \$ 341,202 |
| Repurchase of Class A common stock, 3,537,258 shares | | | | (6,695) | | | | (6,695) |
| Stock-based compensation | | | 1,722 | | | | | 1,722 |
| Re-allocation of equity due to additional investment by founding/working partners | | | | | | | (6,053) | (6,053) |
| Dividends to stockholders | | | (3,255) | | | | | (3,255) |
| Earnings distributions to Cantor, founding/working and REU partners | | | | | | | (5,155) | (5,155) |
| Other | | | 13 | | | | | 13 |
| Comprehensive income: | | | | | | | | |
| Consolidated net income | | | | | 8,080 | | 6,214 | 14,294 |
| Other comprehensive income, net of tax | | | | | | | | |
| Change in cumulative translation adjustment | | | | | | 89 | (1,271) | (1,182) |
| Unrealized gain (loss) on marketable securities | | | | | | 445 | (294) | 151 |
| Comprehensive income | | | | | 8,080 | 534 | 4,649 | 13,263 |
| Balance, March 31, 2009 | \$ 617 | \$ 301 | \$ 269,641 | \$ (88,540) | \$ 10,038 | \$ (3,408) | \$ 146,393 | \$ 335,042 |

The accompanying Notes to Condensed Consolidated Financial Statements

are an integral part of these financial statements.

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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. (together with its subsidiaries, 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 BGBP.

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 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 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 U.S. Securities and Exchange Commission (the SEC). Certain information and footnote disclosure normally included in the financial statements prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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. This report should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2008.

The unaudited condensed consolidated financial statements reflect the historical financial position, results of 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, Earnings Per Share and Note 17, Income Taxes:

The capitalization of the acquired net assets of BGC Partners, LLC;

Modification in tax structure;

Allocations of net income to founding/working partner units and REUs;

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Redeemable partnership interest;

Noncontrolling interest in subsidiaries held by Cantor; and

Basic and fully diluted earnings per share calculations.

The 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, the condensed consolidated statements of cash flows, and the condensed consolidated statements of changes in equity of the Company for the interim periods presented. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on December 31, 2009.

Recently Adopted Accounting Pronouncements:

SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements - an amendment to ARB No. 51* (SFAS 160). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest of 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 noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 is effective as of January 1, 2009. The Company adopted the provisions of SFAS 160 when they became effective on January 1, 2009.

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 SFAS No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 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. The adoption of SFAS 161 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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 adoption of FSP 142-3 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

FASB Staff Position (FSP) EITF No.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. The adoption of EITF 03-6-1 did not have a material effect on the Company's consolidated financial condition, results of operations, cash flows or earnings per share.

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EITF No. 07-5: In June 2008, the EITF reached consensus on Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5), which provides guidance about whether an instrument should be classified as equity and not marked to market for accounting purposes. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The adoption of EITF 07-5 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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.

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.

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 partner units

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 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 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 partnership 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.

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Founding/working partner units receive quarterly allocations of net income based on their weighted average pro rata share of economic ownership. This allocation is reflected in the Company's condensed consolidated statements of operations as Allocation of income to founding/working partner units, which is a separate component of compensation expense. However, in quarterly periods in which the Company has a net loss, the Company does not reflect an allocation of the loss to founding/working partner units. Rather, the allocation of the net loss is reflected as a component of Noncontrolling interest in subsidiaries.

At the Company's discretion, the founding/working partner units may become exchangeable for Class A common stock on a one-for-one basis.

REU holders

BGC Holdings issues 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. REUs receive allocations of net income for each quarterly period. This allocation is reflected in the Company's condensed consolidated statements of operations as Allocation of income to REUs, which is a separate component of compensation expense. However, in quarterly periods in which the Company has a net loss, the Company does not reflect an allocation of the loss to REUs. Rather, the allocation of the net loss is reflected as a component of Noncontrolling interest in subsidiaries.

At the Company's discretion, the REUs may become exchangeable for Class A common stock on a one-for-one basis.

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 Noncontrolling interest in subsidiaries in the Company's condensed consolidated statements of financial condition. Cantor receives allocations of net income based on its weighted average pro rata share of economic ownership for each quarterly period. This allocation is reflected as a component of Net income (loss) attributable to noncontrolling interest in subsidiaries in the Company's condensed consolidated statements of operations.

In quarterly periods in which the Company has a net loss, the amount reflected as a component of Net income (loss) attributable to noncontrolling interest in subsidiaries represents the allocation for founding/working partner units, REUs and Cantor's limited partnership interest.

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 Total stockholders' equity in the Company's consolidated statements of financial condition.

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.

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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 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 Class A common stock sold by the Selling Stockholders in the Secondary Offering.

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. 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 Company's condensed consolidated statements 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 in Note 2, 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 ended March 31, 2009 and 2008 were allocated as follows (in thousands):

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2009 | 2008 |
| Allocation of income to founding/working partner units | \$ 4,227 | \$ |
| Allocation of income to REUs | 852 | |
| Allocation of income to Cantor | 6,733 | |
| Net income (loss) available to common stockholders (1) | 8,080 | (48,533) |

The following is a reconciliation of the Company's basic earnings per share (in thousands, except per share data):

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2009 | 2008 |
| <i>Basic earnings (loss) per share:</i> | | |
| Net income (loss) available to common stockholders | \$ 8,080 | \$ (48,533) |
| Basic weighted average shares of common stock outstanding (1) | 80,561 | 184,967 |
| Basic earnings (loss) per share | \$ 0.10 | \$ (0.26) |

- (1) The weighted average shares outstanding for the three months ended March 31, 2008 have been retroactively restated to give effect to the shares and rights to acquire shares issued in connection with the merger because, for that period, 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 (loss) available for common stockholders plus net income allocations to the founding/working partner units, REUs, and Cantor; and dividing it by the weighted average number of BGC Holdings units held by founding/working partners and Cantor, the weighted average number of REUs outstanding, the Company's weighted average outstanding shares of common stock, and the potential dilution that could occur if securities or other contracts to issue shares of common stock, including options, 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 a reconciliation of the Company's fully diluted earnings (loss) per share (in thousands, except per share data):

| | Three Months Ended March 31, | |
|---|---|-----------------|
| | 2009 | 2008 |
| <i>Fully diluted earnings (loss) per share:</i> | | |
| Net income (loss) available to common stockholders | \$ 8,080 | \$ (48,533) |
| Allocation of income to founding/working partner units | 4,227 | |
| Allocation of income to REUs | 852 | |
| Allocation of income to Cantor | 6,733 | |
| Net income (loss) for fully diluted shares | \$ 19,892 | \$ (48,533) |
| Basic weighted average shares of common stock outstanding (1) | 80,561 | 184,967 |
| Restricted stock units | 1,642 | |
| BGC Holdings units held by founding/working partners | 42,148 | |
| REUs | 8,492 | |
| BGC Holdings units held by Cantor | 67,138 | |
| Fully diluted weighted average shares of common stock outstanding | 199,981 | 184,967 |
| Fully diluted earnings (loss) per share | \$ 0.10 | \$ (0.26) |

(1) The weighted average shares outstanding for the three months ended March 31, 2008 have been retroactively restated to give effect to the shares and rights to acquire shares issued in connection with the merger because, for that period, allocations to founding/working partner units and Cantor's noncontrolling interest have not been deducted from net income.

For the three months ended March 31, 2009 and 2008, approximately 31.0 million and 9.4 million options, RSUs and warrants, respectively, were not included in the computation of fully diluted earnings (loss) per share because their effect would have been anti-dilutive.

Stock Repurchase Program

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

Stock repurchase activity for the three months ended March 31, 2009 was as follows:

| Period | Total number of shares purchased | Issuer Purchases of Equity Securities | | |
|------------------------------------|----------------------------------|---------------------------------------|--|---|
| | | 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 |
| January 1, 2009 – January 31, 2009 | | \$ | | \$ 40,305,815 |

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| | | | | | | | |
|------------------|-------------------|-----------|----|------|-----------|----|------------|
| February 1, 2009 | February 28, 2009 | | \$ | | | \$ | 40,305,815 |
| March 1, 2009 | March 31, 2009 | 3,537,258 | \$ | 1.89 | 3,537,258 | \$ | 33,629,570 |

During the three months ended March 31, 2009, the Company repurchased 3,537,258 shares of its Class A common stock. These repurchases included 2,600,000 shares repurchased from The Cantor Fitzgerald Relief

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Fund at a price of \$1.99 per share, for an aggregate purchase price of approximately \$5.2 million. A portion of these shares had been donated to The Cantor Fitzgerald Relief Fund by certain founding partners in connection with the 2008 Charity Day.

During the three months ended March 31, 2008, the Company did not repurchase any shares of its Class A common stock.

At March 31, 2009, the Company had approximately \$33.6 million remaining from its \$100 million buyback authorization and from time to time, the Company may actively continue to repurchase shares.

4. 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. Total unmatched principal transactions were \$6.0 million and \$1.2 million as of March 31, 2009 and December 31, 2008, respectively.

Securities owned consisted of the following (in thousands):

| | March 31, 2009 | December 31, 2008 |
|-----------------|-------------------|----------------------|
| Corporate debt | \$ 4,287 | \$ 75 |
| Government debt | 244 | 805 |
| Equities | 270 | 7 |
| Total | \$ 4,801 | \$ 887 |

As of March 31, 2009 and December 31, 2008, the Company had pledged \$0.2 million and \$0.8 million of securities owned, respectively, to satisfy deposit requirements at various exchanges or clearing organizations.

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

| | March 31, 2009 | December 31, 2008 |
|----------------|-------------------|----------------------|
| Corporate debt | \$ 376 | \$ |
| Equities | 775 | 321 |
| Total | \$ 1,151 | \$ 321 |

5. Marketable Securities

Marketable securities consisted of the Company's ownership of 4,350,000 shares of Class A common stock of Patsystems, plc, which were purchased during 2007. The investment, which had a fair value of \$1.1 million and \$0.9 million as of March 31, 2009 and December 31, 2008, is recorded in the Company's condensed consolidated statements of financial condition as Marketable Securities.

6. Collateralized Transactions

Securities Purchased Under Agreements to Resell

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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.

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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 March 31, 2009, the Company had received, as collateral, U.S. Treasury or other fixed income securities with a fair value of \$75.3 million, of which \$72.3 million pertained to overnight Reverse Repurchase Agreements with Cantor that were transacted as part of the Company's cash management strategy and \$3.0 million pertained to a Reverse Repurchase Agreement to cover pending settlements.

As of December 31, 2008, the Company had received, as collateral, U.S. Treasury or other fixed income securities with a fair value of \$184.6 million, all of which pertained to overnight Reverse Repurchase Agreements with Cantor that were transacted as part of the Company's cash management strategy.

Securities Borrowed

Securities borrowed transactions are recorded at the contractual amount for which the securities will be returned plus accrued interest.

As of March 31, 2009, the Company entered into securities borrowed transactions to cover pending settlements, and the Company received, as collateral, government debt securities with a fair value of \$23.8 million.

As of December 31, 2008, the Company had not entered into any securities borrowed transactions.

7. 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):

| | March 31, 2009 | December 31, 2008 |
|---|-------------------|----------------------|
| Receivables from brokers, dealers, clearing organizations, customers and related broker-dealers: | | |
| Contract values of fails to deliver | \$ 196,600 | \$ 101,389 |
| Open foreign exchange swaps | 592 | 2,864 |
| Receivables from clearing organizations | 42,632 | 61,377 |
| Other receivables from brokers, dealers and customers | 10,931 | 12,201 |
| Total | \$ 250,755 | \$ 177,831 |
| Payables to brokers, dealers, clearing organizations, customers and related broker-dealers: | | |
| Contract values of fails to receive | \$ 183,236 | \$ 99,264 |
| Net pending trades | 22,672 | 5,902 |
| Open foreign exchange swaps | 3,683 | 683 |
| Payables to clearing organizations | 3,250 | 235 |
| Other payables to brokers, dealers and customers | 11,774 | 13,178 |
| Total | \$ 224,615 | \$ 119,262 |

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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 March 31, 2009 have subsequently settled at the contracted amounts.

8. Derivatives

The Company has both OTC and exchange-traded derivative contracts. These derivative contracts primarily consist of foreign exchange 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 Company's 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 Company's 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):

| | March 31, 2009 | | December 31, 2008 | |
|------------------------|----------------|-------------|-------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign exchange swaps | \$ 592 | \$ 3,683 | \$ 2,864 | \$ 683 |
| Total | \$ 592 | \$ 3,683 | \$ 2,864 | \$ 683 |

Transactions with off-balance-sheet risk are primarily short-term in duration. At March 31, 2009 and December 31, 2008, the notional amounts of derivative instruments used for trading purposes were \$420.3 million and \$329.3 million, respectively. These contracts had remaining maturities of less than one year.

All of the Company's derivative contracts are with Cantor.

The replacement cost of contracts in a gain position at March 31, 2009, summarized by counterparty credit ratings, is as follows (in thousands):

| Rating (a) | Net Replacement Cost (in thousands): |
|------------|---|
| A | \$ |
| Other (b) | \$ 592 |

(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.

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

| | March 31, 2009 | |
|------------------------|-----------------|-----------------|
| | Assets | Liabilities |
| Corporate debt | \$ 4,287 | \$ 376 |
| Government debt | 244 | |
| Equities | 1,376 | 775 |
| Foreign exchange swaps | 592 | 3,683 |
| Total | \$ 6,499 | \$ 4,834 |

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

| | Assets at Fair Value at March 31, 2009 | | | | |
|------------------------|--|-----------------|-----------|---------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Netting and Collateral | Total |
| Corporate debt | \$ | \$ 4,287 | \$ | \$ | \$ 4,287 |
| Government debt | | 244 | | | 244 |
| Equities | 1,376 | | | | 1,376 |
| Foreign exchange swaps | | 592 | | | 592 |
| Total | \$ 1,376 | \$ 5,123 | \$ | \$ | \$ 6,499 |

| | Liabilities at Fair Value at March 31, 2009 | | | | |
|------------------------|---|-----------------|-----------|---------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Netting and Collateral | Total |
| Corporate debt | \$ | \$ 376 | \$ | \$ | \$ 376 |
| Government debt | | | | | |
| Equities | 775 | | | | 775 |
| Foreign exchange swaps | | 3,683 | | | 3,683 |
| Total | \$ 775 | \$ 4,059 | \$ | \$ | \$ 4,834 |

- (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.

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.

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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 Company's 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 Company's condensed consolidated statements of operations.

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For the three months ended March 31, 2009 and 2008, the Company was charged \$9.2 million and \$6.5 million, respectively, for the services provided by Cantor and its affiliates, of which \$4.9 million was to cover compensation to leased employees for the three months ended March 31, 2009.

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 United Kingdom (U.K.), 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 U.K. administrative employees and operations to Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. Cantor's interest in Tower Bridge is reflected as a component of Noncontrolling interest in subsidiaries in the Company's condensed consolidated statements of financial condition, and the portion of Tower Bridge's income attributable to Cantor is included as part of Net income (loss) attributable to noncontrolling interest in subsidiaries in the Company's condensed consolidated statements of operations.

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.com, LLC (CO2e) 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.

For the three months ended March 31, 2009 and 2008, the Company recognized related party revenues pursuant to these agreements of \$10.3 million and \$16.5 million, respectively. These revenues are included as part of Fees from related parties in the Company's condensed consolidated statements of operations.

As of March 31, 2009 and December 31, 2008 Cantor's cumulative share of the net income of Tower Bridge was \$4.9 million and \$5.5 million, respectively. Cantor's noncontrolling interest is included as part of Noncontrolling interest in subsidiaries in the Company's condensed consolidated statements of financial condition.

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 the 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, the Company has not begun to clear its own transactions in U.S. Treasury and 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.

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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, clearing capital in the form of 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. To date, no amounts have been requested by Cantor.

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 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 our behalf and we will either post clearing capital with Cantor as requested under the Agreement or continue to invest our excess via Reverse Repurchase Agreements or in other overnight investments. In the absence of such an arrangement, 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 make distributions, 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.

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 Company's condensed consolidated statements of operations.

For the three months ended March 31, 2009, the Company recognized expense of approximately \$0.9 million in relation to this charge. The Company did not recognize any expense for the three months ended March 31, 2008.

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.

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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 Company's condensed consolidated statements of financial condition. As of March 31, 2009 and December 31, 2008, the Company had receivables from Cantor of \$2.6 million and \$2.9 million, respectively. Additionally, as of March 31, 2009 and December 31, 2008, the Company had payables to Cantor of \$3.7 million and \$1.8 million, respectively.

Forgivable Loans and Other 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 March 31, 2009 and December 31, 2008, the unamortized balance of these forgivable loans was \$69.4 million and \$69.5 million, respectively. These forgivable loans are included as part of Forgivable and other loan receivables from employees and partners in the Company's condensed consolidated statements of financial condition. Amortization expense for these forgivable loans for the three months ended March 31, 2009 and 2008 was \$7.2 million and \$8.0 million, respectively. Amortization expense for forgivable loans is included as part of Compensation and employee benefits in the Company's 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 March 31, 2009 and December 31, 2008, the balance of these advances and non-forgivable loans was \$21.2 million and \$11.1 million, respectively. These advances and non-forgivable loans are included as part of Forgivable loans and other receivables from employees and partners in the Company's condensed consolidated statements of financial condition.

Reverse Repurchase Agreements

From time to time, the Company enters into Reverse Repurchase Agreements with Cantor, whereby the Company receives U.S. Treasury, agency or other fixed income securities as collateral. As of March 31, 2009 and December 31, 2008, the Company had \$63.0 million and \$151.2 million, respectively, of Reverse Repurchase Agreements with Cantor, of which the fair value of the collateral received from Cantor was \$75.3 million and \$184.6 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 March 31, 2009 and December 31, 2008, there was no outstanding Secured Loan balance.

Notes Payable

Historically, the Company had various subordinated loans and notes payable outstanding to Cantor. All of these notes were repaid upon BGC Partners' separation from Cantor on March 31, 2008.

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For the three months ended March 31, 2009, the Company did not incur any interest expense related to notes payable to Cantor; and for the three months ended March 31, 2008, the Company incurred interest expense related to the notes payable to Cantor of \$4.0 million. Interest expense related to these notes is recorded as part of Interest expense in the Company's 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 Company's condensed consolidated statements of financial condition.

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 March 31, 2009, the Company had not entered into any arrangements for the Aqua business.

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During the first quarter of 2009, the Company made a \$0.9 million cash contribution to Aqua. This contribution is recorded as part of Investments in the Company's condensed consolidated statements of financial condition.

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, for information regarding this transaction.

On December 21, 2007, the Company and 11 other leading financial institutions announced the formation of a limited partnership that is establishing a fully-electronic futures exchange. The Company holds an approximate 25% interest in ELX. The Company has also entered into a technology services agreement with ELX pursuant to which the Company provides software technology licenses, monthly maintenance support and other technology services as requested by ELX.

For the three months ended March 31, 2009 and 2008, the Company recognized revenues of \$4.6 million and \$4.4 million, respectively, for the services provided to ELX. These revenues are included as of Fees from related parties in the Company's condensed consolidated statements of operations.

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 March 31, 2009, 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 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 and the Company. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of Cantor and the Company will be utilized to determine the shares of profit or loss allocated to each for the period.

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.

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

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adjustments), from the Company, on the same basis as Cantor's other BGC Holdings limited partnership units. As of the date of this filing, as a result of the termination of 20 founding partners, BGC Holdings has the right to redeem an aggregate of 1,272,060 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.

In March 2009, the Company and Cantor were authorized to utilize each other's brokers to provide brokerage services for securities not brokered by such entity, so long as such brokerage services were provided in the ordinary course and on terms no less than favorable to the receiving party than such services are provided to typical third-party customers. In no event shall the foregoing arrangement supersede any arrangements concerning brokerage or commissions previously agreed between BGC Partners and Cantor.

11. Investments

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

| | March 31, 2009 | December 31, 2008 |
|---------------------------------|-------------------|----------------------|
| ELX | \$ 13,374 | \$ 14,711 |
| Freedom International Brokerage | 9,751 | 9,767 |
| Aqua | 1,293 | 1,225 |
| EIP Holdings | 869 | 856 |
| Total investments | \$ 25,287 | \$ 26,559 |

The Company's share of losses related to its investments was \$2.1 million and \$1.8 million for the three months ended March 31, 2009 and 2008, respectively. The Company's share of the income/losses is recorded under the caption "Losses on equity investments" in the Company's condensed consolidated statements of operations.

12. Fixed Assets, net

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

| | March 31, 2009 | December 31, 2008 |
|---|-------------------|----------------------|
| Computer and communications equipment | \$ 169,601 | \$ 168,186 |
| Software, including software development costs | 146,701 | 141,651 |
| Leasehold improvements and other fixed assets | 123,684 | 119,863 |
| | 439,986 | 429,700 |
| Less: accumulated depreciation and amortization | 304,553 | 292,888 |
| Fixed assets, net | \$ 135,433 | \$ 136,812 |

Depreciation expense was \$8.4 million and \$9.7 million for three months ended March 31, 2009 and 2008, respectively. Depreciation is included as part of "Occupancy and equipment" in the Company's 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

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life of three years on a straight-line basis. For the three months ended March 31, 2009 and 2008, software development costs totaling \$4.1 million and \$4.2 million, respectively, were capitalized. Amortization of software development costs totaled \$3.5 million and \$4.1 million for the three months ended March 31, 2009 and 2008, respectively. Amortization of software development costs is included as part of Occupancy and equipment in the Company's condensed consolidated statements of operations.

13. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following (in thousands):

| | March 31, 2009 | December 31, 2008 |
|---|-------------------|----------------------|
| Goodwill | \$ 63,500 | \$ 63,500 |
| Definite life intangible assets: | | |
| Patents | 35,273 | 34,910 |
| Customer base/relationships | 15,076 | 15,076 |
| 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 | 59,014 | 58,651 |
| Less: accumulated amortization | 44,274 | 43,085 |
| Net definite life intangible assets | 14,740 | 15,566 |
| Horizon license | 1,500 | 1,500 |
| Total net intangible assets | \$ 16,240 | \$ 17,066 |

Amortization expense was \$1.2 million and \$1.1 million for the three months ended March 31, 2009 and 2008, respectively. Intangible amortization is included as part of Other expenses in the Company's condensed consolidated statements of operations.

Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*.

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 Senior Notes are due April 1, 2010, with interest payable semiannually at the rate of 5.19% per annum. The Senior 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 Senior Notes will be increased by 0.25% per annum. As of March 31, 2009, the Company was in compliance with all debt covenants.

The Company recorded interest expense related to the Senior Notes of \$1.9 million for the three months ended March 31, 2009.

Table of Contents**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, 2008 | 2,106,516 | \$ 8.91 | |
| Granted | 781,080 | 2.08 | |
| Less: Delivered units | | | |
| Less: Forfeited units | 5,215 | 11.23 | |
| Balance at March 31, 2009 | 2,882,381 | \$ 7.08 | 2.30 |

The fair value of RSUs awarded to employees and directors is determined on the date of grant based on the market value of the Company's Class A common stock, and is recognized, net of the effect of estimated forfeitures, ratably over the vesting period. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and non-employee RSUs. Each RSU is converted into one share of Class A common stock upon completion of the vesting period.

During the three months ended March 31, 2009, the Company issued 781,080 RSUs with aggregate estimated grant date fair values of approximately \$1.6 million to employees. These RSUs were awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses.

As of March 31, 2009, the aggregate estimated grant date fair value of outstanding RSUs was approximately \$20.4 million.

Compensation expense related to RSUs, before associated income taxes, was approximately \$2.8 million and \$2.5 million for the three months ended March 31, 2009 and 2008, 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) | Aggregate Intrinsic Value |
|---------------------------------------|------------|---------------------------------------|---|------------------------------|
| Balance at December 31, 2008 | 15,053,505 | \$ 14.71 | 3.9 | |
| Granted | | | | |
| Less: Exercised options | | | | |
| Less: Forfeited options | 87,472 | 10.09 | | |
| Balance at March 31, 2009 | 14,966,033 | \$ 14.74 | | \$ |
| Options exercisable at March 31, 2009 | 14,964,157 | \$ 14.74 | 3.9 | \$ |

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The Company did not grant any options during the three months ended March 31, 2009.

Total compensation expense related to stock options before associated income taxes was negligible for the three months ended March 31, 2009 and 2008.

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 Cantor's net income and to receive

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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. Grant units are accounted for as liability awards under SFAS 123R. The liability incurred for such grant units is re-measured at the end of every reporting period. The Company is allocated its share of such expense by Cantor relating to grant units that are held by employees of the Company.

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 March 31, 2009 the estimated fair value of the grant units held by the Company's employees was \$3.2 million; and the notional amount of grant units outstanding was \$6.5 million.

Non-cash compensation expense for the changes in estimated fair value for the three months ended March 31, 2009 and 2008 was \$0.1 million and \$0.2 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.

As of March 31, 2009, the aggregate estimated fair value of the REUs held by executives and non-executive employees was \$10.1 million and the notional amount of the REUS outstanding was \$54.2 million.

Compensation expense related to REUs is recognized over the stated service period. The Company recognized compensation expense, before associated income taxes, related to REUs of \$1.0 million and \$0.4 million for the three months ended March 31, 2009 and 2008, respectively.

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, 2008 | 1,986 | \$ 27.04 | |
| Granted | | | |
| Less: Exercised warrants | | | |
| Less: Forfeited warrants | | | |
| Balance at March 31, 2009 | 1,986 | \$ 27.04 | 2.6 |

The Company did not recognize any expense related to the business partner warrants for the three months ended March 31, 2009 and 2008, respectively.

Table of Contents**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, which we refer to as NAB, has filed a claim against BGC International, which we refer to as BGCI, and BGC Capital Markets (Japan) LLC (formerly known as Cantor Fitzgerald LLC), which we refer to as BGC Capital Markets (Japan). 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 .6832 at March 31, 2009, approximately \$212 million). The 2006 NAB annual report claims that NAB's total loss amounted to AUD 539 million (or, based on an exchange rate of .6832 at March 31, 2009, approximately \$368 million), implying that its consequential losses amounted to AUD 228 million (or, based on an exchange rate of .6832 at March 31, 2009, approximately \$156 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 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, we are unable to estimate a loss or range of losses. Any such losses of BGC US and BGC Global from this litigation will be allocated to BGC Holdings pursuant to the BGC US limited partnership agreement and the BGC Global limited partnership agreement (see *Certain Relationships and Related Transactions* Amended and Restated Limited Partnership Agreements of BGC US and BGC Global *Distributions*). The impact of such a loss could be material to our results of operations, financial condition or cash flows.

On February 15, 2006, the SEC issued a formal order of investigation into trading by certain inter-dealer brokers in the government and fixed income securities markets. The formal order alleges that the broker-dealers named therein, including us, (1) may have made fictitious quotations or made false or misleading statements about the prices at which U.S. Treasury or other fixed income securities would be purchased or sold, (2) may have fabricated market quotations or trading activity in U.S. Treasury or other fixed income securities to stimulate trading and to generate commissions, (3) may have engaged in front running or interpositioning,

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

In August 2004, TT commenced an action in the United States District Court, Northern District of Illinois, Eastern Division, against us. In its complaint, TT alleged that we infringed U.S. Patent No. 6,766,304, which issued on July 20, 2004, and U.S. Patent 6,772,132, which issued on August 3, 2004. TT later added eSpeed International Ltd., ECCO LLC and ECCO Ware LLC as defendants in a second amended complaint. On January 5, 2006, we answered TT's second amended complaint in which we denied the infringement allegations and we filed an amended counterclaim seeking a declaration that the patents in suit are invalid, we do not make, use or sell any product that infringes any claims of the patents in suit, the patents in suit are unenforceable because of inequitable conduct 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 Court consolidated for certain discovery and Markman hearing purposes our case with other patent infringement cases brought by TT against other defendants. A Markman hearing was held on August 16-18, 2006. On October 31, 2006, the Court issued a ruling on claim construction, which provides the meanings of the various terms in dispute in the asserted patents. In that ruling, the Court found that we correctly defined several of the patents' key terms. The Court's ruling supports our consistent position that eSpeed and ECCO's products fall outside the scope of TT's patents. In February 2007, the Court denied TT's motion for clarification and reconsideration of the Markman decision and reconfirmed its October 2006 ruling. On June 20, 2007, the Court granted eSpeed's motion for partial summary judgment on TT's claims of infringement covering the Dual Dynamic, eSpeedometer and modified eSpeedometer versions of eSpeed and ECCO's products. As a result, the remaining products at issue in the case were the versions of the eSpeed and ECCO products that have not been on the market in the U.S. since around the end of 2004. TT moved for reconsideration of that summary judgment ruling which the court denied. The trial began on September 10, 2007 and ended on October 4, 2007. On October 10, 2007 a jury rendered a verdict that eSpeed and ECCO willfully infringed. The jury awarded damages in the amount of \$3.5 million. On January 3, 2008, the court granted eSpeed's motion for directed verdict on willfulness, finding that eSpeed's infringement was not willful as a matter of law, and denied eSpeed's general motions for directed verdict and for new trial. On February 6, 2008, eSpeed's remittitur motion was conditionally granted and on February 12, 2008, TT accepted the remittitur. Accordingly, the principal amount of the verdict has been reduced to \$2,539,468. Additionally, TT's motion for pre-judgment interest was granted and interest was set at the prime rate, compounded monthly. A hearing on inequitable conduct was held on April 3-4, 2008. On May 7, 2008, the court held that TT did not engage in inequitable conduct during the prosecution of the patents in suit. On May 23, 2008, the court granted TT's motion for a permanent injunction, and on June 13, 2008 denied its motion for attorneys' fees. On July 16, 2008, TT's costs were taxed in the amount of \$3,321,775.78 against eSpeed. eSpeed filed a motion to strike any objections to these costs, which has been stayed pending resolution of the appeals referred to below. Both parties have appealed to the United States Court of Appeals for the Federal Circuit. If TT ultimately prevails in the litigation, we may be required to pay TT damages and/or certain costs and expenses, and we may be forced to modify or withdraw certain products from the market. Both parties have requested attorneys' fees from the other party, which may be awarded by the Court in exceptional cases. We are unable to estimate a possible loss or range of losses in connection with an appeal of this matter.

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.

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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 March 31, 2009, the Company was contingently liable for \$52.1 million under these letters of credit, and paid an average fee of 0.7% on them.

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 Company's condensed consolidated statements of financial condition for these agreements.

17. Income Taxes

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 in 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 basis. Certain of the Company's entities are taxed as U.S. partnerships and are

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subject to the Unincorporated Business Tax (UBT) in the City of New York. Therefore, the tax liability or benefit related to the partnership's income or loss except for UBT rests with the partners, rather than the partnership entity. As such, the partners' liability or benefit is not reflected in the Company's condensed consolidated financial statements. The tax related assets, liabilities, provisions or benefits included in the Company's condensed consolidated financial statements also reflect the results of the entities that are taxed as corporations, either in the U.S. or in foreign jurisdictions. 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. As of March 31, 2009, the Company had \$4.2 million of unrecognized tax benefits all of which would affect the Company's effective tax rate if recognized. During the three months ended March 31, 2009, 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 Company's ability to withdraw capital from its subsidiaries.

Certain U.S. subsidiaries are registered as U.S. broker-dealers or Futures Commissions Merchants subject to Rule 15c3-1 of the SEC and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants' assets be kept in relatively liquid form. As of March 31, 2009, the U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain European subsidiaries of the Company are regulated by the FSA and must maintain financial resources (as defined by the FSA) in excess of the total financial resources requirement of the FSA. As of March 31, 2009, the European subsidiaries had financial resources in excess their requirements.

Certain other subsidiaries are subject to regulatory and other requirements of the jurisdictions in which they operate.

The regulatory requirements referred to above may restrict the Company's ability to withdraw capital from its regulated subsidiaries. As of March 31, 2009, \$301.9 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 \$215.4 million.

19. Segment and Geographic Information***Segment Information***

The Company currently operates its business in one reportable segment that of providing integrated voice and electronic brokerage services to the wholesale, inter-dealer markets in a broad range of products and services, including brokerage services for global fixed income securities, equities, futures, foreign exchange, derivatives and other instruments, including complementary proprietary market data offerings.

Table of Contents**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). Information regarding revenues for the three months ended March 31, 2009 and 2008, 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 March 31, 2009 and December 31, 2008, respectively, are as follows (in thousands):

| | Three months ended March 31, | |
|---------------------------|---|------------------------------|
| | 2009 | 2008 |
| Revenues: | | |
| United Kingdom | \$ 122,174 | \$ 140,734 |
| United States | 73,715 | 106,901 |
| France | 43,942 | 36,416 |
| AMEA | 38,465 | 46,910 |
| Other Europe | 4,845 | 4,753 |
| Other Americas | 773 | 1,396 |
| | | |
| Total revenues | \$ 283,914 | \$ 337,110 |
| | | |
| | March 31, 2009 | December 31, 2008 |
| Long-lived assets: | | |
| United Kingdom | \$ 144,843 | \$ 144,837 |
| United States | 122,370 | 126,392 |
| France | 12,446 | 14,874 |
| AMEA | 37,854 | 25,930 |
| Other Europe | 2,865 | 3,272 |
| Other Americas | 451 | 558 |
| | | |
| Total long-lived assets | \$ 320,829 | \$ 315,863 |

20. Subsequent Events**Acquisition of Liquidez**

In August 2008, BGC 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 would enable BGC to enter the Brazilian economy, which is fast becoming one of the world's major economies, and would 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 (Central Bank), CMN and the President of the Federative Republic of Brazil. The application for approval, which includes a business plan, was submitted to the Central Bank on November 28, 2008 and is pending approval. The parties are currently discussing certain amendments to the financial terms of the purchase agreement. We expect that the closing of the transaction, if any, will be in the first half of 2009.

Fourth Quarter Dividend

On May 4, 2009, the Company's Board of Directors declared a quarterly cash dividend of \$0.09 per share payable on May 28, 2009 to Class A and Class B common stockholders of record as of May 18, 2009.

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Saleability of BGC Holdings Founding Partnership Units

On April 21, 2009, the Board, Audit Committee and Compensation Committee of the Company, as the general partner of BGC Holdings, L.P. agreed to remove the contractual transfer restrictions on the sale of shares of Class A Common Stock of the Company receivable by partners of BGC Holdings upon exchange of their exchangeable Founding Partnership Units.

At the April 1, 2008 closing of the Company's merger with eSpeed, 20% of the BGC Holdings founding partner interests held by each founding partner, other than Lee Amaitis and Shaun Lynn, became exchangeable into Class A Common Stock, less any shares previously exchanged. One-third, or 2,252,744 of such shares receivable by a founding partner upon a full exchange became saleable on each of the first, second and third anniversaries of the closing of the merger. The Company has agreed to accelerate the right to sell these shares at any time, which results in an additional 4,505,487 shares eligible for exchange and sale currently. While these shares are authorized for sale, the Company does not have an indication at this time of the number of partnership interests that may be exchanged and sold by partners pursuant to this agreement and the Company does not anticipate this changing the fully diluted number of shares outstanding.

Stock Repurchases

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

As of April 30, 2009, the Company had approximately \$32.4 million available under its original \$100 million stock repurchase program.

Stock Issuance

On May 7, 2009, the Company issued an aggregate of 1,793,946 shares of Class A common stock of the Company to founding partners of BGC Holdings upon exchange of their exchangeable founding partnership units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. All of these shares were eligible for sale beginning on May 7, 2009 when the Company's restrictions on employee stock transactions were lifted. The Company does not anticipate this issuance changing the fully diluted number of shares outstanding. The Company had \$32.4 million remaining on its authorized share repurchase program as of April 30, 2009 and may actively purchase its shares in the market or in private transactions, including from partners of BGC Holdings, Cantor Fitzgerald and/or their affiliates from time to time and may cease making any such purchases at any time.

In order to facilitate receipt of the shares by the partners of BGC Holdings and receipt of distribution rights shares to be received by partners of BGC Holdings and Cantor Fitzgerald, L.P., the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company in connection with any sale of exchange shares or distribution rights shares.

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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, reliance on Cantor 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 equity and 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 our hybrid platform, including 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, distributions and repurchases of our common stock or purchases of BGC Holdings, L.P. ("BGC Holdings") limited partnership interests or other equity interests in our subsidiaries, including from Cantor, our executive officers, and our employees; and

the risks and other factors described herein under the heading "Item 1A Risk Factors."

The foregoing risks and uncertainties, as well as those risks discussed under the heading "Item 3 Quantitative and Qualitative Disclosures About Market Risk" and the Company's 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 discussion summarizes the significant factors affecting our results of operations and financial condition during the three months ended March 31, 2009 and 2008. This discussion is provided to increase the understanding of, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this Report.

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. BGC Partners provides a full range of services, including execution, clearing, processing and other back office services. Through its eSpeed and BGCantor Market Data brands, BGC Partners also offers financial technology solutions and market data and analytics related to select financial instruments and markets. BGC Partners' customers include many of the world's largest banks, broker-dealers, investment banks and investment firms. BGC Partners' integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, 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, BGC Partners' brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of the majority of its U.S.-based employees, its brokerage business operated primarily in Europe. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it "BGC," in honor of B. Gerald Cantor, Cantor's co-founder and a pioneer in screen brokerage services and fixed income market data products. Over the past three years, BGC Partners has re-established its U.S. presence and has continued to expand its global presence through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, BGC Partners has been able to expand its presence in key markets and position its business for sustained growth.

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

Business Environment

The inter-dealer broker sector has been a competitive area that has experienced robust growth from 2001 through the beginning of 2009 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.

The continuing credit crises and ensuing global economic slowdown, has resulted in consolidation among some of the larger market participants. Most have curtailed risk taking, de-levered, and/or seen a decline in trading activity across many of their products. As a result, there has been an industry-wide slowdown in growth or outright decline in the volumes for many of the OTC and listed products we broker. At the same time, the continued high volatility by historical standards and decrease in the number of market participants has led to widening spreads.

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

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Financial Highlights

Revenue Growth

Total revenues were \$283.9 million and \$337.1 million for the three months ended March 31, 2009, and 2008 respectively, representing a 15.8% decrease.

The main factors contributing to the decline were:

reduced volumes across global interest rate and foreign exchange option markets;

a decrease in the number of fixed-fee eSpeed fully electronic U.S. Treasury customers due to some industry consolidation; and

an increase in the value of the U.S. dollar relative to other major currencies.

These declines were offset by:

expansion across both product lines and geography;

an increase in brokerage personnel year-over-year from 1,201 to 1,270;

higher Credit revenue related to BGC's strength in cash bonds; and

wider spreads across most asset classes.

These variances are discussed in more detail under the discussion of **Results of Operations**.

Table of Contents**Results of Operations**

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

| | Three Months Ended March 31, 2009 | | 2008 | |
|--|--------------------------------------|------------------------------------|-------------------|------------------------------------|
| | Actual Results | Percentage of Total Revenues | Actual Results | Percentage of Total Revenues |
| Revenues: | | | | |
| Commissions | \$ 172,280 | 60.7% | \$ 254,031 | 75.4% |
| Principal transactions | 91,261 | 32.1 | 51,896 | 15.4 |
| Total brokerage revenues | 263,541 | 92.8 | 305,927 | 90.8 |
| Fees from related parties | 14,924 | 5.3 | 20,913 | 6.2 |
| Market data | 4,462 | 1.6 | 5,544 | 1.6 |
| Software solutions | 1,498 | 0.5 | 2,083 | 0.6 |
| Interest income | 1,312 | 0.5 | 3,853 | 1.1 |
| Other revenues | 320 | 0.1 | 586 | 0.2 |
| Losses on equity investments | (2,143) | (0.8) | (1,796) | (0.5) |
| Total revenues | 283,914 | 100.0 | 337,110 | 100.0 |
| Expenses: | | | | |
| Compensation and employee benefits | 175,837 | 61.9 | 274,545 | 81.4 |
| Allocation of income to founding/working partner units | 4,227 | 1.5 | | |
| Allocation of income to REUs | 852 | 0.3 | | |
| Total compensation and employee benefits | 180,916 | 63.7 | 274,545 | 81.4 |
| Occupancy and equipment | 25,824 | 9.1 | 30,722 | 9.1 |
| Fees to related parties | 4,335 | 1.5 | 6,540 | 1.9 |
| Professional and consulting fees | 7,484 | 2.6 | 15,546 | 4.6 |
| Communications | 15,324 | 5.4 | 16,720 | 5.0 |
| Selling and promotion | 15,004 | 5.3 | 15,235 | 4.5 |
| Commissions and floor brokerage | 3,675 | 1.3 | 3,713 | 1.1 |
| Interest expense | 2,397 | 0.9 | 7,663 | 2.3 |
| Other expenses | 7,630 | 2.7 | 6,235 | 1.8 |
| Total expenses | 262,589 | 92.5 | 376,919 | 111.7 |
| Income (loss) from continuing operations before income taxes | 21,325 | 7.5 | (39,809) | (11.8) |
| Provision for income taxes | 7,031 | 2.5 | 8,070 | 2.4 |
| Consolidated net income (loss) | 14,294 | 5.0 | (47,879) | (14.2) |
| Less: Net income attributable to noncontrolling interest in subsidiaries | 6,214 | 2.2 | 654 | 0.2 |
| Net income (loss) available to common stockholders | \$ 8,080 | 2.8% | \$ (48,533) | (14.4)% |

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Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Revenues

Brokerage Revenues

Total brokerage revenues decreased by \$42.4 million, or 13.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Commission revenues decreased by \$81.8 million, or 32.2%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Principal transactions revenues increased by \$39.4 million, or 75.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

The decrease in rates revenues of \$28.9 million was primarily driven by a reduction in industry-wide market turnover in interest rate products. For example, during the first quarter of 2009, volumes for CME U.S. Treasury futures, CME Eurodollar contracts, and trading by U.S. Federal Reserve primary dealers were down 57.4%, 49.7%, and 47.6%, respectively. In addition, there has been some consolidation amongst major customers, including fixed-fee fully electronic U.S. Treasury customers.

The increase in credit brokerage revenues of \$4.1 million was driven primarily by continued expansion of our core credit business across all geographies, as well as our historical strength in broking cash bonds and growth in electronically executed transactions.

Foreign exchange revenues declined by \$15.1 million. This was primarily due to volatility in the market place resulting in reduced industry-wide foreign exchange option turnover.

Despite the global slowdown in equity markets, revenues from other asset classes fell by only \$2.5 million due to our continued growth in equity products across all geographies.

Fees from Related Parties

Fees from related parties decreased by \$6.0 million, or 28.6%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to lower fees charged to Cantor for certain administrative and other support services in the first quarter of 2009 as a result of lower costs incurred by us to provide those services, partly related to reductions in temporary staff and consulting costs.

Market Data

Market data revenues decreased by \$1.1 million, or 19.5%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to a decline in existing customer usage, as well as the expiration of certain contracts and lower audit revenues.

Software Solutions

Software solutions revenues decreased by \$0.6 million, or 28.1%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to a decline in license fees.

Interest Income

Interest income decreased by \$2.5 million, or 65.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to the repayment of intercompany loans by Cantor to us as part of our separation from Cantor in 2008, as well as lower yields on investments of our excess cash in both money markets and reverse repurchase agreements during the first quarter of 2009.

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Other Revenues

Other revenues decreased by \$0.3 million, or 45.4%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily driven by various one-time transactions in 2008 that did not recur in 2009.

Losses on Equity Investments

Losses on equity investments increased by \$0.3 million, or 19.3%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was primarily driven by our share of losses in non-consolidated investments, including Aqua and ELX.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense decreased by \$98.7 million, or 36.0%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to non-cash compensation charges of \$84.1 million, in the first quarter of 2008, specifically \$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 \$36.8 million of which was in relation to the activation of exchangeability of founding partner interests held by certain executives, as part of the separation, which did not recur in 2009.

Additionally, we had \$4.9 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 as part of the merger. This compensation expense had been recorded as part of Fees to related parties in the first quarter of 2008.

Allocation of Income to Founding/Working Partner Units

Allocation of income to founding/working partner units was \$4.2 million for the three months ended March 31, 2009. The recognition of the allocation to founding/working partners units is related to the recapitalization in conjunction with the merger. The allocation of income to founding/working partner units is based on their pro rata economic ownership, which averaged 21.3% during the first quarter of 2009.

Allocation of Income to REUs

Allocation of income to REUs was \$0.9 million for the three months ended March 31, 2009. The recognition of the allocation to REUs is related to the recapitalization in conjunction with the merger. The allocation of income to REUs is based on their pro rata economic ownership, which averaged 4.3% during the first quarter of 2009.

Occupancy and Equipment

Occupancy and equipment expense decreased by \$4.9 million, or 15.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to lower rent expense recognized in our foreign locations resulting from a stronger U.S. dollar during the first quarter of 2009, as well as a decline in non-capitalizable hardware and software purchases and lower depreciation expense due to the retirement of certain assets at the end of 2008.

Fees to Related Parties

Fees to related parties decreased by \$2.2 million, or 33.7%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to an agreement we entered into in conjunction with the merger, whereby we leased certain administrative and other support

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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 years, is now recorded as part of Compensation and employee benefits .

Professional and Consulting Fees

Professional and consulting fees decreased by \$8.1 million, or 51.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to higher legal, audit and consulting fees related to the merger, as well as higher consulting fees related to the upgrade of our regulatory reporting infrastructure to comply with FSA requirements, incurred during the first quarter of 2008.

Communications

Communications expense decreased by \$1.4 million, or 8.3%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. As a percentage of total revenues, communications remained relatively unchanged at approximately 5.0% across the two periods.

Selling and Promotion

Selling and promotion expense decreased by \$0.2 million, or 1.5%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. As a percentage of total revenues, selling and promotion expense remained relatively unchanged at approximately 5.0% across the two periods.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased marginally for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

Interest Expense

Interest expense decreased by \$5.3 million, or 68.7%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The decrease was primarily due to the debt restructuring as part of our separation from Cantor in 2008, which included the repayment of intercompany loans and the issuance of new senior notes at more favorable interest rates.

Other Expenses

Other expenses increased by \$1.4 million, or 22.4%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was primarily due to additional litigation reserves recorded during the first quarter 2009.

Noncontrolling Interest in Subsidiaries

Noncontrolling interest in subsidiaries increased by \$5.6 million, or 850.2%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. The increase was due to the recognition of \$6.7 million in income attributable to Cantor's interest in BGC Holdings, which is based on Cantor's pro rata economic ownership, which averaged 33.9% during the first quarter of 2009, as well as a \$1.1 million decrease in the income attributable to Cantor's interest in Tower Bridge.

Provision for Income Taxes

Provision for income taxes decreased by \$1.0 million, or 12.9%, for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Income taxes decreased due to the non-deductibility of certain non-cash merger related compensation charges in the first quarter of 2008. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Table of Contents**Quarterly Results of Operations**

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

| | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 | December 31, 2007 | September 30, 2007 | June 30, 2007 |
|--|-------------------|----------------------|-----------------------|------------------|--------------------|----------------------|-----------------------|------------------|
| | (in thousands) | | | | | | | |
| Revenues: | | | | | | | | |
| Commissions | \$ 172,280 | \$ 179,144 | \$ 225,482 | \$ 212,541 | \$ 254,031 | \$ 217,908 | \$ 204,233 | \$ 190,711 |
| Principal transactions | 91,261 | 80,614 | 48,832 | 66,062 | 51,896 | 23,370 | 70,406 | 58,263 |
| Fees from related parties | 14,924 | 17,205 | 19,409 | 18,599 | 20,913 | 21,167 | 13,851 | 7,898 |
| Market data | 4,462 | 3,917 | 4,842 | 5,101 | 5,544 | 4,741 | 4,508 | 5,359 |
| Software solutions | 1,498 | 2,134 | 2,109 | 1,454 | 2,083 | 1,926 | 2,715 | 2,778 |
| Interest income | 1,312 | 3,010 | 1,019 | 3,931 | 3,853 | 3,083 | 4,873 | 5,945 |
| Other revenues | 320 | 1,545 | 1,085 | (940) | 586 | 36 | (1,208) | 2,002 |
| Losses on equity investments | (2,143) | (2,087) | (1,910) | (1,276) | (1,796) | (408) | (262) | (95) |
| Total revenues | 283,914 | 285,482 | 300,868 | 305,472 | 337,110 | 271,823 | 299,116 | 272,861 |
| Expenses: | | | | | | | | |
| Compensation and employee benefits | 175,837 | 190,208 | 177,739 | 176,921 | 274,545 | 162,595 | 168,592 | 159,613 |
| Allocation of income to founding/working partner units | 4,227 | | 3,716 | 7,133 | | | | |
| Allocation of income to REUs | 852 | | 299 | 252 | | | | |
| Total compensation and employee benefits | 180,916 | 190,208 | 181,754 | 184,306 | 274,545 | 162,595 | 168,592 | 159,613 |
| Occupancy and equipment | 25,824 | 26,723 | 25,686 | 28,775 | 30,722 | 27,696 | 28,957 | 29,581 |
| Fees to related parties | 4,335 | 2,731 | 2,883 | 3,140 | 6,540 | 10,778 | 10,145 | 4,607 |
| Professional and consulting fees | 7,484 | 9,207 | 15,460 | 11,803 | 15,546 | 22,820 | 17,558 | 14,329 |
| Communications | 15,324 | 15,696 | 17,459 | 17,041 | 16,720 | 15,972 | 14,295 | 13,950 |
| Selling and promotion | 15,004 | 15,520 | 16,262 | 15,070 | 15,235 | 15,183 | 13,737 | 13,795 |
| Commissions and floor brokerage | 3,675 | 11,284 | 3,418 | 6,185 | 3,713 | 290 | 7,213 | 2,588 |
| Interest expense | 2,397 | 5,442 | 2,217 | 3,628 | 7,663 | 11,730 | 2,354 | 9,065 |
| Other expenses | 7,630 | 9,347 | 17,603 | 3,391 | 6,235 | 9,204 | 21,522 | 14,485 |
| Total expenses | 262,589 | 286,158 | 282,742 | 273,339 | 376,919 | 276,268 | 284,373 | 262,013 |
| Income (loss) from continuing operations before income taxes | 21,325 | (676) | 18,126 | 32,133 | (39,809) | (4,445) | 14,743 | 10,848 |
| Provision (benefit) for income taxes | 7,031 | (1,440) | 4,762 | 8,723 | 8,070 | 5,786 | 3,899 | (2,697) |
| Consolidated net income (loss) | 14,294 | 764 | 13,364 | 23,410 | (47,879) | (10,231) | 10,844 | 13,545 |
| Less: Net income attributable to noncontrolling interest in subsidiaries | 6,214 | 777 | 6,511 | 11,426 | 654 | 928 | 375 | 894 |
| Net income (loss) available to common stockholders | \$ 8,080 | \$ (13) | \$ 6,853 | \$ 11,984 | \$ (48,533) | \$ (11,159) | \$ 10,469 | \$ 12,651 |

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

| | For the three months ended | | | | | | | |
|---|----------------------------|----------------------|-----------------------|-------------------|-------------------|----------------------|-----------------------|-------------------|
| | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 | December 31, 2007 | September 30, 2007 | June 30, 2007 |
| Brokerage revenue by product (actual results): | | | | | | | | |
| Rates | \$ 123,556 | \$ 116,392 | \$ 142,162 | \$ 143,100 | \$ 152,450 | \$ 117,844 | \$ 162,375 | \$ 140,611 |
| Credit | 91,334 | 83,258 | 67,923 | 69,114 | 87,193 | 63,439 | 57,963 | 55,857 |
| Foreign exchange | 22,349 | 30,910 | 38,434 | 34,048 | 37,466 | 34,417 | 36,132 | 32,215 |
| Other asset classes | 26,302 | 29,198 | 25,795 | 32,341 | 28,818 | 25,578 | 18,169 | 20,291 |
| Total brokerage revenues | \$ 263,541 | \$ 259,758 | \$ 274,314 | \$ 278,603 | \$ 305,927 | \$ 241,278 | \$ 274,639 | \$ 248,974 |
| Brokerage revenue by product (percentage): | | | | | | | | |
| Rates | 46.9% | 44.8% | 51.8% | 51.4% | 49.8% | 48.8% | 59.1% | 56.5% |
| Credit | 34.6 | 32.0 | 24.8 | 24.8 | 28.5 | 26.3 | 21.1 | 22.4 |
| Foreign exchange | 8.5 | 12.0 | 14.0 | 12.2 | 12.2 | 14.3 | 13.2 | 12.9 |
| Other asset classes | 10.0 | 11.2 | 9.4 | 11.6 | 9.5 | 10.6 | 6.6 | 8.2 |
| Total brokerage revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Brokerage revenue by voice/hybrid and fully electronic (actual results): | | | | | | | | |
| Voice/hybrid | \$ 248,413 | \$ 244,298 | \$ 255,143 | \$ 262,195 | \$ 289,862 | \$ 217,839 | \$ 252,294 | \$ 227,263 |
| Fully electronic | 15,128 | 15,460 | 19,171 | 16,408 | 16,065 | 23,439 | 22,345 | 21,711 |
| Total brokerage revenues | \$ 263,541 | \$ 259,758 | \$ 274,314 | \$ 278,603 | \$ 305,927 | \$ 241,278 | \$ 274,639 | \$ 248,974 |
| Brokerage revenue by voice/hybrid and fully electronic (percentage): | | | | | | | | |
| Voice/hybrid | 94.3% | 94.0% | 93.0% | 94.1% | 94.7% | 90.3% | 91.9% | 91.3% |
| Fully electronic | 5.7 | 6.0 | 7.0 | 5.9 | 5.3 | 9.7 | 8.1 | 8.7 |
| Total brokerage revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Liquidity and Capital Resources*Cash Flows*

Net cash provided by operating activities was \$33.2 million for the three months ended March 31, 2009, compared to net cash used by operating activities of \$163.7 million for the three months ended March 31, 2008, an increase of \$196.9 million. This increase was primarily due to increased working capital utilization of \$134.7 million and increased consolidated net income of \$62.2 million. The increase in net income was primarily attributable to a one-time non-cash compensation charge in the amount of \$84.1 million in the three months ending March 31, 2008. Working capital utilization, excluding the one-time non-cash compensation charge, for the three months ended March 31, 2009 increased by \$218.8 million from the three months ended March 31, 2008. This increase was due to our repayment of intercompany borrowings from Cantor during the three months ending March 31, 2008 in conjunction with the separation from Cantor on March 31, 2008.

Net cash provided by investing activities was \$80.0 million for the three months ended March 31, 2009, compared to net cash provided by investing activities of \$75.0 million for the three months ended March 31, 2008, an increase of \$5.0 million. This increase was primarily due to changes in investing activities with Cantor.

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Net cash used in financing activities was \$15.1 million for the three months ended March 31, 2009, compared to net cash provided by financing activities of \$30.3 million for the three months ended March 31, 2008, an decrease of \$45.4 million. During the three months ended March 31, 2008, the net cash provided by financing activities was primarily comprised of activities related to the separation from Cantor that occurred on March 31, 2008, including the settlement of \$196.8 million of long-term debt obligations to Cantor, capital contributions from Cantor of \$76.2 million, and the assumption of \$150.0 million of Cantor's senior notes. During the three months ended March 31, 2009, the net cash used in financing activities was primarily comprised of repurchases of Class A Common Stock in the amount of \$6.7 million, earnings distributions to founding/working partner units, REUs and Cantor of \$5.2 million and paid dividends of \$3.3 million.

Long-Term Debt

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

Clearing Capital

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

We intend to continue this relationship with Cantor. Accordingly, we expect that Cantor will continue to post clearing capital on our behalf and we will either post clearing capital with Cantor as requested under the clearing capital agreement or continue to invest our excess via reverse repurchase agreements or in other overnight investments. In the absence of such an arrangement, we may be required to raise additional capital, borrow funds or take other action to meet the capital requirements in connection with the clearing of our transactions. The increased capital requirements required in connection with the clearing of our securities transactions could have a material adverse impact on our ability to make distributions, repurchase our stock or affect strategic acquisitions or other opportunities. However, we believe that the agreement with Cantor, or, in the alternative, a clearing agreement with an additional third-party clearing agent, will not preclude us from meeting our cash needs in the near term.

Regulatory Requirements

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. In addition, self-regulatory organizations such as the FINRA and the NFA along with statutory bodies such as the FSA and the SEC, require strict compliance with their rules and

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regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

As of March 31, 2009, \$301.9 million of net assets were held by regulated subsidiaries. As of March 31, 2009, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$215.4 million.

Stock Repurchase Program

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

Stock repurchase activity for the three months ended March 31, 2009 was as follows:

| Period | Total number of shares purchased | Average price paid per share | Issuer Purchases of Equity Securities | |
|--------------------------------------|----------------------------------|------------------------------|--|---|
| | | | 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 |
| January 1, 2009 – January 31, 2009 | | \$ | | \$ 40,305,815 |
| February 1, 2009 – February 28, 2009 | | \$ | | \$ 40,305,815 |
| March 1, 2009 – March 31, 2009 | 3,537,258 | \$ 1.89 | 3,537,258 | \$ 33,629,570 |

During the three months ended March 31, 2009, the Company repurchased 3,537,258 shares of its Class A common stock. These repurchases included 2,600,000 shares repurchased from The Cantor Fitzgerald Relief Fund at a price of \$1.99 per share, for an aggregate purchase price of approximately \$5.2 million. A portion of these shares had been donated to The Cantor Fitzgerald Relief Fund by certain founding partners in connection with the 2008 Charity Day.

During the three months ended March 31, 2008, the Company did not repurchase any shares of its Class A common stock.

At March 31, 2009, the Company had approximately \$33.6 million remaining from its \$100 million buyback authorization and from time to time, the Company may actively continue to repurchase shares.

We anticipate, based on management's experience and current industry trends, that our existing cash resources, together with the proceeds received by our public offering, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends issued pursuant to our dividend policy. However, we believe that there are a significant number of capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

increase the regulatory net capital necessary to support operations;

support continued growth in our business;

effect acquisitions;

develop new or enhanced services and markets;

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respond to competitive pressures;

respond to unanticipated requirements; and

clear our securities transactions.

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

Issuance of Shares

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

On May 7, 2009, the Company issued an aggregate of 1,793,946 shares of Class A common stock of the Company to founding partners of BGC Holdings upon exchange of their exchangeable founding partner units in fulfillment of the rights to acquire such shares issued by the Company to such founding partners on April 1, 2008. The Company does not anticipate this issuance changing the fully diluted number of shares outstanding.

As previously reported, in connection with the exchange of the 1,793,946 exchangeable founding partner units, the Company lifted the contractual restrictions on resale of the shares of Class A common stock of the Company issuable upon such exchange. The Company had \$32.4 million remaining on its authorized share repurchase program on April 30, 2009 and may actively purchase its shares in the market or in private transactions, including from partners of BGC Holdings, Cantor, and/or their affiliates from time to time.

In order to facilitate receipt of exchange shares issued by the Company to the founding partners of BGC Holdings and receipt of distribution rights shares distributed by Cantor to partners of BGC Holdings and Cantor, the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company in connection with any sale of exchange shares or distribution rights shares.

Table of Contents**Market Summary**

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

| | 1Q 2009 | 4Q 2008 | 3Q 2008 | 2Q 2008 | 1Q 2008 |
|--|-----------|-----------|-----------|-----------|-----------|
| Volume (in billions) | | | | | |
| Fully Electronic Volume Excluding New Products (1) | \$ 7,846 | \$ 6,376 | \$ 12,308 | \$ 13,062 | \$ 14,525 |
| Fully Electronic Volume New Products (2) | 60 | 72 | 104 | 35 | 35 |
| Total Fully Electronic Volume | 7,906 | 6,448 | 12,412 | 13,097 | 14,560 |
| Total Hybrid Volume (3) | 19,914 | 18,724 | 22,506 | 21,966 | 21,983 |
| Total Fully Electronic and Hybrid Volume | \$ 27,820 | \$ 25,172 | \$ 34,918 | \$ 35,063 | \$ 36,543 |
| Transaction Count (in thousands, except for days) | | | | | |
| Fully Electronic Transactions Excluding New Products (1) | 2,823 | 2,618 | 4,112 | 3,860 | 4,112 |
| Fully Electronic Transactions New Products (2) | 2 | 2 | 4 | 1 | 2 |
| Total Fully Electronic Transactions | 2,825 | 2,620 | 4,116 | 3,861 | 4,114 |
| Total Hybrid Transactions | 301 | 258 | 320 | 341 | 368 |
| Total Transactions | 3,126 | 2,878 | 4,436 | 4,202 | 4,482 |
| Trading Days | 61 | 62 | 64 | 64 | 61 |
| U.S. Primary Dealer Treasury Volume (in billions) | | | | | |
| U.S. Treasury Volume | \$ 21,891 | \$ 26,257 | \$ 36,300 | \$ 35,689 | \$ 41,815 |
| Average Daily U.S. Treasury Volume | \$ 359 | \$ 423 | \$ 567 | \$ 558 | \$ 685 |

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

(2) New products are defined as Foreign Exchange Options, Credit Default Swaps, and Interest Rate Swaps.

(3) Defined as notional volume from hybrid transactions conducted by BGC brokers using the eSpeed system, exclusive of voice-only transactions.

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

Quarterly Market Activity

Fully electronic volume on the eSpeed system, excluding new products, was \$7.8 trillion for the three months ended March 31, 2009, down 46.0% from \$14.5 trillion for the three months ended March 31, 2008. Fully electronic volume on the eSpeed system, including new products, was \$7.9 trillion for the three months ended March 31, 2009, down 45.7% from \$14.6 trillion for the three months ended March 31, 2008. Our hybrid volume in the three months ended March 31, 2009 was \$19.9 trillion, an decrease of 9.4% from \$22.0 trillion in the three months ended March 31, 2008.

Table of Contents**Contractual Obligations and Commitments**

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

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|--|-------------------|---------------------|-------------------|------------------|----------------------|
| Operating leases (1) | \$ 177,001 | \$ 19,740 | \$ 36,057 | \$ 33,676 | \$ 87,528 |
| Long-term debt (2) | 150,000 | | 150,000 | | |
| Interest on long-term debt (2) | 7,785 | 7,785 | | | |
| Debt arrangement fee on long-term debt (3) | 3,465 | 3,465 | | | |
| Total contractual obligations | \$ 338,251 | \$ 30,990 | \$ 186,057 | \$ 33,676 | \$ 87,528 |

- (1) Operating leases are related to rental payments under various non-cancelable leases, principally for office space.
- (2) Long-term debt reflects the issuance of \$150.0 million of Senior Notes in connection with our separation from Cantor. See Note 14, Long-Term Notes, in BGC Partners Inc.'s condensed consolidated financial statements for the three months ended March 31, 2009 and 2008 for more information regarding this long-term debt, including timing of payments and compliance with debt covenants.
- (3) See Note 10, Related Party Transactions, in BGC Partners Inc.'s condensed consolidated financial statements for the three months ended March 31, 2009 and 2008 for more information regarding this debt arrangement fee payable to Cantor.

Off-Balance Sheet Arrangements

As of March 31, 2009 we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recently Adopted Accounting Pronouncements:

SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements - an amendment to ARB No. 51* (SFAS 160). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest of 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 noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 is effective as of January 1, 2009. The Company adopted the provisions of SFAS 160 when they became effective on January 1, 2009.

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 SFAS No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 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. The adoption of SFAS 161 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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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 adoption of FSP 142-3 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

FASB Staff Position (FSP) EITF No. 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. The adoption of EITF 03-6-1 did not have a material effect on the Company's consolidated financial condition, results of operations, cash flows or earnings per share.

EITF No. 07-5: In June 2008, the EITF reached consensus on Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5), which provides guidance about whether an instrument should be classified as equity and not marked to market for accounting purposes. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The adoption of EITF 07-5 did not have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Market Risk***

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. In the normal course of business, BGC Partners holds investment securities and equity investments which are recorded as assets in the Company's condensed consolidated statements of financial condition. BGC Partners is exposed to the risk that securities prices may fluctuate. BGC Partners enters into transactions to sell securities not yet purchased, which are recorded as liabilities in the Company's condensed consolidated statements of financial condition. BGC Partners is exposed to the risk that potential market price increases may cause the ultimate liability for such commitments to exceed the amount recognized in the Company's condensed consolidated statements of financial condition. BGC Partners holds derivative contracts and faces potential market risks related to fluctuations in the interest rates, foreign exchange rates and securities prices that these derivative contracts are tied to.

Foreign Currency Risk

BGC Partners is exposed to risks associated with changes in foreign exchange rates. As foreign currency exchange rates change, the U.S. dollar equivalent of revenues and expenses denominated in foreign currencies change. BGC Partners' UK operations generate a majority of its revenues in British Pounds and Euros. On a daily basis, all cash balances except those necessary to pay short-term expenses are converted to U.S. dollars. Changes in the remeasurement of BGC Partners' net assets are recorded as part of its results of operations and fluctuate with changes in foreign currency conversion rates. BGC Partners does not consider the related economic risk to be material to its results of operations.

A substantial part of BGC Partners' foreign currency-related business is on a name give-up basis resulting in no market or credit risks. BGC Partners runs a very small principal business in foreign currency. The focus in this business is not to take market risks but to facilitate customer flows with liquidity providers on the other side of the transaction, providing the offsets.

The majority of BGC Partners' derivative business is concentrated in spot foreign currency transactions with a relatively minor portion in short-dated forwards and options contracts. Exposure to non-performance in BGC Partners' foreign currency and derivative contracts is minor given that BGC Partners' counterparties are highly rated major banking institutions.

The accounting for derivative contracts is established in SFAS No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 133 requires that an entity recognize all derivative contracts as either an asset or liability and measure those instruments at fair value. The fair values of BGC Partners' derivative contracts are determined from quoted market prices or other public price sources. BGC Partners does not designate any of its derivative contracts as hedges for accounting purposes. The change in fair value of derivative contracts is reported as part of "Principal transactions" in the Company's condensed consolidated statements of operations. All derivative contracts are recorded on a net-by-counterparty basis where management believes a legal right of setoff exists under an enforceable netting agreement.

Interest Rate Risk

BGC Partners had \$150.0 million in fixed-rate debt outstanding as of March 31, 2009. These debt obligations are not subject to fluctuations in interest rates.

Credit Risk

Credit risk arises from potential non-performance by counterparties and customers. BGC Partners has established policies and procedures to manage its exposure to credit risk. BGC Partners maintains a thorough credit approval process to limit exposure to counterparty risk and employ stringent monitoring to control the

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market and counterparty risk from its matched principal and agency businesses. BGC Partners' credit approval process generally includes verification of key financial information and operating data and anti-money laundering verification checks. BGC Partners' credit review process includes consideration of independent credit agency reports and a visit to the entity's premises, if necessary. BGC Partners has developed and utilizes an electronic credit monitoring system.

Credit approval is granted subject to certain trading limits and may be subject to additional conditions, such as the receipt of collateral or other credit support. On-going credit monitoring procedures include reviewing current audited financial statements and publicly available information on the client, collecting data from credit rating agencies, where available, and reviewing any changes in ownership, title or capital of the client.

Principal Transaction Risk

Through its subsidiaries, BGC Partners executes matched principal transactions in which it acts as a middleman by serving as counterparty to both a buyer and a seller in matching back-to-back trades. These transactions are then settled through a third-party clearing organization. Settlement typically occurs within one to three business days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded. In a limited number of circumstances, BGC Partners may settle a principal transaction on a free-of-payment basis or by physical delivery of the underlying instrument.

The number of matched principal trades BGC Partners executes has continued to grow as compared to prior years. Matched principal trades in the less liquid markets on which BGC Partners focuses are less likely to settle on a timely basis than transactions in more liquid markets. Receivables from brokers, dealers and clearing organizations and payables to brokers, dealers and clearing organizations on BGC Partners condensed consolidated statements of financial condition primarily represent the simultaneous purchase and sale of the securities associated with those matched principal transactions that have not settled as of their stated settlement dates. BGC Partners' experience has been that substantially all of these transactions ultimately settle.

Matched principal transactions expose BGC Partners to risks. In executing matched principal transactions, BGC Partners is exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched, one party fails to deliver the cash or securities it is obligated to deliver. BGC Partners' focus on less liquid and OTC markets, including emerging markets, exacerbates this risk because transactions in these markets are less likely to settle on a timely basis. Adverse movements in the prices of securities that are the subject of these transactions can increase risk. In addition, widespread technological, natural disasters (e.g., tsunamis and earthquakes) or communication failures, such as those which occurred as a result of the terrorist attacks on September 11, 2001 and the blackout in the eastern portion of the United States in August 2003. Similarly, actual or perceived credit difficulties or the insolvency of one or more large or visible market participants could cause market-wide credit difficulties or other market disruptions such as the events which occurred in 2008 and 2009 as a result of the bankruptcy or consolidation of certain financial institutions and contraction of credit markets. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not performing their obligations.

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

BGC Partners is subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be financed, either directly by BGC Partners or through one of its clearing organizations, at BGC Partners expense. These charges may be recoverable from the

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failing counterparty, but sometimes are not. Finally, in instances where the unmatched position or failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by BGC Partners, which depending on their size and duration, could limit its business flexibility or even force the curtailment of those portions of its business requiring higher levels of capital. Credit or settlement losses of this nature could adversely affect its consolidated financial condition or results of operations.

In the process of executing matched principal transactions, miscommunications and other errors by BGC Partners' clients or BGC Partners can arise whereby a transaction is not completed with one or more counterparties to the transaction, leaving BGC Partners with either a long or short unmatched position. These unmatched positions are referred to as "out trades," and they create a potential liability for BGC Partners. If an out trade is promptly discovered and there is a prompt disposition of the unmatched position, the risk to BGC Partners is usually limited. If the discovery of an out trade is delayed, the risk is heightened by the increased possibility of intervening market movements prior to disposition. Although out trades usually become known at the time of, or later on the day of, the trade, it is possible that they may not be discovered until later in the settlement process. When out trades are discovered, BGC Partners' policy is to have the unmatched position disposed of promptly, whether or not this disposition would result in a loss to BGC Partners. The occurrence of out trades generally rises with increases in the volatility of the market and, depending on their number and amount, such out trades have the potential to have a material adverse effect on BGC Partners' consolidated financial condition and results of operations.

In addition, liability for unmatched principal transactions could adversely affect BGC Partners' consolidated financial condition and results of operations. BGC Partners allows certain of its brokerage desks to enter into unmatched principal transactions in the ordinary course of business, primarily for the purpose of facilitating clients' execution needs, adding liquidity to a market or attracting additional order flow. As a result, BGC Partners has market risk exposure on these unmatched principal transactions. BGC Partners' exposure varies based on the size of its overall positions, the terms of the instruments brokered and the amount of time the positions are held before they are disposed of. BGC Partners does not track its exposure to unmatched positions on an intra-day basis; however, it attempts to mitigate its market risk on these positions by hedging its exposure. These unmatched positions are intended to be held short term. However, due to a number of factors, including the nature of the position and access to the market on which it trades, BGC Partners may not be able to match the position and it may be forced to hold the position overnight. To the extent these unmatched positions are not disposed of intra-day, BGC Partners marks these positions to market.

On a limited basis, our brokerage desks enter into unmatched principal transactions in the ordinary course of business due to errors or to facilitate transactions, add liquidity, improve customer satisfaction, increase revenue opportunities, attract additional order flow and, in a limited number of instances and subject to risk management limits, for the purpose of proprietary trading. As a result, we have market risk exposure on these unmatched principal transactions. Our exposure varies based on the size of the overall positions, the terms and liquidity of the instruments brokered and the amount of time the positions are held before we dispose of the position.

Adverse movements in the securities underlying these positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on BGC Partners' consolidated financial condition and results of operations for any particular reporting period.

BGC Partners also attempts to mitigate the risks associated with principal transactions through its credit approval and credit monitoring processes. BGC Partners maintains a credit approval process as described above under the discussion of "Credit Risk" as a means of mitigating exposure to counterparty risk. In addition, BGC Partners' credit risk department regularly monitors concentration of market risk to financial instruments, countries or counterparties and regularly monitors trades that have not settled within prescribed settlement periods or volume thresholds. BGC Partners has developed and utilizes an electronic risk monitoring system, which provides management with twice daily credit reports that analyze credit concentration.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chairman, Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the disclosure controls and procedures of the Company (as such term is defined in Rules 13a-15(e) and 15d-15(d) under the Exchange Act), as of the end of the period covered by this report, have concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the first quarter of 2009, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Legal Matters in Note 16 Commitments, Contingencies and Guarantees to the condensed consolidated financial statements included in Item 1 of this Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Other than as disclosed below, there have been no material changes in our risk factors from those disclosed in our 2008 annual report on Form 10-K. See Risk Factors in Part I, Item 1A of our 2008 annual report on Form 10-K.

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Risks Related to Our Business

If the value of the dollar against the other currencies in which we pay expenses or if the value of the dollar against the other currencies in which we earn revenues changes dramatically, our financial results could suffer.

Because our business is global, dramatic exchange rate fluctuations are able to impact our results. Significant movements in the U.S. dollar against other currencies, including the Euro and the British Pound, as experienced since October 2008, in which we pay expenses or earn profits, may have an adverse effect on our financial results. Potential movements in the U.S. dollar against other currencies in which we earn revenues could also adversely affect our financial results.

Risks Related to Our Class A Common Stock and Our Structure

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

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

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

We have registered under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, 30,430,000 shares of common stock, which are reserved for issuance upon exercise of options, restricted stock and other incentive compensation granted under our Long-Term Incentive Plan. These shares can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. We may in the future register additional shares of common stock under the Securities Act that become reserved for issuance under our Long-Term Incentive Plan or other benefit plans. In addition, we have registered under the Securities Act 425,000 shares of common stock issuable under our stock purchase plan.

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

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The BGC Holdings founding partner interests that Cantor has provided are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement, are as follows:

20% of the BGC Holdings founding partner interests held by each founding partner (other than Messrs. Amaitis and Lynn) became exchangeable upon the closing of the merger, with one-third of the shares receivable by such BGC Holdings founding partner upon a full exchange becoming saleable on each of the first, second and third anniversaries of the closing of the merger, subject to applicable law. These contractual restrictions were lifted on April 21, 2009 and these exchangeable founding partner interests are exchangeable at any time.

(1) 1,100,000 of the 3,160,215 BGC Holdings founding partner interests held by Mr. Amaitis at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 60% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 80% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, and (5) 100% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Amaitis will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Amaitis letter agreement), with the shares received by Mr. Amaitis upon exchange being immediately saleable, subject to applicable law. Exchangeability of certain of the shares which would have become exchangeable on the fifth anniversary of the closing of the merger was accelerated in connection with Mr. Amaitis' donation of shares in connection with the 2008 Charity Day; and

(1) 600,000 of the 2,515,898 BGC Holdings founding partner interests held by Mr. Lynn at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 50% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 60% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, (5) 70% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger, (6) 80% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the sixth anniversary of the closing of the merger, (7) 90% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the seventh anniversary of the closing of the merger, and (8) 100% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the eighth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Lynn will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Lynn letter agreement), with the shares received by Mr. Lynn upon exchange being immediately saleable, subject to applicable law.

Any working partner interests that are issued will not be exchangeable with us unless otherwise determined by us with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest. The shares ultimately issuable pursuant to the BGC Holdings REUs (if exchangeable) and the RSUs that were issued upon the closing of the merger and subsequently would be shares of common stock issued pursuant to our Long-Term Incentive Plan or similar plan.

In connection with the merger, 111,890,929 shares of common stock were reserved for issuance upon the exchange of the BGC Holdings exchangeable limited partnership interests, which are entitled to registration rights under the terms of a registration rights agreement with Cantor that we assumed as a part of the merger, which we refer to as the separation registration rights agreement, and BGC Holdings founding partner interests

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

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

On April 1, 2009, the 12-month anniversary of the completion of the Merger, Cantor was required to distribute an aggregate of 6,317,385 shares of Class A Common Stock (5,872,888 shares with respect to retained partners and 444,497 shares with respect to founding partners) not including shares previously sold. In connection with the issuance of distribution rights shares, Cantor offered to its partners the opportunity to elect to defer their receipt of the distribution right shares and for Cantor to continue to hold their rights to distribution rights shares in the Cantor partnership and receive any income from such rights through partnership distributions rather than making an immediate issuance of such shares in the form of Class A Common Stock. Cantor partners who elected to defer their right to such shares are entitled to exchange such partnership interests for shares of Class A Common Stock upon written notice. Exchanges will occur on such subsequent dates as shall be determined by Cantor in its administrative discretion and Cantor shall have a right to defer such exchanges for up to 3 months. Accordingly, of the 6,317,385 distribution rights shares to be distributed by Cantor in April 2009, partners having rights to 5,567,725 of such distribution rights shares elected to defer their receipt of shares. In May 2009, Cantor exchanged shares of Class B Common Stock and delivered 527,344 shares of Class A Common Stock in satisfaction of its distribution rights obligations effective April 1, 2009. The remaining 222,316 shares will be distributed by Cantor upon completion of administration materials.

Upon completion of this distribution, the aggregate number of remaining shares of Class A Common Stock that Cantor will be required to distribute to retained and founding partners will be 25,618,396 shares of Class A Common Stock (22,819,305 shares with respect to retained partners and 2,799,091 shares with respect to founding partners).

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

| | Number of shares of our common stock that are required to be distributed by Cantor in respect of the distribution rights (1) |
|--|---|
| Anniversary of the merger (April 1, 2008) | |
| 12 month | 6,317,385 |
| 18 month | 7,150,706 |
| 24 month | 8,419,659 |
| 30 month | 1,228,250 |
| 36 month | 3,029,740 |
| Total | 26,145,740 |

(1) As of March 31, 2009. Includes distribution rights shares which certain Cantor partners have elected to defer until a later time. In addition to the table above, the managing general partner of Cantor will be able to grant earlier distribution of the shares in its discretion, as it did with respect to an additional 6,073,355 shares and 458,369 shares in connection with our public offering in June 2008 and stock repurchases by us in September 2008, respectively. Similarly, in connection with the founding partners' charitable donations, on December 1, 2008, Cantor agreed to accelerate the distribution of the aggregate 519,276 distribution rights shares solely to permit such founding partners to donate such shares to The Cantor Fitzgerald Relief Fund. Cantor also agreed, on December 1, 2008, to allow one founding partner to exchange 521,957 additional BGC Holdings limited partnership units for 521,957 shares of Class A common stock, and to accelerate the exercisability of 484,445 of Mr. Amaitis' BGC Holdings limited partnership units (which would have otherwise become exercisable on the fifth anniversary of the Merger) for 484,445 shares of Class A common stock, in each case solely to permit such founding partner to donate such exchange shares to The Cantor Fitzgerald Relief Fund. In addition, the Company, as the general partner of BGC Holdings, agreed to remove the contractual transfer restrictions on the aggregate 1,006,402 exchange shares solely to permit such founding partners to donate such shares to The Cantor Fitzgerald Relief Fund.

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

As of April 30, 2009, during the first four months of 2009, we repurchased common stock for a total of \$7.9 million. The 4,023,959 reacquired shares were designated treasury shares and will be used for general corporate purposes. As of April 30, 2009, \$32.4 million was remaining from the authorization of our board of directors and our audit committee to repurchase our Class A common stock, BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor or our executive officers. We are continuing to make stock repurchases in 2009 and from time to time we may actively repurchase shares and may cease making repurchases at anytime.

On May 7, 2009, BGC Partners, Inc. (the Company) issued an aggregate of 1,793,946 shares of Class A Common Stock of the Company to partners of BGC Holdings, L.P. upon exchange of their exchangeable Founding Partnership Units. All of these shares are eligible for sale beginning on May 7, 2009 when the Company's restrictions on employee stock transactions are lifted.

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In order to facilitate receipt of the shares by the partners of BGC Holdings and receipt of distribution rights shares to be received by partners of BGC Holdings and Cantor, the Company and Cantor have made arrangements for such partners to open brokerage accounts with an investment bank. These accounts will facilitate repayment by any such partners of any partnership loans or other amounts payable to Cantor or the Company.

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

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The information required by this item is set forth in Part 2 of Item 1 and is incorporated by reference herein.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

| Exhibit No. | Description |
|--------------------|--|
| 10.1 | Employment Agreement, dated November 13, 2008, between Anthony Graham Sadler and Tower Bridge International Services, L.P. |
| 31.1 | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended March 31, 2009 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

/s/ HOWARD W. LUTNICK

Name: Howard W. Lutnick

Title: Chairman of the Board and Chief Executive Officer

/s/ ANTHONY GRAHAM SADLER

Name: Anthony Graham Sadler

Title: Chief Financial Officer

Date: May 11, 2009

[Signature page to the Quarterly Report on Form 10-Q for the period ending March 31, 2009 dated May 11, 2009]

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Exhibit Index

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|--------------------|--|
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| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |