BGC Partners, Inc.
Form S-1
February 08, 2007
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As filed with the Securities and Exchange Commission on February 8, 2007

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

BGC PARTNERS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**6200**	**20-5974358**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

199 Water Street

New York, New York 10038

(800) 707-8865

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Stephen M. Merkel

Executive Vice President,

General Counsel and Secretary

BGC Partners, Inc.

199 Water Street

New York, New York 10038

(800) 707-8865

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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New York, New York 10019	**New York, New York 10178-0060**	**New York, New York 10036**
(212) 403-1000	**(212) 309-6000**	**(212) 735-3000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Class A common stock	$ 460,000,000	$ 49,220.00

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion. Preliminary Prospectus, dated February 8, 2007

PROSPECTUS

Shares

BGC Partners, Inc.

Class A Common Stock

This is an initial public offering of Class A common stock, which we refer to as our common stock, of BGC Partners, Inc., which we refer to as BGC Partners. All of the shares of common stock are being sold by BGC Partners.

We expect the public offering price to be between $ and $ per share. Prior to this offering, there has been no public market for our common stock. We intend to apply to list our common stock on the Nasdaq Global Market under the symbol BGCP.

See Risk Factors beginning on page 15 to read about important factors you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to BGC Partners	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares of common stock from BGC Partners at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2007.

Cantor Fitzgerald & Co. **Deutsche Bank Securities**

(listed alphabetically)

The date of this prospectus is , 2007.

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No dealer, salesperson or other person is authorized to give any information or to represent anything other than the information contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered pursuant to this prospectus, but only under circumstances and in jurisdictions where it is lawful to do so. In particular, there are restrictions on the distribution of this prospectus and the offer or sale of the shares offered pursuant to this prospectus in the United Kingdom and other Member States of the European Economic Area, see Underwriting. The information contained in this prospectus is current only as of its date.

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Until , 2007 (25 days after commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

BGC Partners, Inc. and Cantor Fitzgerald, L.P. logos and the other trademarks, tradenames and service marks of BGC, Cantor Fitzgerald, L.P., and their affiliates mentioned in this prospectus, including BGC, BGC Brokerage, BGC International, BGC Partners, MIS Brokers, and Tower Bridge Securities, are currently the property of, and are used with the permission of, Cantor Fitzgerald, L.P. and its subsidiaries. In connection with the separation, the logos and other trademarks, tradenames and service marks of BGC Partners, Inc. and BGC, including BGC, BGC Brokerage, BGC International, BGC Partners, BGC The Voice of Experience, MIS Brokers, The Voice of Experience, and Tower Bridge Securities, along with Swapsight and Tomorrow s Headlines (currently owned by Cantor Market Data), will be transferred to, and become the property of, BGC Partners, Inc. The logos, trademarks, tradenames and service marks discussed in this paragraph may have registrations pending or in effect in one or more of the countries or jurisdictions in which Cantor Fitzgerald, L.P., BGC Partners, Inc. or any of their subsidiaries does business.

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INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding the inter-dealer brokerage industry and the financial services industry. We obtained this data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified this information.

All industry and statistical information included in this prospectus, other than information derived from our financial and accounting records, is presented as of December 31, 2006, unless otherwise indicated. Financial data and information derived from our accounting records which are presented as current are as of September 30, 2006, the date of the most recently available quarterly financial statements.

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PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. Because this is a summary, it may not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors beginning on page 15.

This prospectus describes the businesses that Cantor Fitzgerald, L.P., a Delaware limited partnership, expects to contribute to BGC Partners, Inc., a Delaware corporation, and its subsidiaries as part of the separation of these businesses from Cantor Fitzgerald, L.P. in connection with this offering as if such separation were complete and the businesses to be contributed were our businesses for all purposes for all periods described. A glossary of terms specific to our organization and the separation is set forth in the section entitled Glossary.

Unless indicated otherwise, the information in this prospectus assumes no exercise by the underwriters, for which Cantor Fitzgerald & Co. and Deutsche Bank Securities Inc. (listed alphabetically) are acting as representatives, of their option to purchase up to additional shares of our common stock solely to cover over-allotments, if any.

Our Business

We are a leading full-service inter-dealer broker specializing in the trading of over-the-counter financial instruments and related derivative products. We provide integrated voice and electronic execution and other brokerage services to many of the world s largest and most creditworthy banks that regularly trade in capital markets, brokerage houses and investment banks for a broad range of global financial products, including fixed income securities, foreign exchange, equity derivatives, credit derivatives, futures, structured products and other instruments, as well as market data products for selected financial instruments.

Our integrated voice and electronic platform is designed to provide flexibility to our customers with regard to price discovery, execution and processing of transactions. Our hybrid platform enables our customers to use voice, screen-assisted, voice-assisted or, where available, fully electronic brokerage services in connection with transactions executed either over-the-counter, which we refer to as OTC, or through an exchange. Our hybrid platform allows us to generate revenues, irrespective of whether a market is voice-brokered or electronic in nature. Our brokerage services include execution, clearing, processing and other back office services. We complement our brokerage services with value-added products such as market data and analytics products.

Prior to the events of September 11, 2001, our brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of a majority of our U.S.-based employees, our brokerage business operated primarily in Europe. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it BGC in honor of B. Gerald Cantor, Cantor s founder and a pioneer in screen brokerage services and fixed income market data products. Over the past two years, we have re-established our presence in the U.S. and have continued to expand our global operations through the acquisition and integration of established brokerage companies and the hiring of a substantial number of experienced brokers. Through these actions, we have been able to expand our presence in key markets and position our business for sustained growth.

As of January 1, 2007, we had approximately 1,064 brokers across approximately 125 desks (up from approximately 525 brokers across approximately 62 desks in August 2004). We currently have offices in major financial centers such as New York, Chicago, Los Angeles, London, Toronto, Hong Kong, Paris, Nyon, Milan, Tokyo, Beijing, Singapore, Mexico City, Copenhagen, Melbourne and Sydney and expect to open offices in Istanbul and Seoul in 2007.

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We provide our integrated brokerage services through our established brokerage platform and our relationship with eSpeed, Inc., a company controlled by Cantor, which we refer to as eSpeed. Our relationship with eSpeed is guaranteed in a perpetual joint services agreement between Cantor and eSpeed, which we refer to as the joint services agreement. Our platform is carried on eSpeed s electronic trading systems, and we have a perpetual right to use eSpeed s system under the joint services agreement. Under that agreement and the master transaction agreement which we intend to enter into in connection with this offering, we share revenues with eSpeed on a pre-determined schedule.

We complement our trading services by providing proprietary market data to our customers through our BGC Market Data business. BGC Market Data (currently Cantor Market Data), which we refer to as BGC Market Data, is the exclusive source of real-time proprietary pricing and other data derived through BGC Partners and eSpeed for U.S. and European securities and derivatives. Current products include real-time data in live markets for U.S. Treasuries, European government bonds, eurobonds and U.S. dollar interest rate swaps. Our market data services are available across a broad array of distribution channels, including Bloomberg, CQG, Reuters and Thomson ILX.

We provide brokerage services to our customers primarily in the form of agency or, to a lesser extent, matched principal transactions. In agency transactions, we connect buyers and sellers and assist in the negotiation of the price and other material terms of the transaction. In matched principal transactions, we act as a middleman by serving as counterparty for identified buyers and sellers in matching, in whole or in part, reciprocal back-to-back trades. In addition, to a limited extent, we participate in certain of our marketplaces by posting quotations for our own account and by acting as principal on unmatched trades to facilitate transactions, add liquidity, increase revenue opportunities and attract additional order flow.

Our total revenues for the year ended December 31, 2005 were $503.7 million, compared to total revenues of $327.8 million for the year ended December 31, 2004, representing an increase of 53.7% over this period. Our total revenues for the nine months ended September 30, 2006 were $547.1 million, compared to $367.4 million for the nine months ended September 30, 2005, representing an increase of 48.9%. Reflecting the costs associated with the North American rebuild, European and Asian expansion and repositioning of BGC, net income, which had amounted to $1.1 million for the year ended December 31, 2004, declined to a net loss of $96.1 million for the year ended December 31, 2005, a net loss of $68.2 million for the nine months ended September 30, 2005 and a net loss of $76.9 million for the nine months ended September 30, 2006. Included in these losses are amounts aggregating $49.5 million and $68.7 million for the year ended December 31, 2005, and the nine months ended September 30, 2006, respectively, reflecting charges related to our recent acquisitions, our office moves, our settlement of tax liabilities and our implementation of new accounting standards that we do not expect to incur going forward. These results do not reflect pro forma adjustments including revenues received by us pursuant to the joint services agreement which would result in revenues increasing by $19.4 million and net income increasing by $13.8 million for the nine months ended September 30, 2006.

Industry Overview

In liquid financial markets, the presence of large numbers of market participants and facilitators of liquidity and the availability of pricing reference data and standardized terms allow market participants to trade financial instruments quickly and with minimal price disturbance. In these markets, there is substantial competition, efficient execution and high trading volume. Inter-dealer brokers act as intermediaries between major market participants to facilitate transactions in these markets.

To the extent the trading of a financial instrument requires customization, the relevant market tends to be more illiquid. Illiquid markets generally have fewer market participants, less price transparency, higher spreads and lower trading volumes. Inter-dealer brokers facilitate trading in less liquid markets through providing price discovery, preserving anonymity in matched principal trades, matching buyers and sellers on a name give-up

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basis in agency transactions and providing market intelligence to their customers. In both agency and matched principal transactions, customers decide to execute a trade and inter-dealer brokers effectively source the counterparties for those trades. Inter-dealer brokers are particularly helpful in facilitating large or non-standardized transactions due to their in-depth market knowledge and access to potential counterparties.

Wholesale market participants and institutions, such as major banks, investment banks and broker-dealer firms, continue to look to marketplace firms that are able to meet the bulk of their trading needs in a broad range of products. These wholesale market participants continue to display a willingness to pay substantial brokerage commission revenues to inter-dealer brokers who are able to provide timely and valuable pricing information, strong execution capabilities and the liquidity necessary for such market participants to execute their desired transactions. The underlying OTC and exchange-traded derivative markets traditionally served by inter-dealer brokers have experienced a five-year compound annual growth rate of approximately 26.6% based on notional amounts (2000-2005) (Bank for International Settlements, Semiannual OTC Derivatives Markets Statistics June 2006, Exchange Traded Derivatives Statistics Quarterly Review December 2006). With the positive impact of increasing volatility in the financial markets as well as the continuing high levels of innovation and product development occurring in the wholesale financial markets today, we believe that this growth should continue into the foreseeable future.

Our Market Opportunity

We believe the financial markets in which we operate present us with the following opportunities to provide value to our customers as a full-service inter-dealer broker and market data supplier:

Market Demand for Superior Execution. We expect to see continued demand in the wholesale markets for inter-dealer brokers given their ability to provide price discovery, liquidity and superior execution.

Desire for Anonymity. We expect to see an increasing demand for inter-dealer brokers to provide trade anonymity. In order to capture this demand, we may increase our matched principal trading activities.

Increasing Use of Hedging and Risk Management. We believe that increasing securities regulations, broadening familiarity with derivative products and the growing need for risk management will continue to drive higher trading volumes in interest rate derivatives, credit derivatives, foreign exchange and listed futures markets.

Accelerating Introduction of New Products. We believe that the rate of introduction of new products that are not immediately ready for more liquid and standardized electronic markets will increase the need for trading and require broker-assisted execution, provide opportunities for inter-dealer brokers to expand their trading volumes and create product niches. We believe that these products generally have higher commissions than more liquid instruments.

Market Demand for Global Execution and Presence. We believe the continuing globalization of trade, the liberalization of capital markets and economic growth in emerging markets are fueling demand for inter-dealer brokerage services across the globe.

Growth in Algorithmic and Computerized Trading. In recent years, algorithmic and computerized trading has seen tremendous growth spurred by increasing liquidity and lower operating costs. As our customers become more familiar with computerized trading, volumes should rise.

Increasing Demand for Market Data. Demand for reliable, real-time market data is growing as trading volumes increase.

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Our Competitive Strengths

We believe that the following principal competitive strengths of ours will help establish us as a leading global inter-dealer broker:

We Are a Leading Inter-Dealer Broker in Key Markets. We are a leading global, full-service inter-dealer broker in key markets with more than 30 years of experience. Our leadership position in a multitude of markets globally and access to a broad customer base allow us to locate the best price and to deliver the best execution for our customers, in both liquid and illiquid markets.

We Have Strong Core Brokerage Relationships. We believe that our long-established relationships with some of the world s largest financial institutions enhance our role as a liquidity provider and our ability to provide price discovery and efficient execution.

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

We Provide Quality Market Data and Analytics Products. Our leading position and liquidity in brokerage markets allows us to provide our customers with high quality market data and analytics products, which help to support our leadership in several key markets and provide a stable source of non-brokerage revenues.

We Have the Ability to Identify, Recruit and Retain Key Talent. In August 2004, when Cantor announced the restructuring of its inter-dealer brokerage business, we employed approximately 525 brokers. As of January 1, 2007, the number of BGC brokers had more than doubled to approximately 1,064. In a competitive environment, we have demonstrated our ability to successfully build, attract and retain leading brokers, including through acquisitions of new businesses, in order to expand and solidify our brokerage staff. We believe our ability to attract talent across the globe will enable us to grow our business and provide our customers with trading execution that is superior to that provided by many of our competitors.

Our Partnership Structure Creates Long-Term Incentives. Our partnership structure is one of the unique strengths of our business. We believe it provides long-term incentives and is an effective tool in recruiting, motivating and retaining our key employees.

We Have a Proven Acquisition Track Record. In 2005, we acquired Euro Brokers and ETC Pollak, and we have integrated these established brokerage companies into our business. More recently, in November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets, and in December 2006, we acquired AS Menkul, an established broker in Turkey. These acquisitions allowed us to expand our broker headcount, product offerings and geographic footprint. We believe that this ability to successfully identify, acquire and integrate high quality brokerage companies provides us with the opportunity to strengthen and enhance our franchise and to continue our rebuilding and expansion.

We Have Experienced Senior Management. We are led by a core senior management team each of whom has over 20 years of experience in the inter-dealer broker markets. We believe that our experienced senior management team gives us a competitive advantage in executing our business strategy.

Our Strategy

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

Regain Leadership Position and Selectively Explore Unique Growth Opportunities in the U.S. Market. We have significantly rebuilt our presence in the U.S. market through the acquisition of established brokerage operations and the hiring of experienced brokers. Having made these investments, we believe that we are well-positioned to achieve significant growth in the U.S. market.

Achieve and Maintain Leading Positions in Targeted Traditional, Liquid Markets. We intend to strengthen our position as a leading provider of inter-dealer brokerage services and market data products in the markets on which we focus.

Build and Develop Less Liquid, High-Growth Markets. We plan to build selected higher growth, higher margin businesses by leveraging our leading positions in the underlying traditional markets associated with these businesses. For instance, we believe there is a strong cross-selling opportunity as our cash bond market brokers introduce their customers to our new credit derivatives platform.

Expand in Attractive Markets Where Local Presence and Expertise Are Required. We plan to continue to expand into new geographies and build local presence in such geographies. We believe that having local presence and expertise in targeted markets will provide us with a competitive advantage over our competitors.

Leverage Existing Infrastructure to Drive Operational Leverage in Traditional Markets. We have made substantial investments in brokers and technology in our targeted markets. This infrastructure is in place and immediately scalable, and, therefore, provides an opportunity for margin improvement as brokers increase production.

Expand Our Broker Workforce Through Acquisitions and Recruitment. We have a proven track record of growing our global network of brokers through business acquisitions and recruiting efforts and believe we are well-positioned to continue to do so. We intend to continue to selectively acquire companies and hire experienced brokers with the goal of further developing our market position in various products, accelerating our growth and enhancing our profitability.

Grow and Expand Our Market Data Services and Products. We intend to further develop our market data services and create new value-added services for customers to complement these products.

Our Organizational Structure

We are a Delaware corporation, and our business is operated through two operating partnerships, BGC U.S. and BGC Global. Immediately after the closing of this offering, we will hold and units, representing approximately % and % of the outstanding limited partnership interests, in BGC U.S. and BGC Global, respectively. The remaining and units, representing approximately % and % of the outstanding limited partnership interests, in BGC U.S. and BGC Global, respectively, will be held by BGC Holdings. Our working partners and Cantor will hold all of the BGC Holdings limited partnership interests, other than the special voting limited partnership interest, which entitles the holder to remove and appoint the general partner of BGC Holdings, that we will hold.

BGC Holdings limited partnership interests issued to Cantor, including those transferred to our working partners in redemption of their current limited partnership interests in Cantor, will consist of BGC Holdings units and rights to exchange such units for shares of our capital stock as described below, which we refer to as the BGC exchange rights. Cantor will hold all of the BGC exchange rights. The BGC exchange rights and their related units will be exchangeable from time to time by Cantor, commencing one year after this offering for shares of Class B common stock (or at Cantor s election, shares of our common stock) on a one-for-one basis. At Cantor s election and subject to the approval of a majority of our independent directors, or if there is a board of

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directors approved stock repurchase plan then in effect, the BGC exchange rights and their related units will also be exchangeable for cash, if available, in an amount equal to the fair market value of such shares at the time of the exchange.

With each exchange of a BGC exchange right and its related unit by Cantor, our interest in BGC U.S. and BGC Global will proportionately increase. Once we receive a BGC Holdings limited partnership interest consisting of a BGC exchange right and the related BGC Holdings unit, all rights associated with the exchange right shall expire.

We anticipate that we will consolidate the financial statements of BGC U.S. and BGC Global. We anticipate that Cantor s and our working partners ownership interest in BGC U.S. and BGC Global, through their ownership of BGC Holdings units, will be accounted for as a minority interest in our financial statements after this offering and all separation agreements are finalized.

Immediately after the closing of this offering, there will be shares of our common stock outstanding, all of which will be held by persons who purchase shares in this offering. In addition, Cantor will hold shares of Class B common stock and the single share of Class C common stock, which collectively will represent approximately % of our voting power. Each share of Class B common stock will generally be entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock will be entitled to 10 votes. The Class C common stock will not be entitled to any economic rights, but will be entitled to vote on matters submitted to a vote of our stockholders and will be entitled to the total number of votes underlying the outstanding BGC exchange rights on an as-if-exchanged basis (assuming all BGC exchange rights and their related units (including units held by our working partners that were acquired in redemption of their limited partnership interests in Cantor with respect to which Cantor is required to exercise its right of first refusal) were exchanged for Class B common stock). As a result, Cantor will initially be able to control the election of our directors and control our management and affairs, including determinations with respect to acquisitions, dispositions, material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of our common stock or other securities. This control will be subject to the approval of our independent directors on those matters requiring such approval. The voting power of the Class C common stock will fluctuate over time as the BGC exchange rights are exchanged, or additional BGC exchange rights are issued. Class B common stock and Class C common stock generally will vote together with our Class A common stock on all matters submitted to a vote of our stockholders.

Our business is presently being operated by Cantor and its affiliates. In connection with or prior to this offering, we have formed BGC Partners, BGC Holdings, BGC U.S. and BGC Global. In a series of transfers to be completed in connection with this offering, Cantor will transfer certain of its assets and liabilities and all of the issued and outstanding stock of Euro Brokers to BGC Partners, Inc. We refer to these transfers as the separation. The assets and liabilities that Cantor will transfer to BGC Partners will include:

- all of Cantor s interests in the subsidiaries that operate BGC s inter-dealer brokerage business and Cantor s market data businesses,
- all of Cantor s rights and obligations to share revenues with eSpeed in respect of clearing, processing and other back office services under the joint services agreement, and
- certain indebtedness in the aggregate amount of $250 million incurred by Cantor to fund the business of BGC.

After this offering, Cantor will continue to hold its equity capital markets, debt capital markets and gaming businesses, its interests in eSpeed, certain greenhouse gas, energy, environmental and emission allowances businesses, the equity derivatives inter-dealer brokerage business of the Equities Division of Cantor and certain other businesses.

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The graphic below illustrates our expected ownership structure immediately after completion of the separation and this offering. It does not reflect the various subsidiaries of BGC Partners, BGC U.S., BGC Global or Cantor, the exercise, if any, of the underwriters over-allotment option or the results of any exchange of the BGC exchange rights and their related units.

Expected Ownership Structure Immediately after Completion

of the Separation and This Offering

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Prior to the closing of this offering, BGC Partners will distribute approximately $150 million of its cash and accrued commissions receivable balances as of , 2007, to Cantor, and BGC Partners will settle all receivables and payables between it and related parties, other than eSpeed.

You should read Risk Factors Risks Related to the Separation, The Separation of Our Business and the BGC Partners Organizational Structure, Certain Relationships and Related Transactions and Description of Capital Stock for additional information about our corporate structure and the risks posed by this structure.

Recent Developments

In November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets. We believe that Aurel Leven will add scale to our equity derivatives franchise and will expand our reach into Europe.

In December 2006, we acquired AS Menkul, an established broker in Turkey. AS Menkul is a member of the Istanbul Stock Exchange and, as such, has direct access to the Turkish equities market and the Turkish electronic bond market.

Company Information

We conduct substantially all of our business through our subsidiaries.

Our executive offices are located at 199 Water Street, New York, New York 10038, and our telephone number is (800) 707-8865. Our website is located at www.bgcpartners.com and our email is info@bgcpartners.com. The information contained on our website is not part of this prospectus. BGC Partners, Inc. is a Delaware corporation formed on November 29, 2006.

Our largest stockholder is Cantor, which controls our company. Immediately following this offering, Cantor will hold approximately shares of Class B common stock and our one share of Class C common stock. Class B common stock will entitle Cantor to 10 votes per share, thereby entitling Cantor to votes, representing approximately % of our voting power immediately after this offering with respect to those shares of Class B common stock. The single share of Class C common stock will be entitled to the total number of votes underlying the BGC exchange rights held by Cantor on an as-if-exchanged basis (assuming all BGC exchange rights and their related units (including units held by our working partners that were acquired in redemption of their limited partnership interests in Cantor with respect to which Cantor is required to exercise its right of first refusal) were exchanged for Class B common stock), representing % of our voting power immediately after this offering. After this offering, Cantor will collectively be entitled to approximately % of our voting power. The BGC exchange rights and their related units will be exchangeable from time to time by Cantor, commencing one year after this offering, for shares of Class B common stock, or upon Cantor s election, shares of our common stock, in each case on a one-for-one basis. At Cantor s election and subject to the approval of a majority of our independent directors, or if there is a board of directors approved stock repurchase plan then in effect, the BGC exchange rights and their related units will also be exchangeable for cash, if available, in an amount equal to the fair market value of such shares at the time of the exchange.

We will have an ongoing relationship with Cantor and its subsidiaries and affiliates, including eSpeed, after the separation and this offering, including several agreements with Cantor that are intended to define and regulate our ongoing relationship with Cantor after the separation and this offering. For a further discussion, see Certain Relationships and Related Transactions.

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This Offering

Class A common stock offered by BGC Partners (a)	shares
Shares of all classes of BGC Partners common stock to be outstanding immediately following this offering:	
Class A common stock	shares of Class A common stock (b)
Class B common stock	shares of Class B common stock (c)
Class C common stock	One share of Class C common stock
Use of Proceeds:	
By BGC Partners	We estimate that we will receive net proceeds from this offering of approximately $ million after deducting the estimated underwriting discounts and commissions and expenses, assuming the shares are offered at $ per share, which represents the mid-point of the range set forth on the cover page of this prospectus.

As described in Use of Proceeds, we intend to use the net proceeds as follows:

- to repurchase shares of our common stock from certain of our and our affiliates executive officers for an aggregate of $ million (such funds will be used to repay borrowings or pay required capital contributions on the closing date of this offering, for the substantial majority of which Cantor is the lender or in the case of capital contributions, the recipient) and pay to Cantor an aggregate of $ million in exchange for BGC Holdings limited partnership interests acquired by Cantor from certain of our executive officers, and

- to purchase of the BGC U.S. limited partnership interests and of the BGC Global limited partnership interests held by Cantor immediately after this offering for an aggregate of $ million.

The remaining net proceeds (including the net proceeds from any shares of our Class A common stock sold pursuant to the underwriters over-allotment option) will be indirectly contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests.

BGC U.S. and BGC Global intend to use the net proceeds they receive from BGC Partners as follows:

- to repay existing indebtedness in aggregate principal amount of $150 million owed by BGC to Cantor, and

- for general corporate purposes.

By Cantor	Cantor will use the net proceeds it receives in connection with the separation and this offering for general partnership purposes.
Voting Rights	Each share of our common stock will entitle its holder to one vote per share, thereby entitling holders of our common stock to votes, representing approximately % of our voting power in the aggregate immediately after this offering. Class B common stock will entitle Cantor to 10 votes per share, thereby entitling Cantor to votes, representing approximately % of our voting power immediately after this offering with respect to those shares of Class B common stock.
	The single share of Class C common stock will be entitled to the total number of votes underlying the outstanding BGC exchange rights on an as-if-exchanged basis (assuming all such BGC exchange rights and their related units (including units held by our working partners that were acquired in redemption of their limited partnership interests in Cantor with respect to which Cantor is required to exercise its right of first refusal) were exchanged for Class B common stock), representing % of our voting power immediately after this offering. This means that the share of Class C common stock will have the voting power associated with the shares of Class B common stock that would be issued upon exchange of all of these outstanding BGC exchange rights and their related units for shares of Class B common stock. For example, if the outstanding BGC exchange rights and their related units were exchangeable for 50,000,000 shares of Class B common stock, the share of Class C common stock would be entitled to 500,000,000 votes. The voting power of the Class C common stock will fluctuate over time as the BGC exchange rights are exchanged or additional BGC exchange rights are issued.
	Class B common stock and Class C common stock generally will vote together with our common stock on all matters submitted to a vote of our stockholders.
	See The Separation of Our Business and the BGC Partners Organizational Structure, Certain Relationships and Related Transactions and Description of Capital Stock.
Economic Rights	Pursuant to our amended and restated certificate of incorporation, which we refer to as our certificate of incorporation, each share of our common stock and Class B common stock will be entitled to equal economic rights. However, the Class C common stock will have no economic rights, including no rights to dividends or to participate in liquidation.
Dividend Policy	We expect to use a substantial portion of the cash we receive from BGC U.S. and BGC Global to distribute as dividends to our common stockholders or to reinvest in BGC U.S. and BGC Global on a pro rata basis with BGC Holdings. See Dividend Policy.

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Risk Factors	For a discussion of factors you should consider before buying shares of our common stock, see Risk Factors.
Listing	We intend to apply to list our common stock on the Nasdaq Global Market under the trading symbol BGCP.

(a) Excludes shares of our common stock that may be purchased by the underwriters pursuant to the exercise of the underwriters over-allotment option.

(b) Includes shares of our common stock to be sold pursuant to this offering, but excludes (1) shares of our common stock issuable upon exchange of shares of outstanding Class B common stock, (2) shares of our common stock issuable pursuant to future exchanges of BGC exchange rights and their related units outstanding immediately after this offering in the event that Cantor were to elect to exchange all of those BGC exchange rights and their related units for our common stock and (3) shares of our common stock reserved for issuance in connection with our Equity Incentive Plan, our Employee Stock Purchase Plan and our Deferral Plan, none of which will have been granted or be subject to awards immediately following this offering.

(c) Excludes shares of Class B common stock issuable pursuant to future exchanges of BGC exchange rights and their related units outstanding immediately after this offering. If, immediately following this offering, all of the BGC exchange rights and their related units then outstanding were exchanged for Class B common stock, Class B common stock would represent approximately % of our outstanding common equity (or approximately % of our outstanding common equity if the underwriters over-allotment option is exercised in full) and would represent approximately % of our voting power (or approximately % of our outstanding voting power if the underwriters over-allotment option is exercised in full). See Description of Capital Stock.

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Summary Historical and Pro Forma Combined Data

The following table sets forth the summary of the historical combined financial information and other data of BGC and summary pro forma combined financial information of BGC Partners, Inc.

The summary historical combined financial data of BGC as of September 30, 2006 and December 31, 2005 and 2004 and for the nine months ended September 30, 2006 and for each of the years ended December 31, 2005, 2004 and 2003 have been derived from the BGC Division s audited historical combined financial statements included elsewhere in this prospectus. The summary historical combined financial data as of and for the nine months ended September 30, 2005 are from the unaudited historical combined financial statements included elsewhere in this prospectus. The summary historical combined financial data as of December 31, 2003 and September 30, 2005 are derived from unaudited historical financial statements which are not included in this prospectus. This financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our Combined Financial Statements and the accompanying Notes thereto included elsewhere in this prospectus.

We derived the unaudited pro forma combined statement of operations data for the nine months ended September 30, 2006 and the year ended December 31, 2005 and the unaudited pro forma statement of financial condition data as of September 30, 2006 by applying pro forma adjustments to our historical statements of operations data for the nine months ended September 30, 2006 and the year ended December 31, 2005 and our historical statement of financial condition data as of September 30, 2006. The unaudited pro forma combined statement of operations data for the nine months ended September 30, 2006 and the year ended December 31, 2005 and the unaudited pro forma combined statement of financial condition data at September 30, 2006 present the consolidated results of operations and financial position of BGC Partners, Inc. assuming that the proposed organizational changes described in The Separation of Our Business and the BGC Partners Organizational Structure had been completed as of January 1, 2005 with respect to the unaudited pro forma combined statement of operations data and at September 30, 2006 with respect to the unaudited pro forma combined statement of financial condition data.

The BGC Partners, Inc. pro forma adjustments principally give effect to the impact of the proposed organizational change as described in The Separation of Our Business and the BGC Partners Organizational Structure as well as the following matters:

- the acquisition of Euro Brokers and ETC Pollak as if the acquisitions had occurred on January 1, 2005,
- the rights and obligations to receive electronic revenue share in respect of transactions processed on the electronic trading platform under the joint services agreement,
- the effect of the creation of the Service Company Entity,
- the effect of our current proposed compensation arrangements with our executive officers, and
- this offering and our use of a portion of the proceeds to repay debt as described in Use of Proceeds.

The summary pro forma combined financial data is included for informational purposes only and should not be considered indicative of actual results that would have been achieved had these events actually been consummated on the dates indicated and do not purport to indicate results of operations as of any future date or for any future period.

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	Year Ended December 31,				Nine Months Ended September 30,		
Combined Statement of Income Data:	**2003**	**2004**	**2005**	**2005 Pro Forma**	**2005**	**2006**	**2006 Pro Forma**
	($ in thousands)						
Revenues:							
Commissions	$ 123,811	$ 165,410	$ 343,327	$ 480,073	$ 235,790	$ 373,779	$ 393,216
Principal transactions	121,680	125,272	119,586	120,578	96,926	107,484	107,484
Fees from related parties	8,389	11,501	13,059	13,059	10,126	16,499	16,499
Market data	10,825	14,307	16,283	16,283	12,027	13,136	13,136
Other revenues	26,992	11,331	11,480	11,901	12,551	36,177	36,177
Total revenues	291,697	327,821	503,735	641,894	367,420	547,075	566,512
Expenses:							
Compensation and employee benefits	154,075	193,405	386,752	488,462	274,440	385,094	385,094
Other expenses	95,173	130,770	220,567	250,971	160,840	228,168	233,844
Total expenses	249,248	324,175	607,319	739,433	435,280	613,262	618,938
(Loss) income from continuing operations before income taxes and minority interest	42,449	3,646	(103,584)	(97,539)	(67,860)	(66,187)	(52,426)
Provision (benefit) for income taxes	13,871	2,577	(7,634)	(7,634)	321	(71)	(71)
Gain (loss) applicable to minority interest	17	(54)	(16)	(16)	(4)	17	17
(Loss) income from continuing operations	28,561	1,123	(95,934)	(89,889)	(68,177)	(66,133)	(52,372)
Loss from discontinued operation, net of income tax			(117)	(117)		(650)	(650)
Cumulative effect of change in accounting principle, net of income tax						(10,080)	(10,080)
Net (loss) income	$ 28,561	$ 1,123	$ (96,051)	$ (90,006)	$ (68,177)	$ (76,863)	$ (63,102)
Combined Statement of Financial Condition Data:							
Cash and cash equivalents	$ 17,417	$ 19,215	$ 127,367		$ 56,262	$ 138,514	$ 138,514
Total assets	232,052	454,409	875,059		757,042	1,908,019	1,908,019
Total liabilities	110,047	340,153	709,803		604,241	1,782,438	1,782,438
Total net assets	$ 114,902	$ 107,208	$ 158,224		$ 145,757	$ 118,532	$ 118,532
Selected Data:							
Total brokers	467	551	1,103	1,103	964	1,064	1,064
Total employees	695	774	1,526	1,526	1,380	1,518	1,518
Revenues by Geographic Area:							
Americas	$ 31,859	$ 46,700	$ 159,464	$ 249,701	$ 107,007	$ 180,750	$ 200,187
Europe	234,951	253,268	296,360	357,227	227,218	313,651	313,651
Asia	24,887	27,853	47,911	34,965	33,195	52,674	52,674
Total Revenues	$ 291,697	$ 327,821	$ 503,735	$ 641,894	$ 367,420	$ 547,075	$ 566,512

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Glossary

Unless the context otherwise requires, the terms:

BGC Partners, we, us and our refer to BGC Partners, Inc., a Delaware corporation and its subsidiaries, including BGC Holdings, BGC U.S. and BGC Global and their subsidiaries,

BGC U.S. refers to BGC Partners, L.P., a Delaware limited partnership, and its subsidiaries, which will manage and hold all of the interests, directly or indirectly, in the operating entities of our U.S. businesses,

BGC Global refers to BGC Global Holdings, L.P., a Cayman Islands limited partnership, and its subsidiaries, which will manage and hold all of the interests, directly or indirectly, in the operating entities of our non-U.S. businesses,

BGC Holdings refers to BGC Holdings, L.P., a Delaware limited partnership, and its subsidiaries, which will manage and hold all of the interests owned indirectly by Cantor and by our working partners in BGC U.S. and BGC Global,

BGC or BGC Division refers to our predecessor business prior to the separation,

Cantor refers to Cantor Fitzgerald, L.P., a Delaware limited partnership, its general partner and its subsidiaries other than BGC Partners,

BGC working partners or our working partners refers to the individuals who are limited partners of BGC Holdings and who provide full-time services to BGC Partners, and

our business refers to the business of BGC Financial Group, Inc. (formerly known as Maxcor Financial Group Inc.), including its Euro Brokers subsidiaries, which we refer to as Euro Brokers, the business of ETC Pollak SAS, which we refer to as ETC Pollak, the business of Aurel Leven Securities S.A.S., which we refer to as Aurel Leven, the business of AS Menkul Kiymetler A.S., which we refer to as AS Menkul, Cantor s interests in Freedom International Holdings, L.P. (which holds an interest in Freedom International Brokerage L.P.), which we refer to as Freedom, which Cantor intends to contribute to BGC Partners, and the other inter-dealer brokerage, electronic brokerage services and market data businesses, historically operated by Cantor, that Cantor intends to contribute to BGC Partners. After this offering, Cantor will continue to hold its equity capital markets, debt capital markets and gaming businesses, its interests in eSpeed, certain greenhouse gas, energy, environmental and emission allowances businesses, the equity derivatives inter-dealer brokerage business of the Equities Division of Cantor and certain other businesses.

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RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding to purchase shares of our common stock offered pursuant to this prospectus. The risk factors set forth below primarily relate to the business of BGC U.S. and BGC Global. These risks also affect BGC Partners because, after the closing of this offering, BGC Partners will have an interest in BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings. The following risks comprise the material risks of which we are aware; however, these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. If any of the events or developments described below actually occurred, our business, financial condition and results of operations would likely suffer. In that case, the trading price of our common stock would likely decline, and you could lose all or part of your investment in our common stock.

Risks Related to Our Business

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

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

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

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

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

The brokerage and financial services industries are intensely competitive, and we expect them to remain so. We compete directly with numerous other brokerage firms. We also compete with companies that provide alternative products, such as contracts traded on futures exchanges, and trading processes, such as the direct dealer-to-dealer market for government securities and stock exchange markets for corporate equities and other securities. Although we often use exchanges to execute transactions brokered in OTC markets, we increasingly compete with exchanges for the execution of trades in certain products, mainly in derivatives such as futures, options and options on futures. Some of our competitors have greater market presence, marketing capabilities and financial, technological and personnel resources than we do and, as a result, our competitors may be able to:

- develop and expand their network infrastructures and service offerings more efficiently or more quickly than we can,
- adapt more swiftly to new or emerging technologies and changes in customer requirements,
- take advantage of acquisitions and other opportunities more effectively than we can,
- hire our brokers and other key employees,
- devote greater resources to the marketing and sale of their products and services,
- more effectively leverage existing relationships with customers and strategic partners or exploit more recognized brand names to market and sell their services,
- provide a lower cost structure and lower commissions,
- provide access to trading in products or a range of products that we do not offer, and
- develop services similar to ours or new services that are preferred by our customers.

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

In addition, competition for brokerage transactions has resulted in substantial commission discounting by brokers competing with us for our brokerage business. Further discounting could adversely impact our revenues and as a result could materially adversely affect our business, financial condition and results of operations. The market for hiring brokers of various securities and financial products is also highly competitive which, from time to time, may result in litigation and/or arbitration. See Business Legal Proceedings.

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

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

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

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We may pursue strategic alliances, acquisitions or joint ventures or hire brokers for new or existing brokerage desks, which could present unforeseen integration obstacles or costs and could dilute the common stock owned by our stockholders.

We have explored and expect to continue to explore a wide range of strategic alliances with other brokers and with other companies that have interests in businesses in which we see brokerage opportunities. See Prospectus Summary Recent Developments and We are generally subject to risks inherent in doing business in the international markets, particularly in the regulated brokerage industry, and any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction, and our business could be adversely affected for a discussion of the risks inherent in international expansion. We also may seek to hire brokers for new or existing brokerage desks. These acquisitions or new hires may be necessary in order for us to enter into or develop new product areas.

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

- potential disruption of our ongoing business and product development and distraction of management,
- difficulty retaining and integrating personnel and integrating financial and other systems,
- the necessity of hiring additional management and other critical personnel and integrating them into our current operations,
- litigation and/or arbitration associated with hiring brokerage personnel (see Business Legal Proceedings),
- increasing the scope, geographic diversity and complexity of our operations,
- potential dependence upon, and exposure to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control,
- potential unfavorable reaction to our strategic alliance, acquisition or joint venture strategy by our customers,
- to the extent that we pursue business opportunities outside the U.S., exposure to political, economic, legal, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities,
- the up-front costs associated with recruiting brokerage personnel, including those costs associated with establishing a new brokerage desk,
- conflicts or disagreements between any strategic alliance or joint venture partners and us, and
- exposure to additional liabilities of any acquired business, strategic alliance or joint venture.

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

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

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

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

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

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

Mr. Howard W. Lutnick, who will serve as our Co-Chief Executive Officer and Chairman, is also the Chairman of the Board and Chief Executive Officer of Cantor, the controlling stockholder of CF Group Management, Inc., Cantor s managing general partner, which we refer to as CFGM, and is the Chairman, Chief Executive Officer and President of eSpeed. In addition, Mr. Lee M. Amaitis, who will serve as our Co-Chief Executive Officer and a member of our board of directors, is currently employed as Vice Chairman and Executive Vice President of eSpeed (although we expect him to step down from this position after the completion of this offering), Chairman and Chief Executive Officer of BGC International (formerly known as Cantor Fitzgerald International), which we refer to as BGCI, and BGC Partners, L.P., President and Chief Executive Officer of Cantor Index Limited and holds positions at various gaming affiliates of Cantor. Mr. Stephen M. Merkel, who will serve as our Executive Vice President, General Counsel and Secretary, is employed as Executive Vice President, General Counsel and Secretary of eSpeed and Executive Managing Director, General Counsel and Secretary of Cantor. Douglas R. Barnard, who will serve as our Chief Financial Officer, is also the Chief Financial Officer of Cantor. Messrs. Lutnick, Merkel and Barnard hold Cantor partnership interests and equity ownership in eSpeed and will not have these interests redeemed as part of either the separation or this offering. In addition, these executive officers also hold and/or will hold offices at various other affiliates of Cantor, BGC and/or eSpeed. See Risks Related to Conflicts of Interest We will have potential conflicts of interest with Cantor and eSpeed, and Cantor or eSpeed could act in a way that favors their interests to our detriment. As a result, these key employees dedicate only a portion of their professional efforts to our business and operations. These key employees may not be able to dedicate adequate time to our business and operations and we could experience an adverse effect on our operations due to the demands placed on our management team by their other professional obligations.

The BGC Holdings limited partnership agreement, which will include non-competition and other arrangements applicable to our key employees who will be limited partners of BGC Holdings, may not prevent our key employees from resigning or competing against us. See Management Executive Compensation Compensation Discussion and Analysis Employment Agreements and Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Partner Obligations. In addition, our success has largely been dependent on the efforts of Messrs. Lutnick, Amaitis and Shaun D. Lynn and our other executive officers, managers and personnel who possess extensive skills in our business. Should Mr. Lutnick leave or otherwise become unavailable to render services to us, control of BGC Partners would likely pass to Cantor, and indirectly pass to the then controlling stockholder of CFGM, Cantor s managing general partner, or to such other general partner as CFGM shall appoint. Although we expect that our named executive officers will enter into non-competition agreements with respect to our business, the scope of such agreements will not prohibit such named executive officers from offering services to Cantor or its affiliates. If any of our key employees, including Messrs. Lutnick, Amaitis and Lynn, were to join an existing competitor, form a competing company, offer services to Cantor that compete with our services or otherwise leave us, some of our customers could choose to use the services of that competitor or another competitor instead of our services, which could adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

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

Difficult market conditions, economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our business and profitability. Our business and the brokerage and financial services industry in general are directly affected by national and international economic and political conditions, broad trends in business and finance, the level and volatility of interest rates, changes in and uncertainty regarding tax laws and substantial fluctuations in the volume and price levels of securities transactions. In each of the past three years and in the nine months ended September 30, 2006, over 84% and 87%, respectively, of our revenues were generated by our brokerage operations. As a result, our revenues and profitability are likely to decline significantly during periods of low trading volume in the financial markets in which we offer our services. The financial markets and the global financial services business are, by their nature, risky and volatile and are directly affected by many national and international factors that are beyond our control. Any one of these factors may cause a substantial decline in the U.S. and global financial services markets, resulting in reduced trading volume. These events could have a material adverse effect on our results and profitability. These factors include:

- economic and political conditions in the U.S., Europe and elsewhere in the world,
- concerns about terrorism, war and other armed hostilities,
- concerns over inflation and wavering institutional and consumer confidence levels,
- the availability of cash for investment by our dealer customers and their customers,
- the level and volatility of interest rates and foreign currency exchange rates,
- the level and volatility of trading in certain equity and commodity markets,
- the level and volatility of the difference between the yields on corporate securities being traded and those on related benchmark securities (which we refer to as credit spreads), and
- currency values.

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

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

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

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

Many aspects of our business, like those of other brokerage firms, are subject to significant capital requirements. In the U.S., the Securities and Exchange Commission, which we refer to as the SEC, the National Association of Securities Dealers, Inc., which we refer to as the NASD, and various other regulatory bodies (including the Commodity Futures Trading Commission, which we refer to as the CFTC, and the National Futures Association, which we refer to as the NFA) have stringent provisions with respect to capital applicable to the operation of brokerage firms, which vary depending upon the nature and extent of the broker-dealer s activities. We operate two U.S.-registered broker-dealers: BGC Securities and BGC Financial, Inc. These broker-dealers are each subject to SEC and NASD net capital requirements. See Business Regulation Capital Requirements U.S. for a further discussion of domestic capital requirements.

Our international operations are also subject to capital requirements, which we refer to as non-U.S. net capital requirements. BGCI and certain of our subsidiaries that are incorporated in the U.K. are subject to capital requirements established by the Financial Services Authority, which we refer to as the FSA. The FSA also applies stringent provisions with respect to capital applicable to the operation of these brokerage firms, which vary depending upon the nature and extent of their activities. In addition, the majority of our other foreign subsidiaries are subject to similar regulation by the relevant authorities in the countries in which they do business. These regulations often include minimum capital requirements. See Business Regulation Other Regulation for a listing of the other regulating entities to which we are subject in other foreign jurisdictions and see Business Regulation Capital Requirements Non-U.S. for a further discussion of international capital requirements.

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

We have incurred substantial losses in recent periods and may incur losses in the future.

We have incurred substantial losses in several recent periods as we have sought to expand our operations quickly. We recorded net losses of $96.1 million and $76.9 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. We also recorded net losses in certain quarters within other fiscal years. We may incur losses in future periods. If our revenues do not increase sufficiently, or even if our revenues increase but we are unable to manage our expenses, we may not achieve and maintain profitability in future periods.

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

For the nine months ended September 30, 2006, our top 10 customers, collectively, accounted for approximately 38.7% of our revenues. If we were to lose two, three or more of these significant customers for any reason and not be compensated for such loss by doing additional business with other customers or by adding new customers, our revenues would decline significantly and our business, financial condition and results of operations would suffer.

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

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

We have adopted policies and procedures to identify, monitor and manage our credit risk, in both agency and principal transactions, through reporting and control procedures and by monitoring credit standards applicable to our customers or counterparties. These policies and procedures, however, may not be fully effective. Some of our risk management methods depend upon the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. If our policies and procedures are not fully effective or we are not always successful in monitoring or evaluating the risks to which we are, or may be, exposed, our financial condition and results of operations could be materially adversely affected. In addition, our insurance policies may not provide adequate coverage for these risks.

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

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

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

In executing matched principal transactions, we are exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched, one party fails to deliver the cash or securities it is obligated to deliver. Our exposure to less liquid markets exacerbates this risk because transactions in these markets tend to be more likely not to settle on a timely basis than transactions in liquid markets. Adverse movements in the prices of securities that are the subject of these transactions can increase our risk. In addition, widespread technological 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 U.S. in August 2003, as well as actual or perceived credit difficulties or the insolvency of one or more

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large or visible market participants, could cause market-wide credit difficulties or other market disruptions. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not fulfilling their obligations.

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

We have market risk exposure from unmatched principal transactions entered into by some of our brokerage desks, which could result in losses and have a disproportionate effect on our revenues, financial condition and results of operations for any particular reporting period.

Occasionally 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.

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

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

We provide services and products to customers in North America, Europe and the Asia-Pacific Region through offices in New York, Chicago, Los Angeles, London, Toronto, Hong Kong, Paris, Nyon, Milan, Tokyo, Beijing, Singapore, Mexico City, Copenhagen, Melbourne and Sydney and we may seek to further expand our operations, including through the planned opening of offices in Istanbul and Seoul in 2007. On a geographic basis, approximately 58.8% of our total revenues for the year ended December 31, 2005, and approximately 57.3% and 61.8% of our total revenues for the nine months ended September 30, 2006 and 2005, respectively, were generated by our European operations; 31.7% of our total revenues for the year ended December 31, 2005 and 33.0% and 29.1% of our total revenues for the nine months ended September 30, 2006 and 2005, respectively, were generated by our North American operations; and 9.5% of our total revenues for the year ended December 31, 2005 and 9.7% and 9.1% of our total revenues for the nine months ended September 30,

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2006 and 2005, respectively, were generated by our operations in the Asia-Pacific region. There are certain additional political, economic, legal, regulatory, operational and other risks inherent in doing business in international markets, particularly in the regulated brokerage industry. These risks include:

- less developed automation in exchanges, depositories and national clearing systems,
- additional or unexpected changes in regulatory requirements, capital requirements, tariffs and other trade barriers,
- the impact of the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business,
- possible nationalization, expropriation and regulatory, political and price controls,
- difficulties in staffing and managing international operations,
- capital controls, exchange controls and other restrictive governmental actions,
- any failure to develop effective compliance and reporting systems, which could result in regulatory penalties in the applicable jurisdiction,
- fluctuations in currency exchange rates,
- reduced protections for intellectual property rights,
- adverse labor laws,
- outbreak of hostilities, and
- potentially adverse tax consequences arising from compliance with foreign laws and regulations to which our international subsidiaries are subject.

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

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

Because our business is global, dramatic exchange rate fluctuations can impact our results. Significant movements in the U.S. dollar against other currencies, including the euro and the British pound, 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.

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

We expect to be leveraged. We expect that approximately $250 million of this indebtedness will be with third-party institutions and contain covenants that limit our ability to take selected actions or set financial tests for our business. These covenants could limit our ability to take advantage of certain business opportunities that may arise. In addition, if we are unable to maintain compliance with these covenants, the holders of such indebtedness could declare a default, thereby causing the debt to become immediately due and payable at a premium. If a default were to occur and we were unable to meet our obligations, we would be forced to restructure or refinance our indebtedness, sell additional equity or sell assets.

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Our indebtedness could have important consequences for you, including:

- it may limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow money, dispose of assets or sell equity for our working capital, capital expenditures, dividend payments, debt service requirements, strategic initiatives or other purposes,
- it may limit our flexibility in planning for, or reacting to, changes in our operations or business,
- we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage,
- it may make us more vulnerable to downturns in our business or the economy, and
- there would be a material adverse effect on our business, financial condition and results of operations if we were unable to service our indebtedness or obtain additional financing, as needed.

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

Our business is dependent upon the availability of adequate funding and sufficient regulatory and clearing capital. Clearing capital is the amount of cash, guarantees or similar collateral that we must provide or deposit with our third-party clearing organizations in support of our obligations under our contractual clearing arrangements with these organizations. Historically, these needs have been satisfied from internally generated funds and capital contributions by limited partners of Cantor. Because each of BGC U.S. and BGC Global is expected to distribute, on a quarterly basis, its available cash to its limited partners, we may not have sufficient internally generated funds and may need to raise additional funds. If for any reason we need to raise additional funds, including in order to meet increased clearing capital requirements arising from growth in our brokerage business or otherwise, we may not be able to obtain additional financing when needed. If we cannot raise additional funds on acceptable terms, we may not be able to develop or enhance our business, take advantage of future opportunities or respond to competitive pressure or unanticipated requirements.

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

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

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As a brokerage and financial services firm, we depend to a large extent on our relationships with our customers and our reputation for integrity and high-caliber professional services to attract and retain customers. As a result, if one of our customers is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Substantial legal liability or significant regulatory action against us could adversely affect our revenues and, as a result, could have a material adverse effect on our business, financial condition and results of operations or cause significant reputational harm to us, which could seriously harm our business and prospects. See Business Legal Proceedings.

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

Firms in the financial services industry, including our business, have experienced increased scrutiny in recent years and penalties and fines sought by regulatory authorities, including the SEC, the NASD, state securities commissions, state attorneys general and the FSA have increased accordingly. This regulatory and enforcement environment has created uncertainty with respect to a number of transactions that historically had been entered into by financial services firms and that were generally believed to be permissible and appropriate.

The financial services industry, including our business, is subject to extensive regulation. We and our subsidiaries are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., 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. From time to time, our associated persons have been and are subject to periodic investigations which have and may result in disciplinary actions by the SEC, self-regulatory organizations and state securities administrators. See Business Legal Proceedings. In addition, self-regulatory organizations such as the NASD and the NFA, along with statutory bodies such as the FSA and the SEC, require strict compliance with their rules and regulations. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. These regulations often serve to limit our activities, including through capital, customer protection and market conduct requirements.

Changes in legislation and in the rules and regulations promulgated by the SEC, the CFTC, the U.S. Department of Treasury, which we refer to as the Treasury, the FSA and other domestic and international regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws and rules, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions in the way we conduct our business. For example, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC are continuing to review the nature and scope of their regulation and oversight of the government securities markets and U.S. markets. In Europe, the implementation of the Markets in Financial Instruments Directive in Europe, which we refer to as the MIFID, in November 2007 will involve wide-ranging changes to European financial services regulation. Since the implementing measures are not finalized, the full impact of MIFID is not yet known. Future legislation and/or regulation, and uncertainties resulting from the possibility of legislation and/or regulation, could adversely impact our business. Failure to comply with any of these laws, rules or regulations could result in fines, limitations on business activity, suspension or expulsion from the industry, any of which could have a material adverse effect upon us.

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

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

A portion of our revenues, 2.4% for the nine months ended September 30, 2006, is derived from our sale of market data to third parties. BGC Market Data is the exclusive source of real-time proprietary pricing and other data derived through BGC Partners and eSpeed for U.S. and European securities and derivatives. If customers cease buying data or making payments, if new legislation or regulation were enacted affecting our right to sell or distribute our market data or if we were to lose access to eSpeed s proprietary market data, it could have an adverse effect on our business.

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

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

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

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

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

Our success is dependent, in part, upon our intellectual property. We generally rely primarily on trade secret, contract, copyright, trademark and patent law to establish and protect our rights to our proprietary technology, methods and products. It is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. We cannot assure you that any of the rights granted under any patent, copyright or trademark that we may obtain will protect our competitive advantages. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws in the U.S. We may also face claims of infringement that could interfere with our ability to use technology that is material to our business operations. We also may face limitations or restrictions on the distribution of some of the market data generated by our brokerage desks. This may limit the comprehensiveness and quality of the data we are able to distribute or sell.

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

Intellectual property rights of third parties may have an important bearing on our ability to offer certain of our products and services. Although we take steps to protect ourselves, we cannot assure you that we are or will

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be aware of all patents or copyrights containing claims that may pose a risk of infringement by our products and services. eSpeed is currently defending a patent infringement claim, which could have a material adverse effect on our business given our use of eSpeed technologies.

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

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

We license database and other software from third parties, much of which is integral to our systems and our business. The licenses are terminable if we breach our obligations under the license agreements. If any material relationships were terminated or adversely changed or amended or if any of these third parties were to cease doing business, we may be forced to spend significant time and money to replace the licensed software, and our ability to operate our business may be materially adversely affected. Although we take steps to locate replacements, we cannot assure you that the necessary replacements will be available on reasonable terms, if at all.

If our relationship with eSpeed or Cantor changes or the joint services agreement is amended or terminated, our ability to operate our business may be materially adversely affected.

Our electronic execution capability utilizes eSpeed s system. We earned $19.4 million in pro forma revenues for the nine months ended September 30, 2006 under the joint services agreement for providing clearing, settlement and other back office services for certain trades. Pursuant to the joint services agreement, eSpeed provides us with access to eSpeed s electronic system. Moreover, pursuant to the joint services agreement and the master transaction agreement which we intend to enter into in connection with this offering, we also share revenues with eSpeed for any transactions executed via eSpeed s system, whether or not those transactions are executed on our behalf since every transaction is cleared and settled by BGC Partners. See Business Relationship with eSpeed. Due to the fixed cost nature of the back office business, each additional transaction on eSpeed s system adds significant incremental margin to our business.

The joint services agreement has a perpetual term and Cantor has agreed not to amend it or waive any rights under it to our detriment without our consent, which consent, after this offering, will be subject to the approval of a majority of our independent directors. If Cantor ceases to control us, we would no longer be party to the joint services agreement, unless contemporaneously with such change of control we agreed to be governed by the joint services agreement. If we choose not to be governed by the joint services agreement after Cantor ceases to control us, if requested by Cantor and consented to by eSpeed and its subsidiaries, we could be provided with reasonable transition services for a reasonable period of time and, as specified in the joint services agreement, be provided with a transfer or license, at eSpeed s option, of any assets that may be reasonably requested by us in order for us to continue operating our business without the benefit of the services contemplated by the joint services agreement. In addition, if there is a change of control of Cantor or eSpeed, or if there was a material adverse effect on the business, operations or financial condition of such entities, it could adversely impact our access and revenues. If our relationship with eSpeed or Cantor changes or the joint services agreement is amended, terminated or waived, our ability to operate our business may be materially adversely affected.

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We may experience technology failures while developing and enhancing our software.

In order to maintain our competitive advantage, our software is under continuous development. There is risk that software failures may occur and result in service interruptions and have other unintended consequences, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

- develop, license and defend intellectual property useful in our business,
- enhance our existing services,
- develop new services and technologies that address the increasingly sophisticated and varied needs of our existing and prospective customers,
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis,
- respond to the demand for new services, products and technologies on a cost-effective and timely basis, and
- adapt to technological advancements and changing standards to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers.

We cannot assure you that we will be able to respond in a timely manner to changing market conditions or customer requirements. The development of proprietary electronic trading technology entails significant technical, financial and business risks. Further, the adoption of new Internet, networking or telecommunications technologies may require us to devote substantial resources to modify, adapt and defend our technology. We cannot assure you that we will successfully implement new technologies or adapt our proprietary technology and transaction-processing systems to customer requirements or emerging industry standards, or that we will be able to successfully defend any challenges to any technology we develop. Any failure on our part to anticipate or respond adequately to technological advancements, customer requirements or changing industry standards, or

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any significant delays in the development, introduction or availability of new services, products or enhancements, could have a material adverse effect on our business, financial condition and results of operations.

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

We expect the secure transmission of confidential information over public networks to be a critical element of our operations. Our networks, those of our third-party service vendors, including Cantor and eSpeed, and associated clearing corporations, and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, which could make our customers hesitant to use our electronic marketplaces. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches.

Our management has identified a material weakness in our internal controls over financial reporting, which if not properly remediated could result in material misstatements in our interim and annual financial statements and have a material adverse effect on our business, financial condition and results of operations and the price of our common stock.

Once we become a public company, the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act, and the related rules of the SEC will require our management to conduct annual assessments of the effectiveness of our internal controls over financial reporting and will require a report by our independent public accounting firm addressing these assessments, as well as an independent audit of our internal controls over financial reporting, beginning with our fiscal year ending December 31, 2008. Our internal controls over financial reporting do not currently meet all the standards required by Section 404 of the Sarbanes-Oxley Act that, once we become a public company, we will be required to meet. Our management has identified a material weakness in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board, including the lack of a formal, documented closing process designed to identify key financial reporting risks. This weakness may indicate a heightened risk that our annual or interim financial statements could contain a material misstatement. We are in the process of implementing the following initiatives which are aimed at addressing this weakness:

- establishing what we believe are appropriate internal controls for the monthly closing process, including a more formal schedule and account substantiation and reconciliation tools,
- establishing a single global general ledger with a standard global chart of accounts, and
- taking steps aimed at ensuring that we have the appropriate staff within our organization.

These and our future initiatives may not remediate the identified material weakness and additional significant deficiencies and we may identify a material weakness in our internal control over financial reporting in the future. We cannot assure you that our initiatives will be implemented in a timely or effective manner.

In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could result in us not being able to accurately report our financial results, prevent or detect fraud or provide timely and reliable financial information, which could have a material adverse effect on our business, financial condition and results of operations. Further, it could cause our investors to lose confidence in the financial information we report, which could adversely affect our stock price.

Failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business, financial condition and results of operations and the price of our common stock.

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We are a holding company and will hold BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings special voting limited partnership interest and the BGC Holdings general partnership interest, and we are accordingly dependent upon distributions from BGC U.S. and BGC Global to pay dividends, taxes and other expenses.

BGC Partners, Inc. is a holding company and, following this offering, will hold, directly or indirectly through wholly-owned subsidiaries, BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings, each of which BGC Partners will acquire in connection with the separation. These interests will provide us with control of BGC U.S., BGC Global and BGC Holdings. BGC Holdings, in turn, will hold the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Global. The remainder of the BGC U.S. limited partnership interests and BGC Global limited partnership interests will be held indirectly by our working partners and Cantor through BGC Holdings. We have no independent means of generating revenues. We intend, through BGC Holdings, to cause BGC U.S. and BGC Global to make distributions to us and their other partners, including BGC Holdings, in an amount sufficient to cover dividends declared by us and all applicable taxes payable in respect of BGC Partners net taxable income, if any. To the extent that BGC Partners needs funds to pay taxes on its share of BGC U.S. s and BGC Global s net taxable income, or if BGC Partners needs funds for any other purpose, and either BGC U.S. or BGC Global is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition and results of operations.

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

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

Risks Related to the Separation

The combined pro forma financial information has been prepared assuming that the key transaction agreements entered into in connection with the closing of the separation and this offering have been properly executed and that BGC Partners will consolidate the financial statements of BGC. The combined pro forma financial information may be materially different if such agreements are not properly executed or we cannot consolidate the financial statements of BGC.

In preparing the combined pro forma financial information in this prospectus, we have made certain assumptions that management believes are reasonable. These assumptions include that fact that the key transaction agreements entered into in connection with the closing of the separation and this offering are properly executed and, based on such final agreements, we can consolidate the financial statements of BGC. If these assumptions change or the final agreements are not properly executed the combined pro forma financial information may differ materially from the combined pro forma financial information presented elsewhere in this prospectus.

Reorganizing our business from a privately held firm to a publicly traded company may adversely affect our ability to retain, recruit and motivate key employees.

Our key employees are currently limited partners of Cantor. We believe that the possibility of becoming a limited partner of Cantor has been an important tool in our ability to hire and retain key employees. Prior to the closing of this offering, Cantor will redeem all of the Cantor limited partnership interests held by our working partners in exchange for (1) a portion of the BGC Holdings limited partnership interests that Cantor receives in the separation, (2) a new class of interests in Cantor that will entitle the holder to receive from Cantor, over time, shares of our common stock, which we refer to as the distribution rights, and (3) a new class of interests in Cantor, that until December 31, 2008, will entitle the holder to receive equalization payments from Cantor, which we refer to as equalization. See The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor.

While these BGC Holdings limited partnership interests will entitle our working partners to participate in distributions of income from the operations of our business, upon leaving BGC Holdings (or upon any other redemption or purchase of such limited partnership interests as described below), any such working partner will only be entitled to receive over time, and provided he or she does not violate certain partner obligations, an amount for his or her BGC Holdings limited partnership interests that reflects such partner s capital account, and not any goodwill or going concern value of our business. Consequently, BGC Holdings limited partnership interests held by our working partners may appreciate at a significantly slower rate than will our capital stock. Moreover, our working partners, unlike Cantor, will have no right to exchange their BGC Holdings limited partnership interests for shares of our common stock and thereby realize any higher value associated with our capital stock. The terms of these BGC Holdings limited partnership interests will also include the right of BGC Holdings, at the election and direction of BGC Partners, as the general partner of BGC Holdings, to redeem them at any time and will subject our working partners to non-competition and non-solicitation covenants, as well as other obligations as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Partner Obligations. In addition, Cantor will have a right of first refusal with respect to any working partner interests that are to be redeemed by BGC Holdings that will permit Cantor to purchase these working partner interests by making the same payments, on the same schedule and subject to the same conditions to the BGC working partner as would be made by BGC Holdings pursuant to the redemption. Cantor will be required to exercise its right of first refusal with respect to any BGC Holdings limited partnership interests that were acquired by our working partners in the mandatory redemption of their limited partnership interests in Cantor in connection with the separation and that are to be redeemed by BGC Holdings. The exercise of this right by Cantor will result in the share of distributions of income from the operations of our business on other outstanding BGC Holdings limited partnership interests, including those held by our working partners, remaining the same rather than increasing as would be the case if such interests were redeemed by BGC Holdings.

The terms of the BGC Holdings limited partnership interests held by our working partners will also differ from the terms of the limited partnership interests in Cantor currently held by our working partners as follows:

unlike the limited partnership interests in Cantor, our working partners will not be entitled to reinvest the distributions on BGC Holdings limited partnership interests in additional BGC Holdings limited partnership interests at preferential or historical prices,

as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Distributions by BGC Holdings with Respect to BGC Holdings Limited Partnership Interests, Cantor will be entitled to receive any amounts from selected extraordinary transactions which are withheld from distribution to our working partners and forfeited by working partners leaving BGC Holdings prior to their interests in such withheld distributions fully vesting rather than any such forfeited amounts accruing to the benefit of all BGC Holdings limited partners on a pro rata basis, and

as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests, in the event Cantor s overall interest in our business falls below

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20%, subject to reduction in certain circumstances, Cantor will be entitled to a larger than pro rata share of BGC Holdings income, and of distributions from BGC Holdings, to the extent necessary for Cantor s overall interest in our business to equal such minimum percentage, with any such increase in Cantor s share resulting in an offsetting decrease in the working partners share of BGC Holdings income and distributions.

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

In connection with the separation, our working partners and other persons providing services to us will receive distribution rights from Cantor that will generally entitle the holder to receive from Cantor a distribution of a fixed number of shares of our common stock on the ninth anniversary of this offering, which timing may be accelerated in certain circumstances as described below, and, until December 31, 2008, such persons may receive equalization payments from Cantor, each as described in The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor. While the continuing provision of services to BGC Partners will, in the absence of a breach of the working partner obligations, result in accelerated receipt of these distribution rights, the ownership of these distribution rights and underlying shares of our common stock will not be dependent upon a working partner s continued employment with us or Cantor or compliance with the working partner obligations, and our working partners will not be restricted from leaving us by the potential loss of shares distributable pursuant to these distribution rights. Any equalization payments made to our working partners by Cantor, which ensure that such working partners receive not less than the same level of distributions in respect of their BGC Holdings limited partnership interests that they would have received had they retained their current limited partnership interests in Cantor, will cease to accrue after December 31, 2008, which could result in our working partners receiving either higher or lower distributions than if they had remained limited partners in Cantor.

While we believe the separation should promote retention and recruitment, some employees may be more attracted to the benefits of working at a private, controlled partnership or of being a partner in Cantor, which may adversely affect our ability to retain, recruit and motivate key employees. The impact of the separation on our working partners and other employee retention and recruitment is uncertain.

Prior to this offering, Cantor intends to enter into agreements with Messrs. Amaitis and Lynn pursuant to which Cantor will agree to give each of them the right to sell their BGC Holdings limited partnership interests to Cantor as described in The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor. Cantor may provide other BGC Holdings limited partners with a similar right in the future. In addition, Messrs. Amaitis, Barnard, Lynn, Merkel, and Paul Saltzmann, Chief Operating Officer of eSpeed, as well as one other individual who is employed by one of our affiliates will receive immediate distributions from Cantor of shares of our common stock underlying the distribution rights these individuals receive in connection with the separation and immediately sell such shares of our common stock to us at the initial public offering price of this offering, and Cantor will purchase a portion of the BGC Holdings limited partnership interests held by Messrs. Amaitis and Lynn immediately after this offering. These transactions will or, in the case of Messrs. Amaitis and Lynn s ongoing right to sell their BGC Holdings limited partnership interests to Cantor, may result in these key employees holding reduced equity interests in our business, thereby reducing their financial interest in the future performance of our business.

The historical financial information of BGC Partners contained in this prospectus may not be representative of our results as a separate, independent public company and we could be less profitable as a separate, independent public company.

Because our businesses, other than Euro Brokers, Aurel Leven, AS Menkul, BGC Shoken Kaisha Limited and Foreign Exchange Broker (Korea) Limited (an entity we expect to form in the first quarter of 2007), have historically operated as entities treated as partnerships in the U.S., little or no taxes on profits in the U.S., other

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than New York City Unincorporated Business Tax, which we refer to as UBT, have been paid by us with respect to these businesses. As a result, the operating income for our businesses, other than those listed above, set forth in the historical financial statements included elsewhere in this prospectus does not reflect a provision for U.S. corporate federal, state or local income taxes.

In addition, reorganizing our business from part of a privately held firm to a separate publicly traded company may result in increased administrative and regulatory costs and burdens that are not reflected in our historical financial statements, which could adversely affect our results of operations. As we will be a publicly traded company, we will be implementing additional regulatory and administrative procedures and processes to address the standards and requirements applicable to public companies, including under the Sarbanes-Oxley Act and related regulatory initiatives. The costs of implementing these steps may be significant.

Cantor s businesses, including our business, also have been able to rely, to some degree, on the earnings, assets and cash flows of each other for capital and cash flow requirements. Accordingly, the historical results of operations and financial position of our businesses included elsewhere in this prospectus are not necessarily indicative of our consolidated results of operations and financial position after completion of the separation. For additional information about the past financial performance and the basis of presentation of the historical financial statements, see Selected Historical Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Combined Financial Information and the BGC Partners historical financial statements and related notes included elsewhere in this prospectus.

The pro forma financial information in this prospectus may not permit you to predict our costs of operations, and the estimates and assumptions used in preparing our pro forma financial information may be materially different from our actual experience as a separate, independent company and our actual results of operations could materially differ from the pro forma financial information in this prospectus.

In preparing the pro forma financial information in this prospectus, we have made adjustments to the historical financial information of BGC Partners based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions contemplated by the separation. These adjustments include, among other items, a deduction and charge to earnings for estimated income taxes based on an estimated tax rate, estimated salaries, payroll taxes and benefits for our working partners. These and other estimates and assumptions used in the calculation of the pro forma financial information in this prospectus may be materially different from our actual experience as a separate, independent company. The pro forma financial information in this prospectus does not purport to represent what BGC Partners or BGC U.S. s or BGC Global s results of operations would actually have been had BGC Partners, BGC U.S. or BGC Global operated as a separate, independent company during the periods presented, nor does the pro forma information give effect to any events other than those discussed in the unaudited pro forma financial information and related notes. The pro forma financial information also does not purport to be indicative of results of operations as of any future date or future period. Our actual results of operations could materially differ from the pro forma financial information in this prospectus.

We will be required to pay Cantor for a significant portion of the benefit relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with this offering and the related transactions.

As part of the separation, through its subsidiaries, BGC Partners will purchase BGC U.S. limited partnership interests and BGC Global limited partnership interests issued to Cantor for $ million. In addition, the BGC exchange rights Cantor receives as part of its BGC Holdings limited partnership interests may, in effect, be exchanged together with the related BGC units, in the future for shares of Class B common stock (or at Cantor s election, shares of our common stock) on a one-for-one basis. At Cantor s election and subject to the approval of a majority of our independent directors, or if there is a board of directors approved stock repurchase plan then in effect, the BGC exchange rights and their related units will also be exchangeable for cash, if available, in an amount equal to the fair market value of such shares at the time of the exchange. The purchase will and the exchanges may result in increases in the tax basis of the tangible and intangible assets of BGC U.S. and BGC Global attributable to our interest in BGC U.S. and BGC Global that otherwise would not have been available. These increases in the tax basis may reduce the amount of tax that we would otherwise be required to pay in the future, although the Internal Revenue Service may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We intend to enter into a tax receivable agreement with Cantor that will provide for the payment by us to Cantor of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income or franchise tax that we realize. We will have the right to terminate the tax receivable agreement at any time for an amount based on an agreed value of certain payments remaining to be made under the tax receivable agreement at such time. While the actual amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that, as a result of the expected magnitude of the increases in the tax basis of the tangible and intangible assets of BGC U.S. and BGC Global attributable to our interest in BGC U.S. and BGC Global, during the expected 24-year term of the tax receivable agreement, the payments that we may make to Cantor could be substantial. Our ability to achieve benefits from any such increase will depend upon a number of factors, including the timing and amount of our future income.

Pursuant to the tax receivable agreement, 20% of each payment that would otherwise be made by us will be deposited into an escrow account until the expiration of the statute of limitations for the tax year to which the payment relates. If the Internal Revenue Service successfully challenges the tax basis increase, we will be entitled to receive the funds in the escrow account and any subsequent payments we are required to make under the tax receivable agreement will be reduced accordingly. However, under no circumstances will we receive any reimbursements from Cantor or any of the holders of Cantor for amounts previously paid by us under the tax receivable agreement. As a result, under certain circumstances, we could make payments to Cantor under the tax receivable agreement in excess of our cash tax savings. See Certain Relationships and Related Transactions Key Separation Agreements Tax Receivable Agreement.

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

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

- the separation (or any component transaction thereof) was undertaken for the purpose of hindering, delaying or defrauding creditors of Cantor or another entity transferring consideration to BGC Partners as part of the separation, or

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

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

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

- the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation,
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured, or
- it is generally not paying its debts as they become due.

Similar provisions would also apply in any other jurisdiction in which the separation takes effect.

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

We do not believe that we will be an investment company under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act, after completion of the separation, because we will hold the voting securities, as defined in the Investment Company Act, of BGC Holdings and will have the power to appoint and remove the general partner of BGC Holdings and, indirectly through our interest in BGC Holdings, the general partner of each of BGC U.S. and BGC Global. Similarly, we do not believe that Cantor will be an investment company under the Investment Company Act after completion of the separation because Cantor will continue to own its retained businesses and will initially hold a majority of our voting power through its ownership of all of the Class B common stock and the Class C common stock. We also do not believe that BGC Holdings will be an investment company under the Investment Company Act after completion of the separation because it will have the power to appoint and remove the general partner of each of BGC U.S. and BGC Global and will hold the voting securities, as defined in the Investment Company Act, of each of BGC U.S. and BGC Global. If Cantor ceases to hold a majority of our voting power, Cantor s interest in BGC Partners could be deemed an investment security under the Investment Company Act. If BGC Partners were to cease participation in the management of BGC Holdings (or BGC Holdings, in turn, were to cease participation in the management of BGC U.S. or BGC Global) or not be deemed to have a majority of the voting power of BGC Holdings (or BGC Holdings, in turn, were to not be deemed to have a majority of the voting power of BGC U.S. or BGC Global), BGC Partners interest in BGC Holdings or BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. If BGC Holdings ceased to participate in the management of BGC U.S. or BGC Global or not be deemed to have a majority of the voting power of BGC U.S. or BGC Global, its interest in BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. Generally, an entity is an investment company if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. BGC Partners is a holding company and, following this offering, will hold BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings. A determination that BGC Partners holds more than 40% of its assets in investment securities could result in BGC Partners being an investment company under the Investment Company Act and becoming subject to registration and other requirements of the Investment Company Act.

The Investment Company Act and the rules thereunder contain detailed prescriptions for the organization and operations of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, limit the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to conduct our operations, including the operations of BGC Holdings, and expect that Cantor will conduct its operations, so that none of BGC Partners, BGC Holdings or Cantor, respectively, will be deemed to be an investment company under the Investment Company Act. However, if anything were to happen that would cause us, BGC Holdings or Cantor to be deemed to be an investment company under the Investment Company Act, the Investment Company Act would limit their or our capital structure, ability to transact business with affiliates (including Cantor, BGC Holdings or us, as the case may be) and ability to compensate key employees. Therefore, if Cantor, BGC Holdings or BGC Partners became subject to the Investment Company Act, it could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements, including the master transaction agreement and related agreements and the transactions contemplated by those agreements, between and among BGC Partners, BGC Holdings, BGC U.S., BGC Global and Cantor or any combination thereof and materially adversely affect our business, financial condition and results of operations.

Risks Related to Conflicts of Interest

Holders of our common stock will experience a reduction in their interest in the income distributed by BGC U.S. and BGC Global that is retained by us upon the exercise of any BGC exchange right if, prior to the exercise of such exchange right, BGC Holdings distributes to its limited partners a greater share of the distributions BGC Holdings receives from BGC U.S. and BGC Global than we distribute to our stockholders.

We are a holding company and will hold BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings special voting limited partnership interest and the BGC Holdings general partnership interest. The remainder of the BGC U.S. limited partnership interests and BGC Global limited partnership interests will be held indirectly by our working partners and Cantor through BGC Holdings. BGC Holdings limited partnership interests held by Cantor will consist of BGC Holdings units and BGC exchange rights that will permit Cantor, commencing one year after this offering to exchange the associated BGC Holdings limited partnership interest into Class B common stock (or, at Cantor s election, shares of our common stock) on a one-for-one basis. Cantor will hold all of the BGC exchange rights.

The one-for-one exchange ratio between BGC Holdings units and Class B common stock (or, at Cantor s election, our common stock) will not be adjusted if BGC Holdings distributes to its limited partners, consisting of our working partners and Cantor, a greater share of income received from BGC U.S. and BGC Global than we distribute to our stockholders.

If BGC Holdings distributes to its limited partners a greater share of income received from BGC U.S. and BGC Global than we distribute to our stockholders, and then Cantor exercises its exchange right to acquire Class B common stock or our common stock, as applicable, then Cantor will receive a greater share of the income of BGC U.S. and BGC Global than it had prior to such distribution by BGC Holdings and such exchange. This results from Cantor, prior to such exchange, receiving the benefit of the income of BGC U.S. and BGC Global in the form of a distribution from BGC Holdings, and Cantor, after such exchange, receiving the benefit of the profits of BGC U.S. and BGC Global in the form of equity in BGC Partners, which retained a greater portion of its share of the income of BGC U.S. and BGC Global. Consequently, holders of our common stock as of the date of such exchange will experience a reduction in their interest in the profits previously distributed by BGC U.S. and BGC Global but retained by BGC Partners.

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Distributions by BGC U.S. and BGC Global to their limited partners, namely, BGC Holdings and us, will be determined by BGC Holdings (which we control as its general partner), as the general partner of BGC U.S. and BGC Global. Distributions by BGC Holdings to its limited partners, the BGC working partners and Cantor, will be determined by us, as the general partner of BGC Holdings, however, pursuant to the terms of the BGC Holdings limited partnership agreement, distributions may not be decreased below 100% (subject to limitations for selected extraordinary items, such as the disposition directly or indirectly of partnership assets outside of the ordinary course of business) of cash received from BGC U.S. and BGC Global unless BGC Partners determines otherwise, subject to Cantor s consent. Finally, distributions by us to our stockholders will be determined by our board of directors. Accordingly, there is overlap in the entities and persons who will make the determination as to the timing and amount of distributions from BGC U.S. and BGC Global to those who have an ultimate interest in those distributions, namely, the BGC working partners, Cantor and our stockholders. However, there is no assurance that we and BGC Holdings will distribute to our respective equityholders an equal proportion of our profits from BGC U.S. and BGC Global. Accordingly, upon exercise of any BGC exchange right, holders of our common stock may experience a reduction in their interest in the profits we have retained.

BGC Partners will be controlled by Cantor, whose interests may differ from those of other stockholders.

Immediately after the separation and the closing of this offering, Cantor will hold shares of Class B common stock, representing approximately % of our voting power, and the single share of the Class C common stock, representing approximately an additional % of our voting power, which collectively will represent approximately % of our voting power. Therefore, Cantor will effectively be able to exercise control over all matters requiring stockholder approval, including the election of all directors, the approval of significant corporate transactions and matters affecting the BGC working partners. Among other things, the voting power may have the effect of delaying or preventing a change of control of BGC Partners. Cantor is, in turn, controlled by CFGM, its managing general partner and, ultimately, by Mr. Lutnick. Cantor s interests may differ from your interests, and Cantor may make decisions with which you disagree, including with respect to the election of our directors as well as control of our management and affairs, including determinations with respect to acquisitions, dispositions, material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of our common stock or other securities. This control will be subject to the approval of our independent directors on those matters requiring such approval. See We will have potential conflicts of interest with Cantor and eSpeed, and Cantor or eSpeed could act in a way that favors their interests to our detriment, We will have potential conflicts of interest with Cantor and eSpeed, and Cantor or eSpeed could act in a way that favors their interests to our detriment, The Separation of Our Business and the BGC Partners Organizational Structure, Management, Principal Stockholders, Certain Relationships and Related Transactions and Description of Capital Stock.

Cantor, BGC U.S., BGC Global, BGC Holdings and we will enter into various arrangements, including the master transaction agreement, which will contain cross-indemnification obligations of Cantor, BGC U.S., BGC Global, BGC Holdings and us, and we may be materially and adversely affected if any party is unable to satisfy its obligations to indemnify us for any reason.

Cantor, BGC U.S., BGC Global, BGC Holdings and we will enter into various arrangements, and these agreements will be negotiated while we are completely owned by Cantor and as a result may not be on arm s-length terms.

The master transaction agreement that we intend to enter into with Cantor, BGC U.S., BGC Global and BGC Holdings will provide, among other things, that Cantor will indemnify BGC Partners, BGC Holdings, BGC U.S., BGC Global and their respective representatives and affiliates for any and all losses that BGC Partners, BGC Holdings, BGC U.S., BGC Global and their respective representatives or affiliates incur arising out of or relating to Cantor s breach of the key transaction agreements entered into in connection with the closing of the separation and this offering and that such persons incur to the extent arising out of or relating to the businesses conducted by Cantor (both historically and in the future), other than

our business, or

certain specified special items (which will include certain claims related to existing litigation and other contingent liabilities (see Business Legal Proceedings), claims by partners of Cantor, partnership disputes arising from the separation and claims by BGC Partners under the tax receivable agreement in the event that the Internal Revenue Service successfully challenges the tax basis increase) which as described below will instead be allocated entirely to the capital account of the BGC U.S. and BGC Global limited partnership interests held by BGC Holdings and therefore will be allocated entirely to the capital accounts of the BGC Holdings limited partnership interests held by our working partners and Cantor.

In addition, except as noted above, BGC Partners will take all such businesses and assets transferred by Cantor in the separation as is, where is and bear the economic and legal risk relating to conveyance of, and title to, those assets and businesses. See Certain Relationships and Related Transactions Key Separation Agreements Master Transaction Agreement No Representations and Warranties.

Our ability to collect under such indemnities depends on Cantor s financial position. For example, persons may seek to hold us responsible for liabilities we assumed from Cantor in the separation. If these liabilities are significant and Cantor cannot or does not satisfy them for any reason, we may be required to satisfy such liabilities to the extent required by applicable agreement, law or regulation, which could materially adversely affect our business, financial condition and results of operations.

The master transaction agreement, BGC U.S. limited partnership agreement, BGC Global limited partnership agreement and BGC Holdings limited partnership agreement will provide that any and all items of income, gain, loss or deduction to the extent resulting from the specified special items (which will include certain claims related to existing litigation and other contingent liabilities (see Business Legal Proceedings), claims by partners of Cantor, partnership disputes arising from the separation and claims by BGC Partners under the tax receivable agreement in the event that the Internal Revenue Service successfully challenges the tax basis increase) will be allocated entirely to the capital accounts of the BGC U.S. and BGC Global limited partnership interests held by BGC Holdings and therefore will be allocated entirely to the capital accounts of the BGC Holdings limited partnership interests held by our working partners and Cantor. Distributions to BGC Holdings limited partners will come from the capital accounts of its limited partners, and as a result the right of Cantor and our working partners who hold BGC Holdings limited partnership interests to receive any distributions from BGC Holdings will reflect the effect of these special items, which in turn could affect our retention of brokers. However, there can be no assurances that such allocation will fully insulate us from any or all of the negative effects that may be associated with such specified special items. Any declines in this capital account will affect BGC Partners consolidated capital accounts and could adversely affect our ability to expand or, depending upon the magnitude of the decline or charge, to maintain the current level of our business.

In addition, BGC U.S. and BGC Global will indemnify Cantor, BGC Partners, BGC Holdings and their respective representatives and affiliates, including the services business of a newly formed U.K. limited partnership, Tower Bridge International Services L.P., which we refer to as the Service Company Entity. For more information regarding the Service Company Entity, see Certain Relationships and Related Transactions Service Company Entity.

Several of the agreements that we and Cantor will enter into together in connection with the separation also provide for separate indemnification arrangements. For example, the administrative services agreements that we intend to enter into with Cantor and the Service Company Entity will commit Cantor and the Service Company Entity to provide a range of administrative services to us and we will generally indemnify Cantor and the Service Company Entity for liabilities that Cantor and the Service Company Entity incur arising from the provision of these services absent Cantor s or the Service Company Entity s intentional misconduct. In addition, we and Cantor will enter into a clearing agreement whereby Cantor will agree to clear futures and securities transactions for us and we will agree to indemnify Cantor for certain liabilities that may be incurred by Cantor as a result of such transactions. We may face claims for indemnification from Cantor and its representatives and affiliates under these provisions regarding matters for which we have agreed to indemnify them.

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We will have potential conflicts of interest with Cantor and eSpeed, and Cantor or eSpeed could act in a way that favors their interests to our detriment.

Immediately after the separation and the closing of this offering, Cantor will hold approximately shares of Class B common stock, representing approximately % of our voting power, and the single share of Class C common stock, representing approximately an additional % of our voting power, which collectively will represent approximately % of our voting power. Therefore, Cantor will effectively be able to exercise control over our management and affairs and all matters requiring stockholder approval, including the election of our directors and determinations with respect to acquisitions and dispositions as well as material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of our common stock or other securities. This control will be subject to the approval of our independent directors on those matters requiring such approval. This voting power may also have the effect of delaying or preventing a change of control of BGC Partners. Cantor is, in turn, controlled by CFGM, its managing general partner and, ultimately, by Mr. Lutnick. Mr. Lutnick, who will serve as our Co-Chief Executive Officer and Chairman, is also the Chairman of the Board and Chief Executive Officer of Cantor, the controlling stockholder of CFGM, Cantor s managing general partner, and is the Chairman, Chief Executive Officer and President of eSpeed. In addition, Mr. Amaitis, who will serve as our Co-Chief Executive Officer and a member of our board of directors, is currently employed as Vice Chairman and Executive Vice President of eSpeed (although we expect him to step down from this position after the completion of this offering), Chairman and Chief Executive Officer of BGCI and BGC Partners, L.P., President and Chief Executive Officer of Cantor Index Limited and holds positions at various gaming affiliates of Cantor. Mr. Merkel, who will serve as our Executive Vice President, General Counsel and Secretary, is employed as Executive Vice President, General Counsel and Secretary of eSpeed and Executive Managing Director, General Counsel and Secretary of Cantor. Douglas R. Barnard, who will serve as our Chief Financial Officer, is also the Chief Financial Officer of Cantor. Messrs. Lutnick, Merkel and Barnard have holdings in Cantor through partnership unit ownership and also have equity ownership in eSpeed.

Cantor s voting control of and substantial economic ownership interest in eSpeed, the service of officers or working partners of Cantor and eSpeed as our executive officers and directors, and those persons ownership interests in and payments from Cantor, eSpeed and their affiliates, could create conflicts of interest when BGC Partners and those directors or officers are faced with decisions that could have different implications for Cantor or eSpeed and us. In addition, although in connection with this offering Cantor will redeem all of the Cantor limited partnership interests held by our full-time working partners for BGC Holdings limited partnership interests and distribution rights, Messrs. Lutnick, Merkel and Barnard will continue to hold Cantor limited partnership and other interests in Cantor and its affiliates, including distribution rights, and will not be redeemed for BGC Holdings limited partnership interests in connection with this offering. See The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor.

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

Conflicts of interest may arise between us, on the one hand, and Cantor and/or eSpeed, on the other hand, in a number of areas relating to our past and ongoing relationships, including:

- potential acquisitions and dispositions of businesses,
- the issuance or disposition of securities by us,
- the election of new or additional directors to our board of directors,

the payment of dividends by us (if any) and distribution of profits by BGC U.S., BGC Global and/or BGC Holdings,

business operations or business opportunities of ours, eSpeed and/or Cantor that would compete with the other party s business opportunities, including brokerage and financial services by us, eSpeed and/or Cantor,

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

intellectual property matters,

business combinations involving us and/or eSpeed,

the terms of the master transaction agreement and related agreements we intend to enter into in connection with the separation,

the terms of the joint services agreement,

competition between us and Cantor s other equity derivatives and cash equity inter-dealer brokerage businesses, and

the nature, quality and pricing of administrative services to be provided by Cantor and/or the Service Company Entity.

In addition, Cantor has from time to time in the past considered possible strategic realignments of the business relationships that exist between and among Cantor, BGC and eSpeed and may do so in the future. Any future related party transactions will be subject to approval by a majority of our independent directors, but generally will not otherwise require the separate approval of our stockholders, and if such approval were required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders. See The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Relationship with Cantor after This Offering.

Furthermore, the administrative services agreements that we intend to enter into with Cantor and the Service Company Entity will commit Cantor and the Service Company Entity to provide a range of administrative services to us. Our agreements and other arrangements with Cantor and eSpeed, including the master transaction agreement, the tax receivable agreement, the administrative services agreements, the registration rights agreement and the clearing agreement, may be amended upon agreement of the parties to those agreements upon approval of a majority of our independent directors. During the time that we are or eSpeed is controlled by Cantor, Cantor may be able to require us or eSpeed to agree to amendments to these agreements. Cantor has agreed not to amend or waive any rights under the joint services agreement to our detriment without our consent, which consent, after this offering, must be approved by a majority of our independent directors. We may not be able to resolve any potential conflicts and, even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

In order to address potential conflicts of interest between us and Cantor and/or eSpeed and their respective affiliates, the master transaction agreement will contain provisions regulating and defining the conduct of our affairs as they may involve Cantor and/or eSpeed and their respective affiliates, officers, directors, general partners or employees, and our powers, rights, duties and liabilities and those of our officers, directors, stockholders or employees in connection with our relationship with Cantor and/or eSpeed and their respective affiliates, officers, directors, general partners or employees. The master transaction agreement will provide that Cantor and/or eSpeed and their respective affiliates will not be under any duty to present any corporate opportunity to us which may be a corporate opportunity for Cantor and/or eSpeed or their respective affiliates and us, and Cantor and/or eSpeed or their respective affiliates will not be liable to us or our stockholders for breach of any fiduciary duty to us by reason of the fact that Cantor and/or eSpeed or their respective affiliates pursues or acquires that corporate opportunity for itself, directs that corporate opportunity to another person or does not present that corporate opportunity to us. The corporate opportunity policy that will be included in the

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master transaction agreement is designed to resolve potential conflicts of interest between us and Cantor and/or eSpeed and their respective affiliates. The principles for defining such corporate opportunities and resolving such potential conflicts of interest are described under Description of Capital Stock Corporate Opportunities.

In addition, the master transaction agreement will provide that Cantor and its officers, directors, employees and affiliates will have no duty to refrain from:

- engaging in the same or similar business activities or lines of business as us, or
- doing business with any of our clients or customers.

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

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

Our relationship with Cantor results in agreements with Cantor and/or eSpeed that are between related parties. As a result, the prices charged to us or by us for services provided under agreements with Cantor or eSpeed may be higher or lower than prices that may be charged by third parties and the terms of these agreements may be less favorable to us than those that we could have negotiated with third parties. For example, pursuant to the master transaction agreement, Cantor will have a perpetual right to pay the lowest commission paid by any customer of BGC Partners, whether by volume, dollar or other applicable measurement. In addition, Cantor shall have the unlimited right to internally use market data from BGC Market Data without cost. Similarly, we are eSpeed s largest customer. In connection with the separation, Cantor, BGC U.S., BGC Global, BGC Holdings and we will enter into various arrangements, and these agreements will be negotiated while we are completely owned by Cantor and as a result may not be on arm s-length terms. However, after this offering, any transactions and arrangements between us and Cantor, eSpeed and/or their other affiliates will be subject to approval by a majority of our independent directors, but generally will not otherwise require the separate approval of our stockholders. See Certain Relationships and Related Transactions Key Separation Agreements.

Risks Related to This Offering

Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for our securities, including our common stock, or those of BGC U.S., BGC Global or BGC Holdings. Although we intend to apply to list our common stock on the Nasdaq Global Market, an active public market for our common stock may not develop. The price of our common stock in this offering will be determined through negotiations between the underwriters and us. The negotiated price of this offering may not be indicative of the market price of the common stock after this offering. The market price of the common stock could be subject to significant fluctuations due to factors such as:

- actual or anticipated fluctuations in our financial condition or results of operations,
- success of operating strategies, and our perceived prospects and those of the financial services industry in general,
- realization of any of the risks described in this section,
- failure to be covered by securities analysts or failure to meet securities analysts expectations, and

declines in the stock prices of peer companies.

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As a result, shares of our common stock may trade at prices significantly below the price of this offering. Declines in the price of our stock may adversely affect our ability to recruit and retain key employees, including our working partners and other key professional employees.

You will experience immediate and substantial dilution in the book value of your common stock, and investors would not receive the full amount of their investment should we be liquidated at our book value.

Purchasers of our common stock offered pursuant to this prospectus will experience an immediate dilution in net tangible book value of $ per share of our common stock purchased (assuming full exchange of all BGC exchange rights and their related units into shares of Class B common stock and no exercise of the underwriters over-allotment option). Accordingly, should we be liquidated at our book value, investors would not receive the full amount of their investment. See Dilution.

Our share price may decline due to the large number of shares eligible for future sale and for exchange.

Sales of substantial amounts of our common stock by Cantor and others, or the possibility of such sales, may adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities. Upon completion of this offering, there will be shares of our common stock outstanding (or shares of our common stock if the underwriters exercise their over-allotment option in full). In addition, we will have shares of our common stock reserved for issuance in connection with the conversion of the shares of Class B common stock outstanding immediately after this offering, which will be entitled to registration rights under the terms of the registration rights agreement with Cantor that we intend to enter into in connection with this offering, and shares of our common stock reserved for issuance in connection with the exchange of the BGC exchange rights, which will be entitled to registration rights under the terms of the registration rights agreement with Cantor that we intend to enter into in connection with this offering, and shares of our common stock reserved for issuance pursuant to our Equity Incentive Plan, our Employee Stock Purchase Plan and our Deferral Plan. In light of the number of shares of our common stock issuable in connection with the full exchange of the BGC exchange rights, the price of our 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 will be issued to our working partners and to limited partners of Cantor in connection with the separation, assuming all such persons were entitled to accelerated distribution of such distribution rights, as described under The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor. All of these shares of our common stock will be distributed by Cantor. Cantor expects to use shares of our common stock received upon its conversion of Class B common stock, shares of our common stock received upon exchange of the BGC exchange rights and purchases of shares of our common stock in the open market to satisfy its distribution obligation under the distribution rights.

Anniversary of offering	Number of shares of our common stock that are expected to be distributed by Cantor in respect of the distribution rights
12-month	
18-month	
24-month	
30-month	
36-month	
Total	

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In addition to the table above, the managing general partner of Cantor, and solely with respect to BGC working partners, BGC Partners, will be able to grant earlier acceleration, in each case subject to the prior approval of a majority of our independent directors (subject to certain limited exceptions, including for estate planning purposes and for purposes of donating such shares to charitable organizations). To the extent such donated shares are restricted securities, we anticipate that the recipient charities or trusts would sell such shares immediately on the open market at the end of restricted period. After the one year anniversary of this offering, to the extent that earlier acceleration of distribution rights for our common stock is permitted for purposes of donating interests and/or distributed shares to charitable organizations, we anticipate that the charities receiving such donated shares would sell their holdings on the open market immediately after receipt.

The BGC exchange rights outstanding immediately after this offering will be exchangeable at any time after the first anniversary of the closing of this offering for an aggregate of shares of Class B common stock (or, at Cantor s election, shares of our common stock).

The shares of our common stock sold in this offering (shares of our common stock if the over-allotment option is exercised in full) will be freely transferable without restriction or further registration under the Securities Act of 1933, as amended, which we refer to as the Securities Act, other than the shares held by our affiliates. The shares of our common stock that will be issued upon conversion of Class B common stock or in connection with an exchange of the BGC exchange rights may constitute restricted securities for purposes of the Securities Act. If they are restricted securities, absent registration under the Securities Act or compliance with Rule 144 thereunder or an exemption therefrom, these shares of our common stock will not be freely transferable to the public. See Shares Eligible for Future Sale.

Future issuances of BGC Holdings limited partnership interests to our working partners and our executive officers may, depending upon the price at which such units are offered, result in our interests in BGC U.S. and BGC Global being diluted, which could reduce the value of an investment in our common stock and result in compensation charges for accounting purposes that could adversely affect BGC Partners net income.

At the direction of our compensation committee or its designee, our present and prospective working partners and executive officers may be offered the opportunity to purchase BGC Holdings limited partnership interests. Any net proceeds received by BGC Holdings from such an investment generally will be contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of a number of BGC U.S. units and BGC Global units equal to the number of BGC Holdings limited partnership interests being issued. Any BGC Holdings limited partnership interests acquired by our working partners or executive officers, including any such interests acquired at preferential or historical prices that are less than the prevailing fair market value of our common stock, will generally receive distributions from BGC U.S. and BGC Global on an equal basis with all other limited partnership interests such as BGC U.S. limited partnership interests and BGC Global limited partnership interests held by BGC Partners. As a result, issuances of BGC Holdings limited partnership interests to our working partners and executive officers could dilute our interest in the distributions from BGC U.S. and BGC Global which could, in turn, reduce the value of an investment in our common stock. Furthermore, the dilutive effect of these issuances of BGC Holdings limited partnership interests at preferential prices will continue even after such working partner leaves BGC Holdings if Cantor exercises its right of first refusal to acquire from our working partners any BGC Holdings limited partnership interests that are to be redeemed by BGC Holdings, unless Cantor, to the extent permissible, subsequently exchanges such interests for shares of our capital stock. See Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Cantor s Right of First Refusal.

Issuances of BGC Holdings limited partnership interests to our working partners or executive officers at preferential or historical prices could also result in non-cash compensation charges for financial accounting purposes and, as a result, could adversely affect our net income.

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If Cantor exercises its right of first refusal to purchase working partner interests that are to be redeemed by BGC Holdings and does not exchange such interests for shares of our capital stock, our share of income and distributions from BGC U.S. and BGC Global will remain the same, instead of increasing, when our working partners leave BGC Holdings.

Cantor will have a right of first refusal with respect to any working partner interests that are to be redeemed by BGC Holdings, which will permit, and in some cases require, Cantor to purchase these working partner interests from the BGC working partner. Any BGC Holdings limited partnership interests that were received by that working partner in exchange for interests in Cantor and are subsequently acquired by Cantor, while not exchangeable in the hands of the BGC working partner, will be exchangeable from time to time by Cantor, commencing one year after this offering, for shares of Class B common stock (or at Cantor s election, shares of our common stock) on a one-for-one basis. At Cantor s election and subject to the approval of a majority of our independent directors, or if there is a board of directors approved stock repurchase plan then in effect, the BGC exchange rights and their related units will also be exchangeable for cash, if available, in an amount equal to the fair market value of such shares at the time of the exchange. See Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Cantor s Right of First Refusal.

The interests delivered to BGC Partners upon exercise of the exchange right will represent an interest in the income of our business equal to the value of the shares of our capital stock issued by us or cash paid by us upon such exchange. With respect, however, to working partner interests that Cantor acquires from our working partners but does not exchange for shares of our capital stock, either at its election or because such interests were not acquired by a working partner in exchange for such working partner s interests in Cantor and therefore are not exchangeable by Cantor, BGC Partners will not receive additional interests in our business and the number of outstanding limited partnership interests in BGC U.S. and BGC Global will not decrease. As a result, there will be no corresponding increase in the share of distributions of the income from the operations of our business received by BGC Partners or allocated to the other outstanding BGC U.S. and BGC Global limited partnership interests, including those held by BGC Partners, when a working partner leaves BGC Holdings. Accordingly, although we will benefit upon the exercise of Cantor s right of first refusal in that absent such exercise the redemption price for a working partner s BGC Holdings limited partnership interests would have been funded by the redemption of BGC U.S. and BGC Global limited partnership interests held by BGC Holdings reflecting the redeemed working partner s interest in our business, we will not receive any benefit from a larger share of distributions on the BGC U.S. and BGC Global limited partnership interests indirectly held by BGC Partners that otherwise would have been made.

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

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

- acquisition of us by means of a tender offer,
- acquisition of us by means of a proxy contest or otherwise, or
- removal of our incumbent officers and directors.

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

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Our certificate of incorporation will provide that special meetings of stockholders may be called only by the Chairman of our board of directors, or in the event the Chairman of our board is unavailable, jointly by our Co-Chief Executive Officers or by Cantor, our controlling stockholder. In addition, our certificate of incorporation will permit us to issue blank check preferred stock.

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

We will be subject to Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns 15% or more of a corporation s outstanding voting stock, or was the owner of 15% or more of a corporation s outstanding voting stock at any time within the prior three years, other than interested stockholders prior to the time our common stock is quoted on the Nasdaq Global Market. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock held by stockholders.

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

Further, the Equity Incentive Plan, which we plan to adopt prior to the closing of this offering, will contain provisions pursuant to which grants that are unexercisable or unvested may automatically become exercisable or vested as of the date immediately prior to certain change of control events. Additionally, change of control employment agreements between us and our named executive officers may also provide for payments in the event of certain change of control events.

The foregoing factors, as well as the significant common stock ownership by Cantor, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See Description of Capital Stock Anti-Takeover Effects of Our Expected Certificate of Incorporation and By-laws and Delaware Law.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this prospectus that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as may, might, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties outlined in Risk Factors in this prospectus.

These risks and uncertainties are not exhaustive. Other sections of this prospectus may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this prospectus or to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

- our possible or assumed future results of operations and operating cash flows,
- our strategies and investment policies,
- our financing plans and the availability of short-term borrowing,
- our competitive position,
- potential growth opportunities available to our business,
- the recruitment and retention of our working partners, brokers and other employees,
- our expected levels of compensation,
- our potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,
- the likelihood of success and impact of litigation, arbitration or other contingent liability,

our expected tax rate,

changes in interest and tax rates,

our expectations with respect to the economy, the securities markets and other industry trends,

the benefits to our business resulting from the effects of the separation, including this offering,

the impact on our business of our certificate of incorporation and by-laws,

the effects of competition on our business,

the impact of future legislation and regulation on our business, and

our ability to integrate future acquisitions into our business.

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THE SEPARATION OF OUR BUSINESS AND THE

BGC PARTNERS ORGANIZATIONAL STRUCTURE

Pursuant to the separation and the closing of this offering, BGC Partners will acquire control over our business and our working partners, each of whom is currently a partner of Cantor, will become partners in BGC Holdings. These transactions, as well as the organizational structure of BGC Partners giving effect to the separation and this offering, are described below.

Pursuant to the master transaction agreement that we intend to enter into regarding the separation and recapitalization transactions, Cantor has the sole discretion to determine whether or not to complete these transactions and this offering and, if it decides to complete these transactions, the timing of this offering. The final determination as to the completion, timing, structure and terms of these transactions and this offering will be based on financial and business considerations and prevailing market conditions.

Our Separation from Cantor

Prior to the closing of this offering, our business was operated by Cantor and its affiliates. In connection with or prior to this offering, we have formed BGC Partners, BGC Holdings, BGC U.S. and BGC Global. In a series of transfers to be completed in connection with this offering, Cantor will transfer certain of its assets and liabilities and all of the issued and outstanding stock of Euro Brokers to BGC Partners, Inc. We refer to these transfers as the separation. The assets and liabilities that Cantor will transfer to BGC Partners will include:

- all of Cantor s interests in the subsidiaries that operate BGC s inter-dealer brokerage business and Cantor s market data businesses,
- all of Cantor s rights and obligations to share revenues with eSpeed in respect of clearing, processing and other back office services under the joint services agreement, and
- certain indebtedness in the aggregate amount of $250 million incurred by Cantor to fund the business of BGC.

After this offering, Cantor will continue to hold its equity capital markets, debt capital markets and gaming businesses, its interests in eSpeed, certain greenhouse gas, energy, environmental and emission allowances businesses, the equity derivatives inter-dealer brokerage businesses of the Equities Division of Cantor and certain other businesses.

The separation will be effected, among other things, by a contribution by Cantor of the transferred assets and liabilities indirectly to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests. Cantor will subsequently exchange a portion of these BGC U.S. limited partnership interests and BGC Global limited partnership interests for BGC Holdings limited partnership interests. In addition, Cantor will contribute all of the issued and outstanding stock of Euro Brokers to BGC Partners, Inc. in exchange for shares of Class B common stock and the single share of Class C common stock. Through its subsidiaries, BGC Partners will contribute a portion of the net proceeds from this offering to BGC U.S. and BGC Global, in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests, and will also purchase certain BGC U.S. limited partnership interests and BGC Global limited partnership interests issued to Cantor for $ million. In addition, immediately after the closing of this offering, BGC U.S. and BGC Global will repay existing indebtedness in an aggregate principal amount of $150 million owed by BGC to Cantor, and we will repurchase shares of our common stock from certain of our and our affiliates executive officers for an aggregate of $ million and pay to Cantor an aggregate of $ million in exchange for BGC Holdings limited partnership interests acquired by Cantor from certain of our executive officers. Cantor will use the net proceeds received from the repayment of indebtedness and from the purchase by BGC Partners of a portion of its BGC U.S. limited partnership interests and BGC Global limited partnership interests for general partnership purposes. See Use of Proceeds.

Prior to the closing of this offering, our working partners were limited partners in Cantor. Prior to the closing of this offering, Cantor will redeem all of the Cantor limited partnership interests held by our working partners in exchange for (1) a portion of the BGC Holdings limited partnership interests that Cantor receives in the separation, (2) the distribution rights and (3) until December 31, 2008, the right to receive equalization payments from Cantor. The key terms of the distribution rights and the equalization payments from Cantor are described in Our Ownership Structure after the Separation and This Offering Expected Continuing Interests in Cantor and in Certain Relationships and Related Transactions. The key terms of the BGC Holdings limited partnership interests that our working partners will receive in the separation are summarized in Our Ownership Structure after the Separation and This Offering and in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests.

Prior to the closing of this offering, BGC Partners will distribute approximately $150 million of its cash and accrued commissions receivable balances as of , 2007, to Cantor, and BGC Partners will settle all receivables and payables between it and related parties, other than eSpeed.

Our Ownership Structure after the Separation and This Offering

Expected BGC Partners Ownership Structure

Immediately after the separation and this offering, BGC Partners will hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings, and will serve as the general partner of BGC Holdings, which will entitle BGC Partners to control BGC Holdings. BGC Holdings, in turn, will hold the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Global, and will serve as the general partner of each of BGC U.S. and BGC Global, which will entitle BGC Holdings (and thereby BGC Partners) to control each of BGC U.S. and BGC Global. BGC Holdings will hold its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC GP Limited. In addition, BGC Partners will indirectly through wholly-owned subsidiaries hold BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of units and units, representing approximately % and % of the outstanding BGC U.S. limited partnership interests and BGC Global limited partnership interests, respectively. BGC Partners is a holding company and, following this offering, will hold these interests, will serve as the general partner of BGC Holdings, and, through BGC Holdings, will act as the general partner of each of BGC U.S. and BGC Global. As a result of our ownership of the general partnership interest in BGC Holdings and BGC Holdings general partnership interest in each of BGC U.S. and BGC Global, BGC Partners anticipates it will consolidate BGC U.S. s and BGC Global s results for financial reporting purposes.

Immediately after the separation and this offering, the remainder of the BGC U.S. limited partnership interests and BGC Global limited partnership interests not held by us will be held indirectly by our working partners and Cantor through BGC Holdings. Our working partners will directly and Cantor will indirectly hold BGC Holdings limited partnership interests. BGC Holdings, in turn, will hold BGC U.S. limited partnership interests and BGC Global limited partnership interests and, as a result, our working partners and Cantor will indirectly hold BGC U.S. limited partnership interests and BGC Global limited partnership interests. We anticipate that Cantor s and our working partners indirect ownership interest in BGC U.S. limited partnership interests and BGC Global limited partnership interests and direct and, in the case of Cantor, indirect ownership interest in BGC Holdings will be accounted for as a minority interest in our financial statements when the key transaction agreements entered into in connection with the closing of the separation and this offering are finalized. The BGC Holdings limited partnership agreement will provide that BGC Holdings, in its capacity as general partner of each of BGC U.S. and BGC Global, will require Cantor s consent to amend the terms of the BGC U.S. or BGC Global limited partnership agreements or take any other action that may interfere with

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Cantor s exercise of its preemptive right to acquire BGC Holdings limited partnership interests (and the corresponding investment in BGC U.S. and BGC Global by BGC Holdings) or its BGC exchange rights. See Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Actions Requiring Cantor s or Our Working Partners Consent.

BGC Holdings limited partnership interests issued to Cantor, including those transferred to our working partners in redemption of their current limited partner interests in Cantor, will consist of BGC Holdings units and BGC exchange rights. Cantor will hold all of the BGC exchange rights. The BGC exchange rights and their related units will be exchangeable from time to time by Cantor, commencing one year after this offering, for shares of Class B common stock (or at Cantor s election, shares of our common stock) on a one-for-one basis. At Cantor s election and subject to the approval of a majority of our independent directors, or if there is a board of directors approved stock repurchase plan then in effect, the BGC exchange rights and their related units will also be exchangeable for cash, if available, in an amount equal to the fair market value of such shares at the time of the exchange. With each exchange, our indirect interest in BGC U.S. and BGC Global will proportionately increase through our acquisition of a BGC Holdings unit. In addition, BGC Partners will have the right to require the exchange of its BGC Holdings unit, so acquired, for the BGC U.S. limited partnership interest and the BGC Global limited partnership interest underlying such BGC Holdings unit. Once BGC Partners receives a BGC Holdings limited partnership interest consisting of a BGC exchange right and the related BGC Holdings unit, all rights associated with the exchange right shall expire. As these exchanges for shares of our common stock, Class B common stock or cash are effected, the voting power of Cantor s Class C common stock will be reduced proportionately so as to maintain Cantor s Class C voting power in BGC Partners at the level of the then-outstanding BGC exchange rights. Immediately after the separation and this offering, Cantor s BGC Holdings limited partnership interest will consist of BGC Holdings units representing approximately % of the outstanding BGC Holdings limited partnership interests or, indirectly, % of the outstanding BGC U.S. limited partnership interests and % of the outstanding BGC Global limited partnership interests, and all of the BGC exchange rights. The BGC Holdings limited partnership interests held by our working partners will consist of BGC Holdings units, representing in the aggregate approximately % of the outstanding BGC Holdings limited partnership interests or, indirectly, % of the outstanding BGC U.S. limited partnership interests and % of the outstanding BGC Global limited partnership interests, and no BGC exchange rights.

Cantor will have the right, and in some cases the obligation, to purchase BGC Holdings units in connection with the redemption of any BGC Holdings units held by any of our working partners or executive officers, including by transferring shares of our common stock owned by Cantor or received by Cantor upon exchanging the acquired BGC Holdings units, to those BGC working partners or executive officers, as described more fully below and in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests.

Immediately after the separation and the closing of this offering, there will be shares of our common stock outstanding, all of which will be held by persons who purchase shares in this offering. Our Class A common stock will be the class of publicly-traded common stock of BGC Partners. Each share of Class A common stock will generally be entitled to one vote on matters submitted to our stockholders. In addition, immediately after the separation and the closing of this offering, Cantor will hold shares of the Class B common stock, representing approximately % of our voting power, and the single share of the Class C common stock, representing approximately an additional % of our voting power, which collectively will represent approximately % of our voting power. Each share of Class B common stock will generally be entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock will be entitled to 10 votes. The Class C common stock will not be entitled to any economic rights, but will be entitled to vote on matters submitted to a vote of our stockholders and will be entitled to the total number of votes underlying the outstanding BGC exchange rights on an as-if-exchanged basis (assuming all BGC exchange rights and their related units (including units held by our working partners that were acquired in redemption of their limited partnership interests in Cantor with respect to which Cantor is required to exercise its right of first refusal) were exchanged for Class B common stock). This means that the single share of Class C common stock will have the voting power associated with the shares of Class B common stock that would be issued upon exchange of all BGC exchange rights and their related units for shares of Class B common stock. For example, if the outstanding BGC exchange rights and their related units were exchangeable for 50,000,000 shares of Class B common stock, the single share of Class C common stock would be entitled to 500,000,000 votes. As a result, Cantor initially will be able to control the election of our directors and control our management and affairs, including determinations with respect to acquisitions, dispositions, material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of common stock or other securities. This control will be subject to the approval of our independent directors on those matters requiring such approval. The voting power of the Class C common stock will fluctuate over time as the BGC exchange rights and their related units are exchanged or additional BGC exchange rights are issued. The Class B common stock and Class C common stock generally will vote together with our common stock on all matters submitted to a vote of our stockholders.

The graphic below illustrates our expected ownership structure immediately after completion of the separation and this offering. It does not reflect the various subsidiaries of BGC Partners or Cantor, the exercise of the underwriters over-allotment option or the results of any exchange of the BGC exchange rights and their related units for our common stock.

The Public Stockholders caption on the graphic below excludes shares of our Class A common stock that will be distributed to certain of our and our affiliates executive officers by Cantor and repurchased by BGC Partners on the closing date of this offering in connection with the separation. For a description of this transaction, see Certain Relationships and Related Transactions.

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Expected Ownership Structure Immediately after Completion

of the Separation and This Offering

Issuances of BGC Partnership Interests after This Offering

We expect that BGC Partners will be operated as a holding company. In order to maintain BGC Partners economic interest in BGC U.S. and BGC Global, any net proceeds received by us from any subsequent issuances of shares of our Class A common stock generally will be contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of a number of BGC U.S. units and BGC Global units equal to the number of shares of our Class A common stock being issued. In addition, subject to the approval of a majority of our board of directors, BGC Partners may elect to invest any excess cash into BGC U.S. and BGC Global in exchange for additional BGC U.S. limited partnership interests and BGC Global limited partnership interests. The investment price will be based on the then-applicable market price for shares of Class A common stock.

In the event that BGC Partners acquires any additional BGC U.S. limited partnership interests and BGC Global limited partnership interests from BGC U.S. or BGC Global, Cantor will have the right to cause BGC Holdings to acquire additional BGC U.S. limited partnership interests and BGC Global limited partnership interests from BGC U.S. and BGC Global up to the amount of BGC U.S. units and BGC Global units that would preserve its relative economic percentage interest in BGC U.S. and BGC Global immediately prior to the acquisition of such additional partnership units by BGC Partners, and Cantor will acquire an equivalent amount of additional BGC Holdings limited partnership interests. The purchase price per BGC U.S. unit and BGC Global unit for any such BGC U.S. limited partnership interests and BGC Global limited partnership interests issued indirectly to Cantor pursuant to its preemptive right will be equal to the price paid by BGC Partners per BGC U.S. unit and BGC Global unit. Any such BGC Holdings limited partnership interests issued to Cantor will include BGC exchange rights equal in number to the BGC Holdings units included in such BGC Holdings limited partnership interests. To the extent that any BGC exchange rights are issued, BGC Partners expects to issue a corresponding stock dividend to its common stockholders in order to maintain the common stockholders pro rata ownership interest in BGC Partners, subject to any applicable legal and contractual requirements (see Dividend Policy). In the event that BGC Partners acquires any additional BGC U.S. limited partnership interests and BGC Global limited partnership interests from BGC U.S. and BGC Global, those additional BGC U.S. limited partnership interests and BGC Global limited partnership interests will initially be in the form of BGC U.S. preferred limited partnership interests and BGC Global preferred limited partnership interests, as applicable. The preferred limited partnership interests will entitle BGC Partners to a to-be-determined fixed return (equal to the applicable interest rate payable on United States Treasury obligations with a maturity date of three years after the close of business on the business day immediately preceding the date of issuance of such preferred interests plus a specified number of basis points) on the aggregate purchase price for such interests and will not otherwise be entitled to participate in the profit and loss of BGC U.S. and BGC Global, as applicable. The BGC U.S. preferred limited partnership interests and BGC Global preferred limited partnership interests will automatically convert into regular BGC U.S. limited partnership interests and BGC Global limited partnership interests, as applicable, on the earlier of nine months after the date that BGC Partners acquires such preferred limited partnership interests from BGC U.S. and BGC Global and the date on which Cantor causes an investment by BGC Holdings in BGC U.S. and BGC Global under its preemptive right. Cantor may cause an exercise of its preemptive right, in whole or in part, at any time within nine months after the date that BGC Partners acquires such preferred limited partnership interests from BGC U.S. and BGC Global. Cantor will not otherwise have the right to acquire additional limited partnership interests from BGC U.S. or BGC Global, except as permitted by BGC Partners.

In addition, in connection with this offering, we intend to adopt a participation plan, which we refer to as the Participation Plan, for our working partners and executive officers that will provide for issuances, in the discretion of our compensation committee or its designee, of BGC Holdings limited partnership interests to our present or prospective working partners and executive officers. Any net proceeds received by BGC Holdings for such issuances generally will be contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of a number of BGC U.S. units and BGC Global units equal to the number of BGC Holdings limited partnership interests being issued. Any BGC Holdings limited partnership interests acquired by our working partners, including any such interests acquired at preferential or historical prices that are less than the prevailing fair market value of our common stock, will generally receive distributions from BGC U.S. and BGC Global on an equal basis with all other limited partnership interests, such as BGC U.S. limited partnership interests and BGC Global limited partnership interests held by BGC Partners. BGC Holdings will not have the right to acquire limited partnership interests in BGC U.S. and BGC Global other than in connection with an investment by Cantor as described in the preceding paragraph or in connection with issuances of BGC Holdings interests to our working partners and executive officers under the Participation Plan. For a further description of the terms of the BGC Holdings limited partnership interests that may be issued to present and prospective BGC working partners and executive officers, see Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests.

Distributions by BGC U.S. and BGC Global with Respect to BGC U.S. Limited Partnership Interests and BGC Global Limited Partnership Interests

After this offering, we intend to cause BGC U.S. and BGC Global to distribute to their limited partners, BGC Holdings (which will, in turn, make distributions to its limited partners, our working partners and Cantor) and us, on a quarterly basis, cash that is not required to meet BGC U.S. s and BGC Global s anticipated business needs. We will fund dividends, if any, to our stockholders and taxes payable by us through these distributions. We expect that such distributions will be sufficient to cover dividends declared by us and all applicable taxes payable in respect of BGC Partners net taxable income.

BGC Holdings will distribute, from any cash distributed to it by BGC U.S. and BGC Global, to its limited partners sufficient cash to cover all of the tax liabilities attributable to their respective interests in BGC Holdings (including tax liabilities owed by any partner or interest holder in a limited partner or such partner s or interest holder s partner or interest holder). BGC Holdings will also make additional distributions to its limited partners of all other available cash received by it from BGC U.S. and BGC Global (unless BGC Partners determines otherwise, subject to Cantor s consent), subject to limitations for selected extraordinary items, such as the disposition directly or indirectly of partnership assets outside of the ordinary course of business, as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Distributions by BGC Holdings with respect to BGC Holdings Limited Partnership Interests. We intend to match the distribution policy of BGC Holdings. Accordingly, we intend to use a substantial portion of the cash we receive from BGC U.S. and BGC Global to distribute as dividends to our common stockholders or reinvest in BGC U.S. and BGC Global on a pro rata basis with BGC Holdings. See Dividend Policy and Risk Factors.

The master transaction agreement, BGC U.S. limited partnership agreement, BGC Global limited partnership agreement and BGC Holdings limited partnership agreement will provide that any and all items of income, gain, loss or deduction to the extent resulting from the specified special items (which will include certain claims related to existing litigation and other contingent liabilities (see Business Legal Proceedings), claims by partners of Cantor, partnership disputes arising from the separation and claims by BGC Partners under the tax receivable agreement in the event that the Internal Revenue Service successfully challenges the tax basis increase) will be allocated entirely to the capital accounts of the BGC U.S. limited partnership interests and BGC Global limited partnership interests held by BGC Holdings and therefore will be allocated entirely to the capital accounts of the BGC Holdings limited partnership interests held by our working partners and Cantor. However, there can be no assurances that such allocation will fully insulate us from any or all of the negative effects that may be associated with such specified special items. Distributions to BGC Holdings limited partners will come from the capital accounts of its limited partners, and, as a result, the right of Cantor and our working partners who hold BGC Holdings limited partnership interests to receive any distributions from BGC Holdings will reflect the effect of these special items, which in turn could affect our retention of brokers. Any declines in such capital accounts will affect BGC Partners consolidated capital account and could adversely affect our ability to expand or, depending upon the magnitude of the decline or charge, to maintain the current level of our business.

For a further discussion of these distribution terms, see Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests.

The BGC Holdings units held by our working partners and executive officers are also subject to redemption at any time at the election of BGC Partners, as the general partner of BGC Holdings, at a pre-determined formula redemption price, and may be, and in some cases are required to be, purchased by Cantor at the redemption price after redemption has been initiated by BGC Holdings, including for the purpose, in some cases, of permitting Cantor to exercise BGC exchange rights. The terms of redemption and Cantor s right to purchase are described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests.

Except as described above, we do not expect that BGC U.S., BGC Global or BGC Holdings will make any distributions in respect of BGC U.S. limited partnership interests, BGC Global limited partnership interests or BGC Holdings limited partnership interests after this offering. However, this policy is subject to change.

Expected Continuing Interests in Cantor

As noted above, our working partners and other limited partners of Cantor will receive distribution rights in the separation. The distribution rights will generally entitle the holder to receive from Cantor a distribution of a fixed number of shares of our common stock on the ninth anniversary of this offering subject to acceleration in certain circumstances as follows:

- if he or she has been a partner of Cantor for one year or less as of the closing of this offering, 1/3rd of the shares of our common stock underlying the distribution right on each of the 12-, 24- and 36-month anniversaries of this offering, if, as of the applicable anniversary date, that holder continues to provide services to our company or Cantor, as applicable, and has not breached his or her working partner obligations, including the non-competition and non-solicitation covenants contained in the limited partnership agreement of BGC Holdings, as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Partner Obligations, and

- if he or she has been a partner of Cantor for more than one year as of the closing of this offering, (1) with respect to distribution rights received in the separation in respect of units in Cantor, including units acquired at any time as a result of reinvestment in respect thereof, issued three or more years prior to the closing of this offering, 1/3rd of the shares of our common stock underlying the distribution right on each of the 12-, 18- and 24-month anniversaries of this offering and (2) with respect to distribution rights received in the separation in respect of units in Cantor, including units acquired at any time as a result of reinvestment in respect thereof, issued less than three years prior to the closing of this offering, 1/5th of the shares of our common stock underlying the distribution right on each of the 12-, 18-, 24-, 30- and 36-month anniversaries of this offering, in each case, if, as of the applicable anniversary date, that holder continues to provide services to our company or Cantor, as applicable, and has not breached his or her working partner obligations, including the non-competition and non-solicitation covenants contained in the limited partnership agreement of BGC Holdings, as described in Certain Relationships and Related Transactions BGC U.S. s, BGC Global s and BGC Holdings Partnership Interests Partner Obligations.

In addition, the managing general partner of Cantor, and solely with respect to BGC working partners, BGC Partners, will be able to grant earlier acceleration, in each case, subject to the prior approval of Cantor and a majority of our independent directors (subject to certain limited exceptions, including for estate planning

purposes and for purposes of donating such shares to charitable organizations). While the continuing provision of services to BGC Partners or Cantor will, in the absence of a breach of the working partner obligations, result in accelerated receipt of these distribution rights, the ownership of these distribution rights and underlying shares of our common stock will not be dependent upon a working partner s continued employment with us or Cantor or compliance with the working partner obligations.

Cantor may enter into arrangements pursuant to which our working partners and limited partners of Cantor providing services to us, in each case upon their becoming entitled to accelerated distributions of shares of our common stock as described above, would have a right to receive, in lieu of such shares, an increased share of the profits and losses of our business allocated to BGC Holdings reflecting, generally, the same portion of our business as such shares of our common stock. Any partner receiving an increased share of profits and losses would continue to receive the increased share until such partner receives the shares of our common stock, which would occur on the earliest of the ninth anniversary of this offering, upon such partner electing to receive such shares of our common stock or such partner leaving us or Cantor, as the case may be.

Furthermore, pursuant to the mandatory redemption of their existing Cantor units, our working partners will receive a new class of Cantor units that will entitle them to certain distributions from Cantor. Until December 31, 2008, our working partners who receive these Cantor units at the time of the separation will be entitled to receive, in respect of such units, distributions that, together with the distributions they receive from BGC Holdings on the BGC Holdings limited partnership interests received in the separation, are not less than those distributions that they would have received had they and all other working partners continued as partners of Cantor. As a result, during this period our working partners will receive not less than the same amount they would have received had their Cantor limited partnership interests not been redeemed for BGC Holdings limited partnership interests and distribution rights in the separation. Cantor will fund any such equalization payments. This equalization feature will not apply to any BGC Holdings limited partnership interests issued to our working partners after the separation.

Prior to this offering, Cantor intends to enter into agreements with Messrs. Amaitis and Lynn pursuant to which Cantor will agree to give each of them the right to sell their BGC Holdings limited partnership interests to Cantor at a price, to be determined prior to this offering, significantly more favorable to them than the amount that otherwise would have been payable upon redemption of such interests in the absence of these agreements. This amount will be payable by Cantor in stock, including shares of our common stock acquired by Cantor upon exchange of all or some of such purchased interests with BGC Partners or, at Cantor s election, cash. The amount of BGC Holdings limited partnership interests covered by this right will generally vest over six years in the case of Mr. Amaitis (20% of the BGC Holdings limited partnership interests held by Mr. Amaitis on each of the 12- and 24-month anniversaries of this offering and 15% on each of the subsequent four annual anniversaries of this offering) and 10 years in the case of Mr. Lynn (20% of the BGC Holdings limited partnership interests held by Mr. Lynn on each of the 12- and 24-month anniversaries of this offering and 7.5% on each of the subsequent eight annual anniversaries of this offering). The BGC Holdings limited partnership agreement will provide that such right will be an exception to the general transfer restrictions in respect of BGC Holdings limited partnership interests and, in certain circumstances, the vesting of such right may be delayed. In addition, Cantor may provide other BGC Holdings limited partners with a similar right in the future.

Messrs. Amaitis, Barnard, Lynn, Merkel, and Paul Saltzmann, Chief Operating Officer of eSpeed, as well as one other individual who is employed by one of our affiliates, will receive an immediate distribution from Cantor of all or some of the underlying shares of our common stock pursuant to the distribution rights issued to these individuals in connection with the redemption of their Cantor limited partnership interests. Each of these individuals will immediately sell the shares underlying the distribution rights to BGC Partners at the initial public offering price in this offering. Concurrently, Cantor will also purchase some of the BGC Holdings limited partnership interests held by Messrs. Amaitis and Lynn. Cantor will immediately exchange the BGC Holdings limited partnership interests that it purchases from Messrs. Amaitis and Lynn with BGC Partners for cash in an amount equal to the initial public offering price of the shares of our common stock underlying such BGC Holdings limited partnership interests. The right to the proceeds of such sales of our common stock and the sales of BGC Holdings limited partnership interests to Cantor, net of applicable taxes, will be assigned, in connection with this offering, by these individuals for repayment of borrowings to their applicable lenders or for payment of required capital contributions on the closing date of this offering, for the substantial majority of which Cantor is the lender or in the case of capital contributions, the recipient, and the remainder of which are guaranteed by Cantor in the amount of, including interest, $, $, $, $, $ and $, respectively, that were incurred in order to acquire a portion of their existing Cantor limited partnership interests (and in the case of Messrs. Amaitis and Lynn, a portion of which were incurred for other general purposes). See Certain Relationships and Related Transactions Repayment of Existing Loans and Required Capital Contributions. Cantor s exchange for cash of the BGC Holdings limited partnership interests that it will acquire from Messrs. Amaitis and Lynn will be an exception to the conditions on exchanges for cash and the general restriction on exchanges for one year after this offering.

In addition, Messrs. Lutnick, Merkel and Barnard will not have their interests in Cantor redeemed for BGC Holdings limited partnership interests in the separation, but rather will continue to hold Cantor limited partnership interests and other interests in Cantor and its affiliates, including distribution rights. For a description of these interests, see Certain Relationships and Related Transactions.

Other than as described above or in Certain Relationships and Related Transactions, neither our company nor any of our directors, executive officers or other employees will hold any ownership interest in Cantor after the separation and this offering.

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You should read Risk Factors Risks Related to the Separation, Certain Relationships and Related Transactions and Description of Capital Stock for additional information about our corporate structure and the risks posed by this structure.

Relationship with Cantor after This Offering

As a result of its holdings of shares of Class B common stock and the single share of Class C common stock, Cantor will be entitled to exercise approximately % of our voting power immediately after this offering. Accordingly, Cantor will be able to appoint and remove our board of directors, approve or veto any action requiring stockholder approval, and control our management and affairs, including determinations with respect to acquisitions, dispositions, material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of our common stock or other securities. This control will be subject to the approval of our independent directors on those matters requiring such approval. Furthermore, we intend to enter into several agreements in connection with the separation, which agreements will include a master transaction agreement, tax receivable agreement, clearing agreement, registration rights agreement and administrative services agreements. See Certain Relationships and Related Transactions Key Separation Agreements. Mr. Lutnick, who will serve as our Co-Chief Executive Officer and Chairman, is also the Chairman of the Board and Chief Executive Officer of Cantor, the controlling stockholder of CFGM, Cantor s managing general partner, and is the Chairman, Chief Executive Officer and President of eSpeed. In addition, Mr. Amaitis, who will serve as our Co-Chief Executive Officer and a member of our board of directors, is currently employed as Vice Chairman and Executive Vice President of eSpeed (although we expect him to step down from this position after the completion of this offering), Chairman and Chief Executive Officer of BGCI and BGC Partners, L.P., President and Chief Executive Officer of Cantor Index Limited and holds positions at various gaming affiliates of Cantor. Mr. Merkel, who will serve as our Executive Vice President, General Counsel and Secretary, is employed as Executive Vice President, General Counsel and Secretary of eSpeed and Executive Managing Director, General Counsel and Secretary of Cantor. Douglas R. Barnard, who will serve as our Chief Financial Officer, is also the Chief Financial Officer of Cantor. Messrs. Lutnick, Merkel and Barnard hold Cantor limited partnership interests and equity ownership in eSpeed and will not have these interests redeemed as part of either the separation or this offering.

Cantor has from time to time in the past considered possible strategic realignments of the business relationships that exist between and among Cantor, BGC and eSpeed and may do so in the future. Any future related party transactions will be subject to approval by a majority of our independent directors, but generally will not otherwise require the separate approval of our stockholders, and if such approval were required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $ million after deducting the estimated underwriting discounts and commissions and expenses, assuming the shares of our common stock are offered at $ per share, which represents the mid-point of the range set forth on the cover page of this prospectus.

We intend to use the net proceeds as follows:

- to repurchase shares of our common stock from certain of our and our affiliates executive officers for an aggregate of $ million (such funds will be used to repay borrowings or pay required capital contributions on the closing date of this offering, for the substantial majority of which Cantor is the lender or in the case of capital contributions, the recipient) and pay to Cantor an aggregate of $ million in exchange for BGC Holdings limited partnership interests acquired by Cantor from certain of our executive officers, and

- to purchase of the BGC U.S. limited partnership interests and of the BGC Global limited partnership interests held by Cantor immediately after this offering for an aggregate of $ million.

The remaining net proceeds (including the net proceeds from any shares of our Class A common stock sold pursuant to the underwriters over-allotment option) will be indirectly contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests.

BGC U.S. and BGC Global intend to use the net proceeds they receive from BGC Partners as follows:

- to repay existing indebtedness in an aggregate amount of $150 million owed by BGC to Cantor, (1) $75.0 million of which has a fixed interest rate of 9.22% which is due in May 2012 and can be repaid at any time with no pre-payment penalties, (2) $33.3 million of which has a fixed interest rate of 8.72%, which is due in May 2012 and can be repaid at any time with no pre-payment penalties, and (3) $41.7 million of which has an interest rate equal to the six-month London Interbank Offered Rate, which we refer to as LIBOR, rate plus an additional 2% which is reset semi-annually (as of September 30, 2006, the rates range from 7.16% to 7.42%) which is due in April 2008 and no principal payments are paid until maturity and, subject to any applicable FSA restrictions, can be repaid at any time with no pre-payment penalties, and

- for general corporate purposes.

Prior to the closing of this offering, BGC Partners will distribute approximately $150 million of its cash and accrued commissions receivable balances as of , 2007, to Cantor, and BGC Partners will settle all receivables and payables between it and related parties, other than eSpeed.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the amount of proceeds of this offering by $ million.

Cantor will use the cash it receives in connection with the separation and this offering for general partnership purposes.

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DIVIDEND POLICY

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

BGC U.S. and BGC Global intend to distribute to their limited partners, including us, on a pro rata and quarterly basis, cash that is not required to meet BGC U.S. s and BGC Global s anticipated business needs. BGC U.S. s and BGC Global s ability to make any distributions to us will also depend upon other factors, including operating results, cash flow from operations, capital requirements and contractual, legal, financial and regulatory restrictions.

BGC Holdings will distribute, from any cash distributed to it by BGC U.S. and BGC Global, to its limited partners sufficient cash to cover all of the tax liabilities attributable to their interests in BGC Holdings. BGC Holdings will generally also distribute to its limited partners any excess cash remaining after tax liabilities unless BGC Partners, as the general partner of BGC Holdings, with Cantor s consent, causes BGC Holdings to use such excess cash to reinvest in BGC U.S. and BGC Global.

We intend to match the distribution policy of BGC Holdings. Accordingly, we intend to use a substantial portion of the cash we receive from BGC U.S. and BGC Global to distribute as dividends to our common stockholders or reinvest in BGC U.S. and BGC Global on a pro rata basis with BGC Holdings.

As Cantor exercises its BGC exchange rights and related units for shares of our common stock and/or Class B common stock, it also will have a proportionate interest in the excess cash held by us to the extent that we retain excess cash balances or acquire additional assets with excess cash balances.

To the extent that any BGC exchange rights are issued to Cantor pursuant to its right to maintain its relative economic percentage interest in BGC U.S. and BGC Global in the event that BGC Partners reinvests in BGC U.S. and BGC Global, BGC Partners expects to issue a corresponding stock dividend to its common stockholders in order to maintain the common stockholders pro rata ownership interest in BGC Partners, subject to any applicable legal and contractual requirements. See The Separation of Our Business and the BGC Partners Organizational Structure Our Ownership Structure after the Separation and This Offering Issuances of BGC Partnership Interests after This Offering.

The declaration, payment, timing and amount of any future dividends payable by us will be at the sole discretion of our board of directors which will take into account general economic and business conditions, our financial condition, our available cash, our current and anticipated cash needs, and any other factors that the board considers relevant. Our ability to pay dividends may also be limited by covenants contained in future financing or other agreements. In addition, under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. There can be no assurance that our board of directors will declare dividends at all or on a regular basis.

Prior to the closing of this offering, BGC Partners will distribute approximately $150 million of its cash and accrued commissions receivable balances as of , 2007, to Cantor, and BGC Partners will settle all receivables and payables between it and related parties, other than eSpeed.

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DILUTION

As of September 30, 2006, our pro forma net tangible book value was approximately $ million, or approximately $( ) per share of our common stock outstanding. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities. After giving effect to our issuance of shares of our common stock in this offering and Class B common stock in the separation, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us as well as other distributions by us in connection with the separation, our pro forma as adjusted net tangible book value as of September 30, 2006 would have been approximately $( ) million, or $( ) per share of our common stock on an as-if converted basis (assuming all BGC exchange rights and their related units were exchanged for shares of our common stock). This represents an immediate dilution to new investors in our common stock of approximately $ per share.

The following table illustrates this per share dilution (assuming that the underwriters do not exercise their over-allotment option, in whole or in part):

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2006	$	
Increase per share attributable to this offering	$	
Pro forma as adjusted net tangible book value per share after this offering		$
Dilution per share to new investors in this offering, assuming full exchange of all BGC exchange rights and their related units into shares of our common stock		$

If the underwriters over-allotment option is exercised in full, the pro forma as adjusted net tangible book value per share of our common stock after giving effect to the separation would be approximately $ per share and the dilution per share of our common stock to new investors in the offering would be $ per share.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same (and after giving effect to our issuance of shares of our common stock in this offering and Class B common stock in the separation, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us as well as other distributions by us in connection with the separation), a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease), our pro forma net tangible book value as of September 30, 2006 by $ million, or $ per share of our common stock and represent an increase (decrease) in the immediate dilution to new investors in our common stock of approximately $ per share.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2006, reflecting:

- the historical actual combined capitalization of the BGC Division,
- the pro forma combined capitalization of the BGC Division prior to this offering, with the effects of our financial restructuring, including the distribution of approximately $150 million of cash to Cantor, the settlement of all receivables and payables with related parties except those involving eSpeed and the assumption of approximately $250 million of long-term debt,
- the pro forma combined capitalization of the BGC Division, after giving effect to this offering as follows:
  - the sale by us of shares of our common stock in this offering, assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses,
  - the issuance by us of shares of Class B common stock and the single share of Class C common stock to Cantor in the separation, and
  - to repay existing indebtedness in aggregate principal amount of $150 million owed by BGC to Cantor.

This table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our combined financial statements and related notes and our unaudited pro forma combined financial information and related notes, in each case included elsewhere in this prospectus. The data assume that there has been no exchange of the BGC exchange rights and their related units for shares of our common stock, Class B common stock or cash and no exercise, in whole or in part, of the underwriters over-allotment option to purchase additional shares of our common stock in this offering.

	As of September 30, 2006		
	Historical BGC Division	Pro Forma	Pro Forma as Adjusted for This Offering
		($ in thousands)	
Payables to related parties	$ 237,692		
Short-term borrowings	14,450		
Notes payable to related parties	196,318		
Minority interest	7,049		
Net assets	118,532		
Stockholders equity:			
Common stock			
Additional paid-in capital			
Total minority interest, net assets and stockholders equity	125,581		
Total capitalization	$ 574,041		

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SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table sets forth selected historical combined financial data for BGC for the periods and at the dates indicated. The selected historical combined financial data as of September 30, 2006 and December 31, 2005 and 2004 and for the nine months ended September 30, 2006 and for each of the years ended December 31, 2005, 2004 and 2003 have been derived from the BGC Division s audited combined financial statements included elsewhere in this prospectus. The information presented for December 31, 2002 and 2001 have been derived from the unaudited combined financial statements of BGC which are not included in this prospectus. This selected combined financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our Combined Financial Statements and the accompanying Notes thereto included elsewhere in this prospectus.

	Nine Months Ended September 30,	Year Ended December 31,				
	2006	2005	2004	2003	2002	2001
			($ in thousands)			
Combined Statement of Income Data:						
Revenues:						
Commissions	$ 373,779	$ 343,327	$ 165,410	$ 123,811	$ 97,287	$ 130,829
Principal transactions	107,484	119,586	125,272	121,680	83,350	106,014
Fees from related parties	16,499	13,059	11,501	8,389	6,934	6,934
Market data	13,136	16,283	14,307	10,825		
Interest	22,833	9,048	1,055	1,769	1,404	4,188
Other revenues	13,344	2,432	10,276	25,223	53	2,921
Total revenues	547,075	503,735	327,821	291,697	189,028	250,886
Expenses:						
Compensation and employee benefits	385,094	386,752	193,405	154,075	110,490	138,720
Selling and promotion	40,316	43,890	18,805	14,910	8,755	11,413
Occupancy and equipment	39,395	33,550	26,189	15,098	5,949	6,595
Communications	35,360	37,214	20,330	15,566	15,889	16,703
Professional and consulting fees	29,491	30,603	11,329	9,740	10,005	10,380
Fees to related parties	30,902	33,277	28,001	26,661	20,549	24,640
Commissions and floor brokerage	5,999	7,000	3,571	2,773	6,391	18,808
Interest expense	26,440	13,875	6,124	1,373	1,820	3,441
Other expenses	20,265	21,158	16,421	9,052	15,187	23,817
Total expenses	613,262	607,319	324,175	249,248	195,035	254,517
(Loss) income from continuing operations before income taxes and minority interest	(66,187)	(103,584)	3,646	42,449	(6,007)	(3,631)
Gain (loss) applicable to minority interest	17	(16)	(54)	17	51	64
Provision (benefit) for income taxes	(71)	(7,634)	2,577	13,871	1,092	1,553
(Loss) income from continuing operations	(66,133)	(95,934)	1,123	28,561	(7,150)	(5,248)
Loss from discontinued operation, net of income tax	(650)	(117)				
Cumulative effect of change in accounting principle, net of income tax	(10,080)					
Net (loss) income	$ (76,863)	$ (96,051)	$ 1,123	$ 28,561	$ (7,150)	$ (5,248)
Combined Statement of Financial Condition Data:						
Cash and cash equivalents	$ 138,514	$ 127,367	$ 19,215	$ 17,417	$ 45,168	$ 14,447
Total assets	1,908,019	875,059	454,409	232,052	213,229	226,276
Total liabilities	1,782,438	709,803	340,153	110,047	115,935	122,832
Total net assets	$ 118,532	$ 158,224	$ 107,208	$ 114,902	$ 90,208	$ 96,409

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined statements of operations for the year ended December 31, 2005 and the nine months ended September 30, 2006 and the unaudited pro forma combined statement of financial condition as of September 30, 2006 present the results of BGC Partners, Inc. assuming the key transaction agreements entered into in connection with the closing of the separation and this offering have been properly executed and we can consolidate BGC, and as if the initial public offering of our common stock, the restructuring of our loans, Cantor s contribution of all of its rights and obligations to share revenues with eSpeed under the joint services agreement, the creation of the Service Company Entity, the 2005 Acquisitions (as defined below), and our proposed compensation arrangements with our executive officers had each been completed as of January 1, 2005 with respect to the unaudited pro forma statement of operations information and at September 30, 2006 with respect to the unaudited pro forma statement of financial condition information. The adjustments have been made based on the information available and upon assumptions that management believes are reasonable to reflect on a pro forma basis the matters set forth below.

Revenues Under the Joint Services Agreements: Concurrently with this offering, Cantor will contribute to us all of Cantor s rights and obligations to receive revenues earned under the joint services agreement for providing clearing and processing and other back office services for certain trades executed by us and eSpeed.

Service Company: We have established a Service Company Entity into which we transferred all of our current U.K. administrative employees and operations in December 2006. The administrative services agreement with the Service Company Entity will provide the right to charge costs at a mark-up. We will pay the Service Company Entity actual costs incurred for services provided to us and a mark-up currently at 7.5%. We will own 52% of the Service Company Entity and will consolidate it. Cantor will own 48% of the Service Company Entity and will pay the Service Company Entity actual costs for the services provided to it and a mark-up currently at 7.5%.

2005 Acquisitions: On May 20, 2005, we completed our acquisition of Euro Brokers, an international inter-dealer broker specializing in money market, derivative and other securities products. Under the terms of the agreement, the stockholders of Euro Brokers received $14 per share in cash. Based on the approximately 7.7 million shares and vested stock options outstanding as of the date of the close, the total purchase price was approximately $97.3 million. As part of the Euro Brokers acquisition, BGC recorded $45.0 million of goodwill and $8.1 million of purchased intangibles. The purchased intangibles consist of $5.2 million of customer related intangibles, $2.3 million of internally developed software and $0.6 million of trademark related intangibles, which will be amortized over their estimated useful lives at the date of purchase using the straight-line method (see Note 10, Goodwill and Other Intangible Assets, of the accompanying Notes to Combined Financial Statements for further discussion of the acquired intangible assets). On September 30, 2005, we completed our acquisition of ETC Pollak, a French inter-dealer broker based in Paris. Under the terms of the agreement, we paid approximately $13.1 million to acquire the net assets of ETC Pollak. In connection with the acquisition, we recorded $2.0 million of goodwill and $5.6 million of purchased intangibles. The purchased intangibles consist primarily of customer related intangibles, which will be amortized over their estimated useful lives using the straight-line method. These acquisitions are collectively known as the 2005 Acquisitions. See Note 5, Acquisitions, of the accompanying Notes to Combined Financial Statements for further discussion of these acquisitions.

Adjustments: This pro forma combined financial information reflects certain adjustments to our audited combined financial statements for minority interest and corporate taxes. Effective upon completion of this offering, indirectly through BGC Holdings, Cantor and our working partners will own approximately % of BGC Partners, L.P. and BGC Global Holdings, L.P. This ownership interest is reflected as an adjustment to minority interest in these pro forma combined financial statements. This pro forma combined financial information also contains an adjustment for corporate taxes at a 35% effective rate.

Executive Officer Compensation: This pro forma combined financial information reflects the effect of our current proposed compensation arrangements with our executive officers whereby each of our co-Chief

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Executive Officers would receive a base salary of $2.0 million with a performance bonus of up to $ million each and our President would receive a base salary of $ million and a performance bonus of up to $ million. The pro forma adjustments assume that the officers receive the full amount of their respective performance bonuses.

This Offering: The following unaudited pro forma combined financial statements assume that we will receive approximately $400 million in cash proceeds less fees and expenses from this offering in exchange for shares sold to the public at the public offering price of $ per share. As of the closing of this offering, Cantor will own one share of Class C common stock and shares of Class B common stock, which collectively will represent % of our voting power. We estimate that we will receive net proceeds from this offering of approximately $ million after deducting the estimated underwriting discounts and commissions and expenses, assuming the shares of our common stock are offered at $ per share, which represents the mid-point of the range set forth on the cover page of this prospectus. Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the amount of proceeds of this offering by $ million.

We intend to use the net proceeds as follows:

- to repurchase shares of our common stock from certain of our and our affiliates executive officers for an aggregate of $ million and pay to Cantor an aggregate of $ million in exchange for BGC Holdings limited partnership interests acquired by Cantor from certain of our executive officers,

- to purchase of the BGC U.S. limited partnership interests and of the BGC Global limited partnership interests held by Cantor immediately after this offering for an aggregate of $ million,

The remaining net proceeds will be indirectly contributed to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests. BGC U.S. and BGC Global intend to use the net proceeds as follows:

- to repay existing indebtedness in an aggregate amount of $150 million owed by BGC to Cantor, and

- for general corporate purposes.

Finance Restructuring: As part of this offering, we will distribute to Cantor approximately $150 million of our cash and accrued commissions receivable. As part of this offering, we anticipate that all receivables and payables with related parties, except those involving eSpeed, will be settled. As part of this offering, we also expect to assume approximately $250 million of total long-term debt, including subordinated debt and potential third-party debt.

The unaudited pro forma combined financial information and accompanying notes should be read together with our historical Combined Financial Statements and accompanying Notes thereto appearing elsewhere in this prospectus. We derived the unaudited pro forma combined financial information by adjusting our historical Combined Financial Statements. These adjustments are based on currently available information and certain estimates and assumptions and, therefore, the actual effects of this offering and related transactions may differ from the effects reflected in the unaudited pro forma combined financial information. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of this offering and related transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma combined financial information.

You should read the following information in conjunction with The Separation of Our Business and the BGC Partners Organizational Structure, Selected Historical Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the Combined Financial Statements and the accompanying Notes thereto included elsewhere in this prospectus.

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BGC Partners, Inc.

Unaudited Pro Forma Combined Statement of Operations

For the Year Ended December 31, 2005

(in thousands)

	Historical	Pro Forma								
	BGC Division	2005 Acquisitions[a]	Revenues Under the Joint Services Agreements	Service Company[b]	Adjustments	Subtotal	Executive Officer Compensation	Initial Public Offering	Financial Restructuring	As Adjusted
Revenues:										
Commissions	$ 343,327	$ 103,540	$ 33,206[d]	$	$	$ 480,073	$	$	$	$ 480,073
Principal transactions	119,586	992				120,578				120,578
Fees from related parties	13,059					13,059				13,059
Market data	16,283					16,283				16,283
Interest	9,048	1,413				10,461				10,461
Other revenues	2,432	(992)				1,440				1,440
Total revenues	503,735	104,953	33,206			641,894				641,894
Expenses:										
Compensation and employee benefits	386,752	101,710				488,462				488,462
Selling and promotion	33,550					33,550				33,550
Occupancy and equipment	43,890	6,446				50,336				50,336
Communications	37,214	6,055				43,269				43,269
Professional and consulting fees	30,603					30,603				30,603
Fees to related parties	33,277		2,204[e]			35,481				35,481
Commissions and floor brokerage	7,000		3,472[e]			10,472				10,472
Interest expense	13,875	2,034				15,909			[f]	15,909
Other expenses	21,158	10,193				31,351				31,351
Total expenses	607,319	126,438	5,676			739,433				739,433
(Loss) income from continuing operations before minority interest and income taxes	(103,584)	(21,485)	27,530			(97,539)				(97,539)
Gain applicable to minority interest	(16)				[g]	(16)				(16)
(Benefit) provision for income taxes	(7,634)				[h]	(7,634)				(7,634)
(Loss) income from continuing operations	(95,934)	(21,485)	27,530			(89,889)				(89,889)
(Loss) income from discontinued operation, net of income tax	(117)					(117)				(117)
Net (loss) income	$ (96,051)	$ (21,485)	$ 27,530	$	$	$ (90,006)	$	$	$	$ (90,006)
Per Share Data:										
Basic earnings per share										
Diluted earnings per share										

Basic weighted average shares of common stock outstanding	i
Diluted weighted average shares of common stock outstanding	i

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BGC Partners, Inc.

Unaudited Pro Forma Combined Statement of Operations

For the Nine Months Ended September 30, 2006

(in thousands)

	Historical	Pro Forma							
	BGC Division	Revenues Under the Joint Services Agreements	Service Company[b]	Adjustments	Subtotal	Executive Officer Compensation	Initial Public Offering	Financial Restructuring	As Adjusted
Revenues:									
Commissions	$ 373,779	$ 19,437[d]	$	$	$ 393,216	$	$	$	$ 393,216
Principal transactions	107,484				107,484				107,484
Fees from related parties	16,499				16,499				16,499
Market data	13,136				13,136				13,136
Interest	22,833				22,833				22,833
Other revenues	13,344				13,344				13,344
Total revenues	547,075	19,437			566,512				566,512
Expenses:									
Compensation and employee benefits	385,094				385,094				385,094
Selling and promotion	39,395				39,395				39,395
Occupancy and equipment	40,316				40,316				40,316
Communications	35,360				35,360				35,360
Professional and consulting fees	29,491				29,491				29,491
Fees to related parties	30,902	2,204[e]			33,106				33,106
Commissions and floor brokerage	5,999	3,472[e]			9,471				9,471
Interest expense	26,440				26,440			[f]	26,440
Other expenses	20,265				20,265				20,265
Total expenses	(613,262)	5,676			618,938				618,938
(Loss) income from continuing operations before minority interest and income taxes	(66,187)	13,761			(52,426)				(52,426)
Gain applicable to minority interest	17			[g]	17				17
(Benefit) provision for income taxes	(71)			[h]	(71)				(71)
(Loss) income from continuing operations	(66,133)	13,761			(52,372)				(52,372)
(Loss) income from discontinued operation, net of income tax	(650)				(650)				(650)
Cumulative effect of change in accounting principle, net income tax	(10,080)				(10,080)				(10,080)
Net (loss) income	$ (76,863)	$ 13,761	$	$	$ (63,102)	$	$	$	$ (63,102)
Per Share Data:									
Basic earnings per share									
Diluted earnings per share									
Basic weighted average shares of common stock outstanding								[i]	
Diluted weighted average shares of common stock outstanding								[i]	

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BGC Partners, Inc.

Unaudited Pro Forma Combined Statement of Financial Condition

As of September 30, 2006

(in thousands)

	Historical							
	BGC Division	**Service Company[b]**	**Adjustments**	**Subtotal**	**Executive Officer Compensation[c]**	**Initial Public Offering**	**Financial Restructuring**	**As Adjusted**
Assets								
Cash and cash equivalents	$ 138,514	$	$	$ 138,514	$	$ j	$ k	$ 138,514
Cash segregated under regulatory requirements	4,840			4,840				4,840
Securities purchased under agreements to resell	50,227			50,227				50,227
Securities owned:								
Pledged as collateral	17,950			17,950				17,950
Unencumbered	36,258			36,258				36,258
Receivables from brokers, dealers, clearing organizations, customers and related broker dealers	1,142,816			1,142,816				1,142,816
Accrued commissions receivable, net of allowance for doubtful accounts	125,750			125,750				125,750
Receivables from related parties	148,037			148,037			l	148,037
Forgivable loans and other receivables from employees and partners	58,609			58,609				58,609
Fixed assets, net	76,083			76,083				76,083
Investment	9,815			9,815				9,815
Goodwill	47,007			47,007				47,007
Other intangibles, net	10,185			10,185				10,185
Other assets	41,928			41,928				41,928
Total assets	$ 1,908,019	$	$	$ 1,908,019	$	$	$	$ 1,908,019
Liabilities and net assets/stockholders equity								
Accrued compensation	$ 52,751	$	$	$ 52,751	$	$	$	$ 52,751
Payables to brokers, dealers, clearing organizations customers and related broker dealers	1,123,889			1,123,889				1,123,889
Payables to related parties	237,692			237,692			m	237,692
Short-term borrowings	14,450			14,450				14,450
Current portion of long-term debt to related parties	46,000			46,000				46,000
Accounts payable, accrued and other liabilities	157,338			157,338				157,338
Total current liabilities	1,632,120			1,632,120				1,632,120
Long-term notes to related parties	150,318			150,318			f	150,318
Total liabilities	1,740,418			1,740,418				1,740,418
Minority interest	7,049		g	7,049				7,049
Net assets/stockholders equity								
Common Stock, par value $0.01						i		
Additional paid in capital						i		
Retained Earnings						i		
Net assets	118,532			118,532				118,532

Total net assets/stockholders equity	118,532			118,532				118,532
Total liabilities and net assets/stockholders equity	$ 1,908,019	$	$	$ 1,908,019	$	$	$	$ 1,908,019

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Notes to Unaudited Pro Forma Combined Financial Information

(a) To reflect the operations of Euro Brokers and ETC Pollak as if they had been acquired on January 1, 2005. These results are based on the actual pre-acquisition operations of Euro Brokers and ETC Pollak.

(b) To record pro forma adjustments to reflect Cantor s 48% minority interest in the net income of the Service Company Entity.

(c) To record adjustment for pro forma compensation expense representing additional compensation amounts had our executive officers received compensation from us at their anticipated fiscal year 2007 levels whereby each of our co-Chief Executive Officers would receive a base salary of $2.0 million with a performance bonus of up to $ million each and our President would receive a base salary of $ million and a performance bonus of up to $ million. The adjustment assumes that officers received the full amount of their respective performance bonuses. There is no additional foreign tax benefit on this increase to the net operating loss carry forward as we have recorded an associated valuation allowance.

(d) To record revenues BGC Partners would have earned had the joint services agreement been assigned to BGC Partners on January 1, 2005. These revenues represent the 35% share of revenues we receive under the joint services agreement for fully electronic transactions effected in an electronic marketplace operated by us and eSpeed involving financial products cleared and settled by us.

(e) This pro forma adjustment records the effect of the expenses that BGC Partners would have incurred to perform the required services to settle transactions under the joint services agreement.

(f) To record pro forma long-term debt adjustment for the difference between the anticipated $250 million in long-term indebtedness to be entered into concurrently with this offering and the long-term indebtedness outstanding as of this offering and associated interest charges.

(g) To record pro forma adjustment for the impact of the minority interest ownership of BGC Partners, L.P. and BGC Global Holdings, L.P. by Cantor Fitzgerald, L.P. and our working partners as of the date of this offering.

(h) To record pro forma adjustments to reflect a corporate tax rate of 35% which we expect to be subject to as of the date of this offering; however, no tax benefit has been booked due to our full valuation allowances.

(i) To record pro forma adjustments to capital accounts pursuant to this offering. We expect to complete the issuance of shares of our common stock with a par value of to the public at $ per share.

(j) To record anticipated net cash proceeds of $ million less fees of $ million from this offering.

(k) To record net cash remitted to Cantor of approximately $150 million.

(l) To record pro forma adjustment to eliminate intercompany receivables due from Cantor of $ million, excluding intercompany receivables due from eSpeed.

(m) To record pro forma adjustment to eliminate intercompany payables owed to Cantor and its affiliates of $ million, excluding intercompany payables owed to eSpeed.

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our combined historical financial statements and related notes included elsewhere in this prospectus as well as our unaudited pro forma financial information contained in the section entitled Unaudited Pro Forma Combined Financial Information. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the Risk Factors section of this prospectus and elsewhere in this prospectus. Actual results may differ materially from those contained in any forward-looking statements. In addition, certain of the descriptions of our operating and financial measures may not be directly comparable to similar classifications used by other companies.

Introduction

Overview

We are a leading full-service inter-dealer broker specializing in the trading of OTC financial instruments and related derivatives products. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it BGC , in honor of B. Gerald Cantor, Cantor s founder and a pioneer in screen brokerage and fixed income market data products. We provide integrated voice and electronic execution brokerage services to many of the world s largest and most creditworthy banks that regularly trade in capital markets, brokerage houses and investment banks for a broad range of global financial products, including fixed income securities, foreign exchange, equity derivatives, credit derivatives, futures, structured products and other instruments, as well as market data products for selected financial instruments. Our integrated voice and electronic platform is designed to provide flexibility to our customers with regard to price discovery, execution and processing of transactions. Our hybrid platform enables our customers 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. Our hybrid platform allows us to continue to generate revenues, irrespective of whether a market is voice-brokered or electronic in nature. Our brokerage services include execution, clearing, processing and other back office services. We complement our brokerage services with additional value-added products such as market data and analytics products.

Brokerage and Market Data

We provide our integrated brokerage services through our established brokerage platform and our relationship with eSpeed. Our relationship with eSpeed is guaranteed in a perpetual joint services agreement. Our platform is carried on eSpeed s electronic trading systems and we have a perpetual and exclusive right to use eSpeed s system. Under the joint services agreement and the master transaction agreement which we intend to enter into in connection with this offering, we will share revenues with eSpeed on a pre-determined schedule.

We complement our trading services by providing our proprietary market data to our customers through our BGC Market Data product. BGC Market Data is the source of real-time proprietary pricing and other data derived through BGC Partners and eSpeed for U.S. and European securities and derivatives. Current products include real-time data in live markets for U.S. Treasuries, European government bonds, eurobonds and U.S. dollar interest rate swaps. Our market data services are available across a broad array of distribution channels, including Bloomberg, CQG, Reuters and Thomson ILX.

Recent Developments

In November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets. We believe that Aurel Leven will add scale to our equity derivatives franchise and will expand our reach into Europe.

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In December 2006, we acquired AS Menkul, an established broker in Turkey. AS Menkul is a member of the Istanbul Stock Exchange and as such has direct access to the Turkish equities market and the Turkish electronic bond market.

Financial Overview

Our revenues are derived primarily from brokerage fees charged for either agency or matched principal transactions, fees charged for market data and analytics products, fees from related parties and interest income. Effective upon the completion of this offering, our brokerage fees will also include revenues earned under the joint services agreement for providing clearing, processing and other back office services for trades executed by us and eSpeed on a fully electronic basis (see Business Relationship with eSpeed).

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

We offer our services in three broad product categories: securities brokering; derivatives, currencies, commodities and other brokering; and market data. The chart below details revenues by product category and geography (in thousands except employee counts):

	Nine Months Ended September 30,		Year Ended December 31,		
	2006	2005 (unaudited)	2005	2004	2003
Revenues by product:					
Securities brokering	$ 165,912	$ 123,756	$ 168,564	$ 136,738	$ 131,997
Derivatives, currencies, commodities and other brokering	315,351	208,960	294,349	153,944	113,494
Market data	13,136	12,027	16,283	14,307	10,825
Total market data, commissions and principal transactions revenues	494,399	344,743	479,196	304,989	256,316
Corporate revenues	52,676	22,677	24,539	22,832	35,381
Total revenues	$ 547,075	$ 367,420	$ 503,735	$ 327,821	$ 291,697
Revenues by geography:					
North America	180,750	$ 107,007	$ 159,464	$ 46,700	$ 31,859
Europe	313,651	227,218	296,360	253,268	234,951
Asia	52,674	33,195	47,911	27,853	24,887
Total revenues	$ 547,075	$ 367,420	$ 503,735	$ 327,821	$ 291,697
Total brokers	1,064	964	1,103	551	467
Total market data, commissions and principal transactions revenues per broker	$ 465	$ 358	$ 434	$ 554	$ 549
Total employees	1,518	1,380	1,526	774	695

In addition to brokerage related revenues, we generate revenues from fees charged to related parties and interest income. In Europe and Asia, we earn fees from related parties for certain administrative and back office services we provide to Cantor and its affiliates. These services include office space, utilization of fixed assets, accounting services, operational support, human resources, legal services and information technology. Historically, fees for these services included a mark-up of 7.5%. The administrative services agreement with the Service Company Entity will provide the right to charge costs at a mark-up. We will pay the Service Company Entity for actual costs incurred for services provided to us and a mark-up currently at 7.5%. We will own 52% of the Service Company Entity and will consolidate it. Cantor will own 48% of the Service Company Entity and will pay the Service Company Entity for actual costs incurred for services provided to it and a mark-up currently at 7.5%. We generate interest income primarily by the investment of our daily cash balances. These investments are generally in highly liquid and very short-term instruments.

The majority of our operating costs consist of compensation and employee benefits, which include base salaries, broker bonuses based on broker production, guaranteed bonuses, other discretionary bonuses, forgivable loans and all related employee benefits and taxes. Our employees consist of brokers, market data salesmen, executives and other administrative support. The majority of our brokers receive a base salary and a formula bonus based on either solely the individual broker s production or a pool of brokers production for a particular product or sales desk. Our market data salesmen either receive a base salary or a draw on commissions, with the less-experienced salesmen typically receiving base salaries.

Compensation and employee benefits also include forgivable loans generally given to our new or current employees as they sign new employment agreements with us. These forgivable loans are amortized over their lifetime, which is generally for a period of two or three years and typically include repayment clauses should the employee terminate his or her employment during the term of the loan.

We also have various other operating expenses. We incur leasing, equipment and maintenance expenses for our affiliates worldwide. We incur selling and promotion expenses, which include entertainment, marketing and travel-related expenses. We incur communication expenses for voice and data connections with our clients, clearing agents and general usage. Primarily in the U.S., we pay fees to related parties for performing certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support. We believe these allocations to be a reasonable reflection of the utilization of services rendered. However, the expenses allocated for these services are not necessarily indicative of the expenses that would have been incurred if we had been a separate independent entity. In addition, these allocations may not reflect the costs of services we may receive from Cantor and its affiliates in the future. We incur commissions and floor brokerage fees for clearing, brokerage and other transactional expenses for clearing and settlement services. We also incur various other normal operating expenses during the course of running our business.

We incur tax expenses based on the locations, legal structure and jurisdictional taxing authorities of our subsidiaries. Certain of the entities included within BGC are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax (UBT) in the City of New York for which BGC records an income tax provision. Also, under applicable U.S. federal and state laws, the taxable income or loss of a partnership is allocated to each partner based upon their ownership interest. Each partner s tax status, in turn, determines the appropriate income tax for its allocated share of taxable income or loss. BGC s subsidiary, Euro Brokers is subject to income tax as a corporation. BGC s foreign subsidiaries are taxed as corporations in their local jurisdiction.

Discussion of Results Overview

Prior to the events of September 11, 2001, our brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of the majority of our U.S.-based employees, our brokerage business operated primarily in Europe. Over the past two years, we have re-established our U.S. presence and have continued to expand our global presence through the acquisition and integration of established brokerage companies and the hiring of a substantial number of experienced brokers. Through these actions, we have been able to expand our presence in key markets and position our business for sustained growth.

In 2004, we began operating in the U.S. (BGC USA) and Switzerland (BGC Capital Markets (Switzerland)). We added substantially to our operations in Asia by more than doubling our voice-brokerage personnel in the region to nearly 200, including the addition of experienced senior management during the first five months of 2005. In May 2005, we acquired BGC Financial for approximately $97.3 million. With this acquisition, we gained a more substantial presence in the U.S. and added approximately 325 brokers worldwide. In September 2005, we completed our acquisition of ETC Pollak, a leading inter-dealer broker based in Paris, France, for approximately $13.1 million, adding approximately 70 brokers. In November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets. In December 2006, we acquired AS Menkul, an established broker in Turkey. Additionally, we have also added departments and staff to many product desks to facilitate growth in our business.

We experienced net losses of approximately $76.9 million and $96.1 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively. Our operating losses were largely due to non-cash compensation related charges, one-time acquisition-related charges, integration costs, broker acquisition costs, move-related expenses and increased expansion efforts. These charges were approximately $68.7 million and $49.5 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively. A brief discussion of these charges follows:

We recognized charges related to the adoption of Statement of Financial Accounting Standards No. 123R (SFAS 123R) of approximately $28.2 million related to grant units in the nine months ended September 30, 2006 (see Note 2, Basis of Presentation and Summary of Significant Accounting Policies, of the accompanying Notes to Combined Financial Statements for more information regarding our implementation of SFAS 123R). Approximately $18.1 million of those SFAS 123R related charges are included as part of Compensation and employee benefits and approximately $10.1 million of those SFAS 123R related charges are included as part of Cumulative effect of change in accounting principle on the accompanying Combined Statements of Operations.

During 2005 and 2006, we issued forgivable loans of approximately $54 million in conjunction with our Euro Brokers and ETC Pollak acquisitions and Asian growth. We booked non-cash amortization expense of approximately $15.0 million and approximately $11.7 million related to these loans for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively. These loans will primarily be fully amortized in 2007 for New York based employees and in 2008 for overseas based employees. Non-cash amortization expense related to these forgivable loans is included as part of Compensation and employee benefits on the accompanying Combined Statements of Operations. See Trends and Uncertainties for more information regarding the future amortization expense associated with these forgivable loans.

We recognized other acquisition-related expenses of approximately $19.0 million for the year ended December 31, 2005 for the acquisitions of Euro Brokers (see Note 5, Acquisitions, of the accompanying Notes to Combined Financial Statements for more information regarding these acquisitions). Of these other acquisition-related expenses, $8.3 million is included as part of Compensation and employee benefits and $10.7 million is included as part of Other expenses on the accompanying Combined Statements of Operations.

We recognized move-related expenses for our moves into our new London offices at One Churchill Place of $24.6 million and $7.6 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively. These charges include the cost of moving our offices, furnishing our new offices, paying duplicate rent on BGC s prior space and breaking and/or subletting

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our current leases at One America Square and Houndsditch in London (see Note 16, Commitments, Contingencies and Guarantees, of the accompanying Notes to Combined Financial Statements, for more information regarding the accelerated depreciation and net future lease commitments in relation to these moves). These move-related expenses are included as part of Occupancy and equipment on the accompanying Statements of Operations.

In the U.K., we settled with Her Majesty s Revenue and Customs (HMRC) for $12.0 million in tax liabilities arising from various compensation plans established by our subsidiaries and operated between 1998 and 2003. Additionally, we have a settlement pending with HMRC for further compensation plans established between 2003 and 2004, for an anticipated net cost of $3.1 million. We recognized expense of $0.9 million and $11.1 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively, related to these settlements (see Note 16, Commitments, Contingencies and Guarantees, of the accompanying Notes to Combined Financial Statements for more information regarding this matter). The expense associated with these tax liabilities is included as part of Compensation expense on the accompanying Combined Statements of Operations.

Results of Operations

These historical results of operations include the activities of the majority and wholly-owned entities of Cantor that were reorganized as part of the restructuring in 2004. In addition, these historical results of operations include the activities of certain divisions and businesses of Cantor that are expected to be transferred to us as part of this offering, including Cantor s market data division, Cantor s investment in Freedom International Brokerage and Cantor s North American futures business. These historical results of operations do not include the revenues and obligations we will receive under the joint services agreement in the U.S.

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Nine Months Ended September 30, 2006 versus Nine Months Ended September 30, 2005

The following table sets forth certain components of our net loss for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005 (in thousands):

	Nine Months Ended September 30,			
	2006	2005	$ Change	% Change
Revenues:				
Commissions	$ 373,779	$ 235,790	$ 137,989	58.5%
Principal transactions	107,484	96,926	10,558	10.9%
Market data	13,136	12,027	1,109	9.2%
Fees from related parties	16,499	10,126	6,373	62.9%
Interest	22,833	8,678	14,155	163.1%
Other revenues	13,344	3,873	9,471	244.5%
Total revenues	547,075	367,420	179,655	48.9%
Expenses:				
Compensation and employee benefits	385,094	274,440	110,654	40.3%
Occupancy and equipment	40,316	30,418	9,898	32.5%
Fees to related parties	30,902	24,910	5,992	24.1%
Selling and promotion	39,395	21,927	17,468	79.7%
Communications	35,360	26,023	9,337	35.9%
Professional and consulting fees	29,491	19,930	9,561	48.0%
Commissions and floor brokerage	5,999	5,154	845	16.4%
Interest expense	26,440	12,335	14,105	114.3%
Other expenses	20,265	20,143	122	0.6%
Total expenses	613,262	435,280	177,982	40.9%
Loss from continuing operations before minority interest and income taxes	(66,187)	(67,860)	1,673	2.5%
Gain (loss) applicable to minority interest	17	(4)	(21)	(525.0)%
(Benefit) provision for income taxes	(71)	321	392	122.1%
Loss from continuing operations	(66,133)	(68,177)	2,044	3.0%
Loss from discontinued operations, net of income tax	(650)		(650)	(100.0)%
Cumulative effect of change in accounting principle, net of income tax	(10,080)		(10,080)	(100.0)%
Net loss	$ (76,863)	$ (68,177)	$ (8,686)	(12.7)%

Commissions revenues increased by $138.0 million, or 58.5%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to the May 2005 acquisition of Euro Brokers and the addition of substantial numbers of additional broker headcount. Accordingly, our results for September 30, 2005 include approximately four months of results from Euro Brokers, while the results for September 30, 2006 include nine months of Euro Brokers results. Additionally, our expansion in the European market and the establishment of a significant operations presence in Asia contributed to the growth of the agency business.

Principal transactions revenue increased by $10.6 million, or 10.9%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to increased transaction volumes in Europe and the acquisition of Euro Brokers.

The $1.1 million, or 9.2%, increase in market data revenues for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005 was due to both growth in existing customer usage and an expanded client base resulting from increased sales efforts and product enhancements.

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Fees from related parties increased by $6.4 million, or 62.9%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was primarily due to higher fees charged to affiliates for certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support in the nine months ended September 30, 2006. Fees from related parties are dependent upon both the costs incurred by us and the amount of administrative services utilized by Cantor. Fees from related parties are charged based on our cost and a mark-up currently at 7.5%.

The $14.2 million, or 163.1%, increase in interest revenues for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005 was due to increased cash balances, higher interest rates and a short-term loan extended to Cantor.

Other revenues increased by $9.5 million, or 244.5%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was primarily due to a gain of $8.9 million for the nine months ended September 30, 2006 on investment securities we sold in the third quarter of 2006. We also recorded a gain of $2.1 million for the nine months ended September 30, 2005 on securities we sold in the second quarter of 2005 (see Note 6, Securities Owned, of the accompanying Notes to Combined Financial Statements, for more information regarding these transactions).

Compensation and employee benefits expense increased $110.7 million, or 40.3%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. The increase in compensation and benefits expense was correlated to the increase in staff from the Euro Brokers and ETC Pollak acquisitions, including associated forgivable loan amortization associated with the acquisition and retention of new brokers, and the increase in staff for the Asian expansion. Also included in compensation and employee benefits expense for the nine months ended September 30, 2006 was a non-cash expense of $18.1 million incurred as a result of adopting SFAS 123R (see Note 2, Basis of Presentation and Significant Accounting Policies, of the accompanying Notes to Combined Financial Statements, for more information regarding our implementation of SFAS 123R). This expense represents the fair value of the outstanding Cantor grant units held by BGC employees. These grant units, the majority of which were redeemed by Cantor as of December 31, 2006, entitled the employees to participate in quarterly distributions of income by Cantor and to receive post-termination payments. For more information about Grant and Partnership Units, see Management Executive Compensation Compensation Discussion & Analysis Grants of Partnership Units. In addition, compensation expense for the nine months ended September 30, 2006 included $0.9 million for a tax liability settlement in the U.K.

Occupancy and equipment expense increased by $9.9 million, or 32.5%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was principally due to move-related costs associated with our move to our new London offices. These move-related costs included a non-cash write-off representing the difference between the present value of future rent, accelerated depreciation and other payments pertaining to One America Square. We also incurred additional occupancy and equipment expenses in connection with the acquisitions of Euro Brokers and ETC Pollak and the European expansion and the establishment of a significant operations presence in Asia.

Fees to related parties increased by $6.0 million, or 24.1%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was primarily due to increased fees paid to eSpeed and Cantor for providing back office support services for our increased activity and headcount resulting from the Euro Brokers acquisition. Fees to related parties are dependent upon both the costs incurred by Cantor and eSpeed and the amount of administrative services we utilized.

Selling and promotion expense increased by $17.5 million, or 79.7%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to the expanded cost of sales efforts by our increased broker headcount from the Euro Brokers acquisition, European expansion and the establishment of a significant operations presence in Asia.

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Communications expense increased by $9.3 million, or 35.9%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to increased communications costs as our front office headcount increased with the Euro Brokers acquisition, European expansion and the establishment of a significant operations presence in Asia.

The $9.6 million, or 48.0%, increase in professional and consulting fees for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005 was due to fees paid to consultants working in-house on special projects and legal and accounting firms consulting on various proposed and/or enacted reorganizations, mergers, acquisitions and other projects.

Commissions and floor brokerage expense increased by $0.8 million, or 16.4%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to the increased brokerage volume realized with the Euro Brokers acquisition, along with the increased European and Asian broker headcount.

Interest expense increased by $14.1 million, or 114.3%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was largely due to the debt incurred to finance the Euro Brokers acquisition and subordinated debt from related parties to finance operations (see Note 12, Long-term Notes Payable to Related Parties, of the accompanying Notes to Combined Financial Statements for more information regarding this debt). The average long-term debt outstanding for the nine months ended September 30, 2006 and 2005 was $181.7 million and $81.2 million, respectively.

During the nine months ended September 30, 2006, we recorded an income tax benefit of $0.1 million, corresponding to an approximately 0.1% effective tax rate, compared to an income tax provision of $0.3 million for the nine months ended September 30, 2005, corresponding to a 0.5% effective tax rate, for the nine months ended September 30, 2005. The decrease in the effective tax rate from 2005 to 2006 was largely due to an increase in the pre-tax book loss. Our consolidated effective tax rate can vary from period to period, depending on, among other factors, the geographic and business mix of our earnings.

We implemented SFAS 123R on January 1, 2006. As a result of the implementation, we recognized a cumulative effect of change in accounting principle of $10.1 million (see Note 2, Basis of Presentation and Summary of Significant Accounting Policies, of the accompanying Notes to Combined Financial Statements for more information regarding our implementation of SFAS 123R).

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Year Ended December 31, 2005 versus Year Ended December 31, 2004

The following table sets forth the components of our net (loss)/income for the year ended December 31, 2005 as compared to the year ended December 31, 2004 (in thousands):

	Year Ended December 31,			
	2005	2004	$ Change	% Change
Revenues:				
Commissions	$ 343,327	$ 165,410	$ 177,917	107.6%
Principal transactions	119,586	125,272	(5,686)	(4.5)%
Market data	16,283	14,307	1,976	13.8%
Fees from related parties	13,059	11,501	1,558	13.5%
Interest	9,048	1,055	7,993	757.6%
Other revenues	2,432	10,276	(7,844)	(76.3)%
Total revenues	503,735	327,821	175,914	53.7%
Expenses:				
Compensation and employee benefits	386,752	193,405	193,347	100.0%
Occupancy and equipment	43,890	18,805	25,085	133.4%
Fees to related parties	33,277	28,001	5,276	18.8%
Selling and promotion	33,550	26,189	7,361	28.1%
Communications	37,214	20,330	16,884	83.0%
Professional and consulting fees	30,603	11,329	19,274	170.1%
Commissions and floor brokerage	7,000	3,571	3,429	96.0%
Interest expense	13,875	6,124	7,751	126.6%
Other expenses	21,158	16,421	4,737	28.8%
Total expenses	607,319	324,175	283,144	87.3%
(Loss) income from continuing operations before minority interest and income taxes	(103,584)	3,646	(107,230)	(2,941.0)%
Loss applicable to minority interest	(16)	(54)	(38)	(70.4)%
(Benefit) provision for income taxes	(7,634)	2,577	10,211	396.2%
(Loss) income from continuing operations	(95,934)	1,123	(97,057)	(8,642.7)%
Loss from discontinued operations, net of income tax	(117)		(117)	(100.0)%
Net (loss) income	$ (96,051)	$ 1,123	$ (97,174)	(8,653.1)%

Commission revenues increased by $177.9 million, or 107.6%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was primarily due to the acquisition of Euro Brokers. Our expansion in the European and Asian markets as well as the ETC Pollak acquisition also contributed to the growth of the agency business.

Principal transactions revenues decreased by $5.7 million, or 4.5%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was primarily due to the reorganization of personnel behind our product offerings.

Market data revenues increased by $2.0 million, or 13.8%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was due to both growth in existing customer usage and an expanded client base resulting from increased sales efforts and product enhancements.

Fees from related parties increased by $1.6 million, or 13.5%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was primarily due to higher fees charged to affiliates for

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certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support in the year ended December 31, 2005. Fees from related parties are dependent upon both the costs incurred by us and the amount of administrative services utilized by Cantor.

Interest revenues increased by $8.0 million, or 757.6%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was due to increased cash balances and higher interest rates.

Other revenues decreased by $7.8 million, or 76.3%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was primarily due to a decrease in the unrealized gain on investment securities. Additionally, insurance proceeds related to September 11, 2001 were received in 2004.

Compensation and employee benefits expense increased $193.3 million, or 100.0%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. The increase in compensation and benefits expense correlated to the increase in staff from the Euro Brokers acquisition, including associated forgivable loan amortization associated with the acquisition and retention of new brokers, purchase of in-the-money stock options and severance and the increase in staff for the Asian expansion. Additionally, our settlement with the HMRC for tax liabilities arising from various compensation plans established by our subsidiaries for $11.1 million increased compensation expense for the year ended December 31, 2005.

Occupancy and equipment expense increased by $25.1 million, or 133.4%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was largely due to the Euro Brokers and ETC Pollak acquisitions, the Asian expansion and charges occurring in 2005 pertaining to certain U.K. based fixed assets, including $3.2 million related to leasehold improvements and $5.3 million related to breaking a lease in conjunction with our move to our new London offices (see Note 16, Commitments, Contingencies and Guarantees, of the accompanying Notes to Combined Financial Statements for more information regarding these lease related charges).

Fees to related parties increased by $5.3 million, or 18.8%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was primarily due to increased fees paid to eSpeed and Cantor for providing back office support services for BGC s increased activity and headcount resulting from the Euro Brokers acquisition. Fees to related parties are dependent upon both the costs incurred by Cantor and eSpeed and the amount of administrative services we utilize.

The $7.4 million, or 28.1%, increase in selling and promotion expense for the year ended December 31, 2005 as compared to the year ended December 31, 2004 was largely due to the expanded cost of sales efforts by our increased broker headcount from the Euro Brokers acquisition, European expansion and the establishment of a significant operations presence in Asia.

Communications expense increased by $16.9 million, or 83.0%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was largely due to increased communication costs as our front office headcount increased with the Euro Brokers acquisition, European expansion and the establishment of a significant operations presence in Asia.

Professional and consulting fees increased by $19.3 million, or 170.1%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was due to fees paid to consultants working in-house on special projects and legal and accounting firms consulting on various proposed and/or enacted reorganizations, mergers, acquisitions and other projects.

Commissions and floor brokerage expense increased by $3.4 million, or 96.0%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was largely due to the increased brokerage volume realized with the Euro Brokers acquisition along with the increased European and Asian broker headcount.

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Interest expense increased by $7.8 million, or 126.6%, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. This was largely due to the debt incurred to finance the Euro Brokers acquisition and subordinated debt from related parties to finance operations (see Note 12, Long-term Notes Payable to Related Parties, of the accompanying Notes to Combined Financial Statements for more information regarding this debt). The average long-term debt outstanding for the year ended December 31, 2005 and 2004 was $99.5 million and $0.0 million, respectively.

The $4.7 million, or 28.8%, increase in other expenses for the year ended December 31, 2005 as compared to the year ended December 31, 2004 was largely due to increased recruitment costs.

During 2005, we recorded a benefit for income taxes of $7.6 million, corresponding to an effective benefit of 7.4%, compared to an income tax provision of $2.6 million, corresponding to a 69.6% effective tax rate, in 2004. The decrease in the effective tax rate from 2004 to 2005 was primarily due to the utilization of net operating losses. Our consolidated effective tax rate can vary from period to period, depending on, among other factors, the geographic and business mix of our earnings.

Year Ended December 31, 2004 versus Year Ended December 31, 2003

The following table sets forth the components of our net income for the year ended December 31, 2004 as compared to the year ended December 31, 2003 (in thousands):

	Year Ended December 31,			
	2004	2003	$ Change	% Change
Revenues:				
Commissions	$ 165,410	$ 123,811	$ 41,599	33.6%
Principal transactions	125,272	121,680	3,592	3.0%
Market data	14,307	10,825	3,482	32.2%
Fees from related parties	11,501	8,389	3,112	37.1%
Interest	1,055	1,769	(714)	(40.4)%
Other revenues	10,276	25,223	(14,947)	(59.3)%
Total revenues	327,821	291,697	36,124	12.4%
Expenses:				
Compensation and employee benefits	193,405	154,075	39,330	25.5%
Occupancy and equipment	18,805	14,910	3,895	26.1%
Fees to related parties	28,001	26,661	1,340	5.0%
Selling and promotion	26,189	15,098	11,091	73.5%
Communications	20,330	15,566	4,764	30.6%
Professional and consulting fees	11,329	9,740	1,589	16.3%
Commissions and floor brokerage	3,571	2,773	798	28.8%
Interest expense	6,124	1,373	4,751	346.0%
Other expenses	16,421	9,052	7,369	81.4%
Total expenses	324,175	249,248	74,927	30.1%
Income from continuing operations before minority interest and income taxes	3,646	42,449	(38,803)	(91.4)%
(Loss) income applicable to minority interest	(54)	17	71	417.6%
Provision for income taxes	2,577	13,871	11,294	81.4%
Net income	$ 1,123	$ 28,561	$ (27,438)	(96.1)%

Commission revenues increased by $41.6 million, or 33.6%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was due to strong revenues growth realized across a wide range of our derivative products brokered in Europe.

Principal transactions revenues increased by $3.6 million, or 3.0%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was primarily due to the reorganization of personnel behind our product offerings.

Market data revenues increased by $3.5 million, or 32.2%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was due to both growth in existing customer screens and additional client base as a result of increased sales efforts and product enhancements.

Fees from related parties increased by $3.1 million, or 37.1%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was primarily due to higher fees charged to affiliates for certain administrative and other support, including allocations for occupancy of office space, utilization of fixed assets and accounting, operations, human resources, legal services and technology infrastructure support in the year ended December 31, 2004. Fees from related parties are dependent upon both the costs incurred by us and the amount of administrative services utilized by Cantor.

The $0.7 million, or 40.4%, decrease in interest revenues for the year ended December 31, 2004 as compared to the year ended December 31, 2003 was due to a decrease in cash balances in 2004.

There was a $14.9 million, or 59.3%, decrease in other revenues for the year ended December 31, 2004 as compared to the year ended December 31, 2003. For the year ended December 31, 2003 there was a revenues adjustment for revaluing certain investment positions. There was no corresponding revaluation in 2004. This revaluation was partially offset by the receipt of September 11, 2001 related insurance proceeds in 2004.

Compensation and employee benefits expense increased $39.3 million, or 25.5%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. The increase in compensation and benefits expense was largely due to the increase in agency transactions and the new businesses and departments added in 2004 as part of our continued global expansion.

Occupancy and equipment expense increased by $3.9 million, or 26.1%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was largely due to business expansion in continental Europe and systems upgrades in 2004.

Fees to related parties increased by $1.3 million, or 5.0%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was primarily due to increased fees paid to eSpeed and Cantor for providing back office support services for BGC s increased activity and headcount resulting from the restructuring the ownership of BGC in October 2004. Fees to related parties are dependent upon both the costs incurred by Cantor and eSpeed and the amount of administrative services we utilize.

Selling and promotion expense increased by $11.1 million, or 73.5%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was largely due to expanded promotional efforts in 2004 as part of our rebuilding.

Communications expense increased by $4.8 million, or 30.6%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was largely due to new businesses and departments added in 2004.

Professional and consulting fees increased by $1.6 million, or 16.3%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was primarily due to expenses related to the restructuring of BGC into a separate division within Cantor and other back office initiatives.

Commissions and floor brokerage expense increased by $0.8 million, or 28.8%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was largely due to additional clearing costs associated with our increased activity, partially offset by a decrease in clearing fees because we joined a clearing organization in Europe and were able to self-clear more of our transactions.

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The $4.8 million, or 346.0%, increase in interest expense for the year ended December 31, 2004 as compared to the year ended December 31, 2003 was largely due to increased bank loan payable balances in 2004.

Other expenses increased by $7.4 million, or 81.4%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This was primarily due to a year end fair market value adjustment of foreign exchange positions as of December 31, 2004. Increases in employee recruitment expenses due to the business expansion in continental Europe in 2004 also contributed to the increase in other expenses.

During 2004, we recorded income taxes of $2.6 million, corresponding to a 69.6% effective tax rate, compared to an income tax provision of $13.9 million, corresponding to a 32.7% effective tax rate, in 2003. The increase in the effective tax rate from 2003 to 2004 was largely due to a significant decrease in pre-tax book income and an increase in expenses, which are not deductible for tax purposes. Our consolidated effective tax rate can vary from period to period, depending on, among other factors, the geographic and business mix of our earnings.

Liquidity and Capital Resources

Overview

We have primarily financed our business through cash generated by operations, subordinated loans from Cantor and capital contributions from Cantor.

Liquidity is very important for financial services firms in general and for securities firms such as ours in particular, as the market s confidence in our business is integral to our success. Consequently, we focus on management of funding and liquidity risk. Our overall objective and general funding strategy seeks to ensure liquidity and diversity of funding sources to meet our financing needs at all times and under all market environments. We seek to prudently manage our reliance on short-term unsecured borrowings by maintaining an adequate total capital base and certain long-term debt arrangements with Cantor. We regularly monitor and analyze the size, composition and liquidity characteristics of our asset base in the context of each asset s ability to be used to obtain secured financing. This analysis helps us in determining our aggregate need for longer-term funding sources (*i.e.*, long-term debt and equity). We view long-term debt as a stable source of funding, which effectively strengthens our overall liquidity profile and mitigates liquidity risk.

Cash Flows

The following table sets forth our cash flows from operating activities, investing activities and financing activities (in thousands):

	Nine Months Ended September 30,	Year Ended December 31,		
	2006	2005	2004	2003
Cash used in operating activities	$ (29,734)	$ (27,469)	$ (21,946)	$ (44,366)
Cash used in investing activities	(13,005)	(104,795)	(13,725)	4,918
Cash provided by financing activities	53,886	240,416	37,469	11,697
Increase (decrease) in cash and cash equivalents	$ 11,147	$ 108,152	$ 1,798	$ (27,751)

Operating Activities

During the nine months ended September 30, 2006, our operating activities used $29.7 million of cash. We had a net loss for the nine months ended September 30, 2006 of $76.9 million. Our net loss included the following non-cash charges: depreciation and amortization expense related to fixed assets and definite-lived intangible assets of $18.5 million, $28.2 million incurred from the implementation of the provisions of SFAS 123R, forgivable loan amortization of $18.3 million and a realized gain on an investment security of $8.9

million. Our securities purchased under agreements to resell increased $34.1 million for the nine months ended September 30, 2006 primarily due to increases in collateral deposited with various clearing organizations. Our securities loaned to related parties decreased $8.2 million for the nine months ended September 30, 2006 due to the return of our shares of the London Stock Exchange, Ltd., which we had loaned to Cantor. Our accrued commissions receivable increased $33.9 million for the nine months ended September 30, 2006 due to a 45.2% increase in commission revenues on an annualized basis. Although both our receivables and payables to/from brokers, dealers, clearing organization and related broker-dealers increased substantially due to matched fails, our net receivables for the nine months ended September 30, 2006 had a slight decrease of $7.0 million. Our net payables to related parties increased $44.3 million for the nine months ended September 30, 2006 largely due to Cantor s funding of our operations and expansion efforts. Additionally, due to our acquisitions of Euro Brokers and ETC Pollak as well as our the establishment of a significant operations presence in Asia, we had a $19.4 million increase in forgivable loans and other receivables from employees and a $34.3 million increase in general accounts payable, accrued and other liabilities.

During the year ended December 31, 2005, our operating activities used $27.5 million of cash. We had a net loss for the year ended December 31, 2005 of $96.1 million. Our net loss included the following non-cash charges: depreciation and amortization expense related to fixed assets and definite-lived intangible assets of $22.2 million, forgivable loan amortization of $21.4 million, deferred income tax benefit of $3.4 million and a gain on an investment security of $2.1 million. Our depreciation expense, amortization expense and forgivable loan amortization expense increased substantially for the year ended December 31, 2005 due to our acquisition of Euro Brokers. Our securities purchased under agreements to resell increased $16.1 million for the year ended December 31, 2005 primarily due to a $10.0 million overnight investment of excess cash and a $6.1 million increase in collateral deposited with clearing organizations. Our securities loaned to related parties increased $8.2 million for the year ended December 31, 2005 due to securities loaned transactions with Cantor for liquidity purposes. Our accrued commissions receivable increased $15.1 million for the year ended December 31, 2005 due to a 108% increase in commission revenues for the same period, which was partially offset by improvements in our collection cycle. Our net payables to brokers, dealers, clearing organizations, customers and related broker-dealers decreased $19.8 million for the year ended December 31, 2005 due to normal fluctuations in trading and brokerage businesses. Our net payables to related parties increased $109.7 million for the year ended December 31, 2005 due to a $59.9 million shift in funding sources from third-party bank loans to related party funding and Cantor s funding of our operations and expansion efforts. Additionally, due to our acquisitions of Euro Brokers and ETC Pollak as well as the establishment of a significant operations presence in Asia during the year ended December 31, 2005, we had a $57.4 million increase in forgivable loans and other receivables from employees and an $18.5 million increase in general accounts payable, accrued and other liabilities.

During the year ended December 31, 2004, our operating activities used $21.9 million of cash. We had net income for the year ended December 31, 2004 of $1.1 million. Our net income included the following non-cash charges: depreciation and amortization expense related to fixed assets and definite-lived intangible assets of $6.6 million and forgivable loan amortization of $10.1 million. Additionally, we had a non-cash unrealized gain on securities owned of $3.8 million. Our securities owned increased $26.2 million for the year ended December 31, 2004 primarily due to an increase in principal transaction volumes in Europe. Our accrued commissions receivable increased $36.5 million for the year ended December 31, 2004 due to a 33% increase in commission revenues for the same period and a temporary slow down in our collection cycle. Our net payables to brokers, dealers, clearing organizations, customers and related broker-dealers increased $67.0 million for the year ended December 31, 2004 due to normal fluctuations in trading and brokerage businesses. Our net payables to related parties decreased $52.8 million for the year ended December 31, 2004 primarily due to a $48.5 million shift in funding sources from Cantor to third-party bank loans. Additionally, due to our expansion efforts during the year ended December 31, 2004, we had a $16.7 million increase in forgivable loans and other receivables from employees, a $4.9 million increase in accrued compensation, a $24.1 million increase in general accounts payable, accrued and other liabilities and a $3.0 million increase in other assets.

During the year ended December 31, 2003, our operating activities used $44.4 million of cash. We had net income for the year ended December 31, 2003 of $28.6 million. Our net income included the following non-cash

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charges: depreciation and amortization expense related to fixed assets and definite-lived intangible assets of $3.4 million and forgivable loan amortization of $4.5 million. Additionally, we had a non-cash unrealized gain on securities owned of $5.9 million. Our securities owned increased $11.6 million for the year ended December 31, 2003 primarily due to an increase in principal transaction volumes in Europe. Our accrued commissions receivable increased $6.2 million for the year ended December 31, 2003 due to an increase in commission revenues for the same period. Our net receivables from brokers, dealers, clearing organizations, customers and related broker dealers increased $32.2 million for the year ended December 31, 2003 due to normal fluctuations in trading and brokerage businesses. Our net payables to related parties decreased $28.0 million for the year ended December 31, 2003 largely due to a $17.2 million shift in funding sources from Cantor to third-party short-term borrowings and the settlement of various related party balances. Additionally, due to the our expansion efforts during the year ended December 31, 2003, we had a $9.0 million increase in forgivable loans and other receivables from employees and a $13.9 million increase in general accounts payable, accrued and other liabilities.

Investing Activities

During the nine months ended September 30, 2006, we used $13.0 million of cash in investing activities. We spent $33.6 million on fixed assets purchases which largely consisted of expenditures for leasehold improvements, furniture and fixtures and computer and communication equipment related to the move from One America Square to One Churchill Place in London, England and expenditures to accommodate the growth in desks. We also had proceeds of $18.1 million from the disposition of our holdings of shares of the London Stock Exchange, Ltd. (see Note 6, Securities Owned, to the accompanying Notes to Combined Financial Statements).

During the year ended December 31, 2005, we used $104.8 million of cash in investing activities which consisted of our acquisitions of Euro Brokers and ETC Pollak, net of cash acquired of $70.9 million (see Note 5, Acquisitions, of the Notes to the accompanying Combined Financial Statements), expenditures of $38.6 million for fixed assets to accommodate the growth in desks partially offset by proceeds of $4.7 million for the disposition of our holdings of shares of Nasdaq Stock Market, Inc. (see Note 6, Securities Owned, to the accompanying Notes to Combined Financial Statements).

During the year ended December 31, 2004, we used $13.7 million of cash in investing activities which consisted of purchases of fixed assets to support our expansion.

During the year ended December 31, 2003, investing activities provided us with $4.9 million of cash which consisted of the sale of $8.5 million of fixed assets partially offset by the purchase of additional fixed assets.

Financing Activities

During the nine months ended September 30, 2006, financing activities provided us with $53.9 million in cash. During the nine months ended September 30, 2006, we borrowed $42.0 million from Cantor in the form of unsecured subordinated two-year loans with interest rates of the London Interbank Offered Rate (LIBOR) plus a margin. Additionally, we received capital contributions, net from Cantor of $5.9 million during the nine months ended September 30, 2006 to finance our expansion efforts and operations. During the period, we borrowed an additional $6.0 million in overnight financings from banks.

During the year ended December 31, 2005, financing activities provided us with $240.4 million in cash. On May 20, 2005, we borrowed $75.0 million with a fixed interest rate of 9.22% from Cantor and an additional $33.3 million with a fixed interest rate of 8.72% from Cantor to finance our acquisition of Euro Brokers. Additionally, we borrowed $46.0 million from Cantor in the form of unsecured subordinated two year loans with interest rates of LIBOR plus a margin and received capital contributions, net, from Cantor of $146.0 million to finance our expansion efforts and operations. As of December 31, 2005, we had approximately $8.5 million in overnight unsecured financings from banks outstanding, which was $59.9 million less than the prior year.

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During the year ended December 31, 2004, financing activities provided us with $37.5 million in cash. As of December 31, 2004, we had approximately $68.4 million in overnight unsecured financings from banks outstanding which were used to finance trading operations, an increase of approximately $48.5 million from the prior year. Additionally, during the year ended December 31, 2004, we made capital distributions, net, to Cantor of $11.0 million.

During the year ended December 31, 2003, financing activities provided us with $11.7 million in cash. As of December 31, 2003, we had approximately $19.8 million in overnight unsecured financings from banks outstanding which were used to finance trading operations, an increase of approximately $17.2 million from the prior year. Additionally, during the year ended December 31, 2003, we made capital distributions, net, to Cantor of $5.5 million.

We anticipate, based on management s experience and current industry trends, that our existing cash resources 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 our normal operations. 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 our operations,
- support continued growth in our business,
- effect acquisitions,
- develop new or enhanced services and markets,
- respond to competitive pressures from this offering, and
- respond to unanticipated requirements.

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

Regulatory Requirements

The financial services industry, including our business, is subject to extensive regulation. We and our subsidiaries are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., 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 NASD and the NFA, along with statutory bodies such as the FSA and the SEC, require strict compliance with their rules and regulations. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to specifically protect our stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements (see Business Regulation).

Changes in legislation and in the rules and regulations promulgated by the SEC, the CFTC, the Treasury, the FSA and other domestic and international regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws and rules, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions in the way we conduct our business. For example, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC are continuing to review the nature and scope of their regulation and oversight of the government securities markets and U.S. markets. In the European context, the implementation of the MFID in November 2007 will involve wide-ranging changes to European financial services regulation. Since the implementing measures are not finalized, the full impact of the MIFID is not yet known. Future legislation and/or regulation and uncertainties

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resulting from the possibility of legislation and/or regulation, could adversely impact our business. Failure to comply with any of these laws, rules or regulations could result in fines, limitations on business activity, suspension or expulsion from the industry, any of which could have a material adverse effect upon us.

If we fail to maintain the required capital in any of our regulated subsidiaries, we may be required to suspend our broker-dealer operations in that subsidiary during the period that we are not in compliance with our capital requirements and may be subject to suspension or revocation of registration by the SEC and NASD or withdrawal of authorization or other disciplinary action from domestic and international regulators, which would have a material adverse effect on our business. In addition, if we fail to maintain the capital required by clearing organizations of which we are members, our ability to clear through those clearing organizations may be impaired, which may adversely affect our ability to process trades. If the capital rules are changed or expanded, or if there is an unusually large charge against capital, operations that require the intensive use of capital would be limited. Our ability to withdraw capital from our regulated subsidiaries is subject to restrictions, which, in turn, could limit our ability to pay dividends, repay debt and redeem or purchase shares of our common stock. In addition, we may become subject to capital requirements in other foreign jurisdictions in which we currently operate or in which we may enter.

BGC conducts business through companies which are subject to regulatory restrictions and requirements and accordingly must maintain minimum capital as defined in the applicable jurisdictions. These regulatory capital requirements may restrict our ability to withdraw capital from our subsidiaries. Certain U.S. subsidiaries are registered with the SEC and are subject to the Uniform Net Capital Requirements under Rule 15c3-1 under the Securities and Exchange Act of 1934 and, accordingly, must maintain minimum net capital (as defined under Rule 15c3-1). Additionally, BGC Financial Inc. is registered as an Introducing Broker (IB) Futures Commissions Merchant with the National Futures Association and is therefore subject to Regulation 1.17 of the Commodity Exchange Act, which requires the maintenance of minimum adjusted net capital to be greater than 4% of customer segregated funds. Certain U.K. subsidiaries of BGC 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. Certain other subsidiaries are subject to regulatory and other requirements of the jurisdictions in which they operate.

At December 31, 2005, the total capital of our regulated subsidiaries was $214.9 million and had a total requirement of $150.8 million. The minimum capital requirements of our major subsidiaries as of December 31, 2005 are set forth below (in thousands):

	Capital	Required Capital	Excess Capital
BGC International	$ 80,536	$ 77,289	$ 3,247
BGC International, L.P.	62,844	46,161	16,683
MIS Brokers Limited	12,794	8,652	4,142
BGC Financial, Inc.	21,651	250	21,401
BGC Brokers Limited	9,742	5,253	4,489

At September 30, 2006, the total capital of our regulated subsidiaries was $245.8 million and had a total requirement of $164.8 million. The minimum capital requirements of our major subsidiaries as of September 30, 2006 are set forth below (in thousands unaudited):

	Capital	Required Capital	Excess Capital
BGC International	$ 115,191	$ 86,521	$ 28,670
BGC International, L.P.	61,663	49,560	12,103
MIS Brokers Limited	11,289	8,639	2,650
BGC Financial, Inc.	15,215	250	14,965
BGC Brokers Limited	12,081	5,253	6,828

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The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our subsidiaries.

Trends and Uncertainties

The data provided in this section should be read in conjunction with the risk factors identified elsewhere in this prospectus (see Risk Factors). Our management has identified the following important factors (as well as uncertainties associated with such factors) that could impact our future financial performance:

In 2007 and 2008, we expect we will incur non-cash charges for the forgivable loans given in conjunction with the Euro Brokers acquisition and European expansion and the establishment of a significant operations presence in Asia of $13.8 million and $5.0 million, respectively. Additionally, in 2007 and 2008, we expect we will pay out $4.4 million and $2.3 million, respectively, in the U.S. and other jurisdictions payroll taxes as these loans are forgiven.

We expect to continue to expand our global presence in 2007 through continued acquisition activity and hiring additional top tier brokers to expand our business in key brokerage desks and geographies. We may issue additional forgivable loans as we hire brokers. In November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets. In December 2006, we acquired AS Menkul, an established broker in Turkey.

We expect that certain of our executive officers will have employment agreements in place beginning in 2007. We anticipate that compensation expense will increase between $3.0 million and $11.0 million as a result of those agreements. We also expect SFAS 123R related charges for future changes in the fair value of the HDIV tax accounts.

We expect that certain of our officers will exchange partnership units currently valued at million for cash payments during 2007, which will result in non-cash compensation expense of approximately million with an offsetting charge to capital.

We expect to spend a substantial amount to complete the build-outs of our new office spaces in London and New York. We spent approximately $4.2 million during the fourth quarter of 2006 and expect to spend approximately $2.2 million during 2007 to complete the build-out of our new London offices at One Churchill Place. We also expect to spend approximately $2.3 million during 2007 to complete the build-out of our One Seaport Plaza location in New York, New York.

In the fourth quarter of 2006, we incurred approximately $3.4 million in special bonus compensation charges for certain executive officers.

BGC benefits from its relationship with Cantor whereby Cantor may from time to time provide certain guarantees on behalf of BGC. It is not certain that Cantor will provide such guarantees to BGC in the future.

Although we have no material commitments for capital expenditures, we anticipate that we will experience a substantial increase in our capital expenditures consistent with our anticipated growth in operations, infrastructure and personnel. We currently anticipate that we will continue to experience significant growth in our operating expenses for the foreseeable future and that our operating expenses will be a material use of our cash resources.

We use many methods, estimates and judgments in applying our accounting policies (see Critical Accounting Estimates for more information regarding the estimates and judgments we used in preparing our financial statements). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations.

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Aggregate Contractual Obligations

As of September 30, 2006, our significant contractual obligations amounted to $701.2 million, consisting of the following minimum payments (in thousands):

	2006	2007	2008	2009	2010	2011 and thereafter
Operating leases(1)	$ 5,659	$ 25,598	$ 23,234	$ 22,414	$ 21,730	$ 135,555
Capital leases						
Purchase obligations(2)	208,736	285		19	194	855
Long-term debt(3)		46,000	42,000			108,318
Interest payments on long-term debt	3,729	13,120	10,478	9,820	9,820	13,612
Total Contractual Obligations	$ 218,124	$ 85,003	$ 75,712	$ 32,253	$ 31,744	$ 258,340

(1) Operating leases are related to rental payments under various non-cancelable leases, principally for office space.

(2) Purchase obligations include amounts which are classified as accrued compensation and accounts payable, accrued and other liabilities on the accompanying Combined Statement of Financial Condition as of September 30, 2006.

(3) Long-term debt represents notes payable to related parties (see Note 12, Long-term Notes Payable to Related Parties, to the accompanying Notes to Combined Financial Statements, for more information regarding this long-term debt including timing of payments and acceleration clauses) as of September 30, 2006.

Off-Balance Sheet Arrangements

As of September 30, 2006, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K as promulgated by the SEC. We may be exposed to a risk of loss not reflected on our accompanying Combined Financial Statements for certain derivative contracts, including exchange-traded futures and foreign exchange options, which represent obligations of ours to deliver the specified securities at the contracted price and thereby may create a liability to purchase them in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as our cost to liquidate such securities and futures and options contracts may exceed the amount reported on our accompanying Combined Statements of Financial Condition. The majority of our derivatives contracts are short-term in nature.

Critical Accounting Estimates

The following discussion is based upon our Combined Financial Statements and the accompanying Notes thereto, which have been prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to as U.S. GAAP. The preparation of these Combined Financial Statements requires us to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We regularly evaluate our estimates and assumptions related to stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances, restructuring costs, litigation and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

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We believe that the following critical accounting policies affect our more significant estimates and judgments used in the preparation of these Combined Financial Statements and the accompanying Notes thereto.

Related Party Transactions

We share revenues with Cantor and its affiliates. We provide certain administrative support services to Cantor and its affiliates and Cantor provides certain administrative services to us. In addition, Cantor provides certain introducing, clearing and settlement services to us and we may provide clearing and execution services to Cantor in the future.

Since Cantor holds a controlling interest in us and holds a significant interest in eSpeed, such transactions among and between us and Cantor and eSpeed are on a basis that might not be replicated if such services or revenue sharing arrangements were between, or among, unrelated parties (see Certain Relationships and Related Transactions).

Goodwill

We review goodwill and indefinite lived intangible assets for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for as a purchase. Goodwill is no longer amortized, but instead is subject to periodic testing for impairment. Goodwill impairment is determined using a two-step approach. The first step of the goodwill test compares the fair value of a reporting unit with its carrying amount, including goodwill. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that difference. We recorded an impairment loss of $1.8 million associated with the Municipal Partners, Inc. acquisition in the year ended December 31, 2003 (for more information regarding the acquisition of Municipal Partners, Inc. see Note 4, Related Party Transactions, of the accompanying Notes to Combined Financial Statements).

Determining the fair value of goodwill assets is judgmental in nature and involves the use of significant estimates and assumptions. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Impairment of Long Lived Assets

We review long-lived assets, such as property, plant and equipment and definite lived intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets.* Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets.

Contingencies

In the normal course of business, we have been named as defendants in various lawsuits and proceedings and have been involved in certain regulatory examinations. Additional actions, investigations or proceedings may be brought from time to time in the future. We are subject to the possibility of losses from these various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We accrue a liability for the estimated costs of adjudication or settlement of asserted and unasserted claims existing as of the balance sheet date. We have recorded reserves for certain contingencies to which we may have exposure, such as reserves for certain income tax and litigation contingencies and contingencies related to the employer portion of National Insurance Contributions in the U.K. We disclose asserted claims when it is at least reasonably possible that an asset had been impaired or a liability had been incurred as of the date of the financial statements and unasserted claims when it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. It is not presently possible to determine our ultimate exposure to these matters and there is no assurance that the resolution of these matters will not significantly exceed the reserves we have accrued. It is management s opinion that the ultimate resolution of these matters, while not likely to have a material adverse effect on our combined financial condition, could be material to our operating results for any particular period (see Business Legal Proceedings).

Income Taxes

SFAS No. 109, *Accounting for Income Taxes*, establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Estimates and judgment are required in assessing the future tax consequences of events that have been recognized in our Combined Financial Statements or tax returns.

Recently Adopted Accounting Pronouncements:

SFAS No. 123R: Effective January 1, 2006, we adopted SFAS 123R using the modified prospective method (see Note 2, Basis of Presentation and Significant Accounting Policies, of the accompanying Notes to Combined Financial Statements, for more information regarding our implementation of SFAS 123R).

FIN 47: In March 2005, the Financial Accounting Standards Board, which we refer to as FASB, issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143*, which we refer to as FIN 47, to clarify the timing of the recording of certain asset retirement obligations required by SFAS No. 143, Accounting for Asset Retirement Obligations. FIN 47 was effective December 31, 2005. The adoption of FIN 47 did not have a material impact on our Combined Statements of Operations or Financial Condition.

SFAS No. 154: We adopted SFAS No. 154, *Accounting Changes and Error Corrections*, which we refer to as SFAS 154, which replaces Accounting Principles Board Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28* effective January 1, 2006. SFAS 154 provides guidance on the accounting for and reporting of, accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. The adoption of SFAS 154 did not have a material impact on our Combined Statements of Operations or Financial Condition.

EITF 04-5: We adopted Emerging Issues Task Force, which we refer to as EITF, Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* on June 29, 2005 for all newly-formed limited partnerships and for existing limited partnerships for which the partnership agreements have been modified and on January 1, 2006 for all other limited partnerships. The EITF consensus requires a general partner in a limited partnership to consolidate the limited partnership unless the presumption of control is overcome. The general partner may overcome this presumption of control and not consolidate the entity if the limited partners have: (a) the substantive ability to dissolve or liquidate the limited partnership or otherwise remove the general partner without having to show cause or (b) substantive participating rights in managing the partnership. This guidance became effective upon ratification by the FASB. The adoption of EITF 04-5 did not have a material impact on our Combined Statements of Operations or Financial Condition.

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FIN 46(R)-6: In April 2006, the FASB issued FASB Staff Position No. FIN 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)*, which we refer to as FSP FIN 46(R)-6. FSP FIN 46(R)-6 requires that the determination of the variability to be considered in applying FIN 46R be based on an analysis of the design of the entity. In evaluating whether an interest with a variable interest entity creates or absorbs variability, FSP FIN 46(R)-6 focuses on the role of a contract or arrangement in the design of an entity, regardless of its legal form or accounting classification. The adoption of FSP FIN 46(R)-6 on July 1, 2006 did not have a material impact on our Combined Financial Statements.

New Accounting Pronouncements:

FIN 48: In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, which we refer to as FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for us as of January 1, 2007. We do not anticipate our adoption of FIN 48 on January 1, 2007 will have a material impact on our Combined Financial Statements.

SFAS No. 157: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which we refer to as SFAS 157. SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability, in an orderly transaction between market participants. SFAS 157 nullifies the consensus reached in EITF Issue No. 02-3 prohibiting the recognition of day one gain or loss on derivative contracts (and hybrid instruments measured at fair value under SFAS 133 as modified by SFAS 155) where the firm cannot verify all of the significant model inputs to observable market data and verify the model to market transactions. However, SFAS 157 requires that a fair value measurement technique include an adjustment for risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model, if market participants would also include such an adjustment. In addition, SFAS 157 prohibits the recognition of block discounts for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market. The provisions of SFAS 157 are to be applied prospectively, except for changes in fair value measurements that result from the initial application of SFAS 157 to existing derivative financial instruments measured under EITF Issue No. 02-3, existing hybrid instruments measured at fair value, and block discounts, which are to be recorded as an adjustment to opening retained earnings in the year of adoption. SFAS 157 will be effective for us as of January 1, 2008. We are currently evaluating the potential impact of adopting SFAS 157.

SFAS No. 158: In October 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132 (R)*, which we refer to as SFAS 158. SFAS 158 requires a calendar year company with publicly traded equity securities that sponsors a post-retirement benefit plan to fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plan in its balance sheet. The funded status is measured as the difference between the fair value of the plan's assets and its benefit obligation. SFAS 158 is effective for financial statements issued for fiscal years ending after December 15, 2006, for entities with publicly traded equity securities. We are required to adopt SFAS 158 for the year ended December 31, 2006. The adoption of SFAS 158 will not have a material impact on our combined financial statements.

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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, we hold investment securities and equity investments which are recorded as assets on the accompanying Combined Statements of Financial Condition. We are exposed to the risk that equity prices may fluctuate. We enter into transactions to sell securities not yet purchased, which are recorded as liabilities on the accompanying Combined Statement of Financial Condition. We are exposed to the risk that potential market price increases may cause the ultimate liability for such commitments to exceed the amount recognized on the accompanying Combined Statement of Financial Condition. We hold derivative contracts and face potential market risks related to fluctuations in the interest rates, foreign exchange rates and equity prices that these derivative contracts are tied to.

Foreign Currency Risk

We are 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. Our U.K. operations generate a majority of their revenues in euros and the British Pound. On a daily basis, all cash balances except those necessary to pay short-term expenses are converted to U.S. dollars. Changes in the translation of our net assets are recorded as part of our results of operations and fluctuate with changes in foreign currency conversion rates. While our international results of operations, as measured in U.S. dollars, are subject to foreign exchange rate fluctuations, we do not consider the related economic risk to be material to our results of operations.

We estimate that a hypothetical 10% adverse change in foreign exchange rates would have resulted in a decrease in net income in our international operation of $10.3 million for the nine months ended September 30, 2006.

Interest Rate Risk

We had $88.0 million in variable-rate debt outstanding as of September 30, 2006. These debt obligations are subject to fluctuations in interest rates, which impact the amount of interest we must pay. If variable interest rates were to increase by 0.50% per annum, the annual impact to our net income would be a reduction of approximately $0.4 million.

Credit Risk

Credit risk arises from potential non-performance by counterparties and customers. We have established policies and procedures to manage our exposure to credit risk. We maintain a thorough credit approval process to limit exposure to counterparty risk and employ stringent monitoring to control the market and counterparty risk from our matched principal and agency businesses. Our brokers may only execute transactions for clients that have been approved by our credit committee following review by our credit department. Our credit approval process generally includes verification of key financial information and operating data and anti-money laundering verification checks. Our credit review process includes consideration of independent credit agency reports and a visit to the entity s premises, if necessary. We have developed and utilize a proprietary, electronic credit monitoring system.

Credit approval is granted by our credit committee, which is comprised of senior management and representatives from our compliance, finance and legal departments. 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. Counterparties are reviewed for continued credit approval on at least an annual basis and the results are provided to the credit committee. Maintenance 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.

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Unmatched Principal Transaction Risk

We allow certain of our 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. 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.

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

BUSINESS

Overview of our Business

We are a leading full-service inter-dealer broker specializing in the trading of OTC financial instruments and related derivative products. We provide integrated voice and electronic execution and other brokerage services to many of the world s largest and most creditworthy banks that regularly trade in capital markets, brokerage houses and investment banks for a broad range of global financial products, including fixed income securities, foreign exchange, equity derivatives, credit derivatives, futures, structured products and other instruments, as well as market data products for selected financial instruments.

Our integrated voice and electronic platform is designed to provide flexibility to our customers with regard to price discovery, execution and processing of transactions. Our hybrid platform enables our customers 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. Our hybrid platform allows us to generate revenues, irrespective of whether a market is voice-brokered or electronic in nature. Our brokerage services include execution, clearing, processing and other back office services. We complement our brokerage services with value-added products such as market data and analytics products.

Our brokerage business is one of the oldest and most established franchises in the financial intermediary industry. Cantor started its inter-dealer brokerage operations in the early 1970s. Until October 2004, they were managed as a part of Cantor s operations.

Prior to the events of September 11, 2001, our brokerage business was widely recognized as one of the leading full-service wholesale inter-dealer brokers in the world. After September 11, 2001 and the loss of a majority of our U.S.-based employees, our brokerage business operated primarily in Europe. In August 2004, Cantor announced the restructuring of its inter-dealer brokerage business, renaming it BGC in honor of B. Gerald Cantor, Cantor s founder and a pioneer in screen brokerage services and fixed income market data products. Over the last two years, we have re-established our presence in the U.S. and have continued to expand our global operations through the acquisition and integration of established brokerage companies and the hiring of a substantial number of experienced brokers. For example, in May 2005, we acquired Euro Brokers, a leading U.S. and international inter-dealer brokerage firm, and in September 2005, we acquired ETC Pollak, a leading inter-dealer broker in Paris, France.

More recently, in November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets. In December 2006, we acquired AS Menkul, an established broker in Turkey. Through these acquisitions and targeted hiring, we have been able to expand our presence in key markets and position our business for sustained growth. As of January 1, 2007, we had approximately 1,064 brokers across approximately 125 desks (up from approximately 525 brokers across 62 desks in August 2004). We currently have offices in major financial centers such as New York, Chicago, Los Angeles, London, Toronto, Hong Kong, Paris, Nyon, Milan, Tokyo, Beijing, Singapore, Mexico City, Copenhagen, Melbourne and Sydney and expect to open offices in Istanbul and Seoul in 2007.

We provide brokerage services in a wide range of markets, including government bonds, corporate bonds, supranational and sovereign bonds, high yield bonds, convertible bonds, floating rate notes, emerging market bonds, asset-backed securities, mortgage-backed securities, foreign exchange (outright, forwards, swaps), foreign exchange options, repurchase agreements, money market products, credit default swaps, interest rate swaps, asset swaps, basis swaps, inflation swaps, interest rate options, bond options, exchange-traded financial futures, equity derivatives, and other products.

We are focused on serving three principal brokerage markets:

traditional, liquid brokerage markets,

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high growth, high margin, illiquid markets, and

targeted local markets throughout the world.

We believe we have the scale, experience and expertise to succeed across a broad range of traditional inter-dealer markets, such as corporate and government bonds and interest rate derivatives. The strong underlying growth of these markets, in combination with our continued addition of brokerage personnel in other markets where we are currently strengthening our position and building scale provides us with significant opportunities for growth. We will also continue to expand in newer markets and to grow our market share in illiquid markets, such as credit derivatives. Due to the complexity of newer markets and illiquid markets, customers are willing to pay a premium for liquidity and for the ability of experienced brokerage professionals to provide market intelligence and create structuring solutions. Finally, as reflected by our recent acquisitions in France and Turkey, we seek to expand our footprint in targeted local markets (both domestic and international) where a local presence and hands-on expertise are required to be successful. We believe that all of these markets will continue to employ professional brokers, as wholesale customers continue to value the background, market knowledge, anonymity, price negotiation skills and strength of execution provided by our brokers.

We offer a full range of voice, screen-assisted, voice-assisted and, where available, fully electronic brokerage services including price discovery, trade execution and straight-through processing. Many of our services are supported by our electronic platform. We use a sophisticated electronic trading platform to distribute prices to our customers on a proprietary PC-based application. This proprietary graphic user interface, which we refer to as GUI, is the front end system for a majority of our products. It is deployed on most of our customers desktops and is connected to them through eSpeed s private communications network or industry standard communication systems. Our GUI establishes a direct link between our brokers and our customers and provides them with the latest product pricing information. Our hybrid platform allows us to offer straight-through processing to our customers for selected products. This capability eliminates the significant expense associated with manual processing, confirmation and clearing of trades.

We provide our integrated brokerage services through our established brokerage platform and our relationship with eSpeed. Our relationship with eSpeed is guaranteed in a perpetual joint services agreement. Our platform is carried on eSpeed s electronic trading systems, and we have a perpetual right to use eSpeed s system under the joint services agreement. Under the joint services agreement and the master transaction agreement which we intend to enter into in connection with this offering, we will share revenues with eSpeed on a pre-determined schedule.

We complement our trading services by providing proprietary market data to our customers through our BGC Market Data business. BGC Market Data is the exclusive source of real-time proprietary pricing and other data derived through BGC Partners and eSpeed for U.S. and European securities and derivatives. Current products include real-time data in live markets for U.S. Treasuries, European government bonds, eurobonds and U.S. dollar interest rate swaps. Our market data services are available across a broad array of distribution channels, including Bloomberg, CQG, Reuters and Thomson ILX.

We provide brokerage services to our customers primarily in the form of agency or, to a lesser extent, matched principal transactions. In agency transactions, we connect buyers and sellers and assist in the negotiation of the price and other material terms of the transaction. In matched principal transactions, we act as a middleman by serving as counterparty for identified buyers and sellers in matching, in whole or in part, reciprocal back-to-back trades. In addition, to a limited extent, we participate in certain of our marketplaces by posting quotations for our own account and by acting as principal on trades to facilitate transactions, add liquidity, increase revenue opportunities and attract additional order flow. While our principal participation may vary from product to product and over any given period of time, in the aggregate the unmatched principal participation by BGC Partners and its affiliates does not, generally speaking, exceed 10% of our total volume or transaction counts on an annual basis. It is our common practice to have limited market risk on an overnight basis.

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Our Industry

In liquid financial markets, the presence of large numbers of market participants and facilitators of liquidity and the availability of pricing reference data and standardized terms allow market participants to trade financial instruments quickly and with minimal price disturbance. In these markets, there is substantial competition, efficient execution and high trading volume. Typically the most liquid markets are found on listed exchanges. One of the primary liquidity providers for listed exchanges and OTC markets is the inter-dealer broker, who acts as an intermediary between major market participants to facilitate transactions that might normally prove too difficult for local market makers or brokers to handle.

To the extent the trading of a financial instrument requires customization, the relevant market tends to be more illiquid. Illiquid markets generally have fewer market participants, less price transparency, higher spreads and lower trading volumes. Complex financial instruments that are traded OTC tend to be illiquid and are traded primarily by more sophisticated buyers and sellers. Inter-dealer brokers facilitate trading in less liquid markets through providing price discovery, preserving anonymity in matched principal trades, matching buyers and sellers on a name give-up basis in agency transactions and providing market intelligence to their customers. In both agency and matched principal transactions, customers decide to execute a trade and inter-dealer brokers effectively source the counterparties for those trades. Inter-dealer brokers are particularly helpful in facilitating large or non-standardized transactions due to their in-depth market knowledge and access to potential counterparties.

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

While some products may evolve from illiquid markets to liquid markets, at the same time, new products are continually being developed. Historically, as markets evolve and participants look to separate or isolate risks, certain products will tend to exhibit correlations and pricing relationships leading to the development of new derivative products. As a full-service inter-dealer broker with a hybrid model, we are positioned to capture revenues in all stages of a product s development.

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

The underlying OTC and exchange-traded derivative markets traditionally served by inter-dealer brokers have experienced five-year compound annual growth rates of approximately 26.6% based on notional amounts (2000-2005) (Bank for International Settlements, Semiannual OTC Derivatives Markets Statistics June 2006, Exchange Traded Derivatives Statistics Quarterly Review December 2006). With the positive impact of increasing volatility in the financial markets as well as the continuing high levels of innovation and product development occurring in the wholesale financial markets today, we believe that this growth should continue into the foreseeable future.

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Derivatives are increasingly being used to manage risk or to take advantage of the anticipated direction of a market by allowing holders to guard against gains or declines in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by large corporate and sovereign debtors and changes in the prices of commodity products. Increasing securities regulations and 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. As demonstrated by the figure below, the market for OTC instruments has continued to experience substantial growth for a wide array of financial products.

Historical growth in selected OTC products (CAGR 2001-2005[(1)])

Source: International Swaps and Derivatives Association, Inc. Operations Survey 2006 and 2003.

(1) Data through December 31, 2005 and based on average reported weekly deal volumes.

(2) Non-vanilla swaps are swaps that are customized to offset the specific cash flows of a position.

Over the last four years, seven out of the eight markets above have experienced double digit growth, with five out of eight experiencing compound annual growth equal to or in excess of 20%. We believe much of this growth has been, and will continue to be, driven by the following trends:

increasing volatility in commodity, currency, interest rate, equity and credit markets has led to continued demand for hedging and risk mitigation by market participants, which, in turn, has led to growth in commodity, equity, interest rate and credit derivatives and currency options markets,

increasing allocation of capital for trading and position-taking by banks and hedge funds and the search for yield among global investors has led to strong growth in structured credit and equity products, thereby creating and reinforcing the need for efficient execution,

with yields at historical lows, many industrialized countries, including the U.S., France, Germany and Italy, have increased their issuance of sovereign debt, taking advantage of low interest rates to help finance growing budget deficits,

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record merger and acquisitions activity in 2006 has led to an increased issuance in the corporate bond and leveraged loan markets, thereby increasing the demand for hedging instruments such as credit derivatives and interest rate options,

strong global stock market performance has led to rapid growth in equity derivatives driven by institutional demand for hedging instruments,

strong GDP growth in key emerging market countries, such as China and India, has led to increased demand for basic commodities such as copper, platinum, crude oil, gas and natural gas, which has led to higher demand for hedging instruments such as energy and commodity futures and derivatives, and

the continued liberalization of emerging markets and the growth of local currency and fixed income markets have led to increased global demand for currency and fixed income hedging instruments as global trade continues to expand.

For all of these markets, full-service inter-dealer brokers provide market intelligence, operational expertise and liquidity to help propel growth.

Our Market Opportunity

We believe the financial markets in which we operate present us with the following opportunities to provide value to our customers as a full-service inter-dealer broker and market data supplier:

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

Desire for Anonymity. Leading financial market participants frequently seek to trade anonymously to reduce market impacts. We expect to see an increasing demand for inter-dealer brokers to provide trade anonymity. In order to capture this demand, we may increase our principal trading activities, including both matched and unmatched principal trading.

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

Accelerating Introduction of New Products. As customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other securities are developed. These new securities are not immediately ready for more liquid and standardized electronic markets, and will increase the need for trading and require broker-assisted execution. Qualified brokers need to modify their screen applications to support these new products. We believe that these new products, whose rate of introduction into the market is accelerating, provide opportunities for inter-dealer brokers to expand their trading volumes and create product niches. We believe that these products generally have higher commissions than more liquid instruments.

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

Growth in Algorithmic and Computerized Trading. In recent years, algorithmic and computerized trading has seen tremendous growth spurred by increasing liquidity and lower operating costs. As our customers become more familiar with computerized trading, volumes should rise.

Increasing Demand for Market Data. Demand for reliable, real-time market data is growing as trading volumes increase.

Our Competitive Strengths

We believe that the following principal competitive strengths of ours will help establish us as a leading global inter-dealer broker:

We Are a Leading Inter-Dealer Broker in Key Markets. We are a leading global full-service inter-dealer broker in key markets. We have provided brokerage services for more than 30 years. We have displayed leadership in a multitude of markets globally, including the markets for certain interest rate derivatives, foreign exchange and commodity products, and have been recognized within the industry for our strong presence in interest rate products, including interest rate swaptions, exotic interest rate products, interest rate caps/floors, interest rate swaps and repurchase agreements. We believe our leadership position in these markets and access to a broad customer base allow us to locate the best price and to deliver the best execution for our customers, in both liquid and illiquid markets.

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

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

We Provide Quality Market Data and Analytics Products. Our leading position and liquidity in brokerage markets allows us to provide our customers with high quality market data and analytics products. Our data products are derived through BGC Partners and eSpeed for U.S. and European securities and derivatives and are marketed as BGC Market Data. These products are designed to serve the needs of certain markets for reliable data and trusted analytics tools. Our ability to offer these products not only helps to support our leadership in several key markets but also provides us with a stable source of non-brokerage revenues.

We Have the Ability to Identify, Recruit and Retain Key Talent. In August 2004, at the time that Cantor announced the restructuring of our business, we employed approximately 525 brokers. As of January 1, 2007, the number of BGC brokers had more than doubled to approximately 1,064. In a competitive environment, we have demonstrated our ability to successfully build, attract and retain leading brokers, including through acquisitions of new businesses, in order to expand and solidify our brokerage staff. We believe our ability to attract talent across the globe will enable us to grow our business and provide our customers with trading execution that is superior to that provided by many of our competitors.

Our Partnership Structure Creates Long-Term Incentives. As of January 1, 2007, we had 176 BGC working partners (up from approximately 99 BGC working partners in August 2004). Our partnership structure is one of the unique strengths of our business. We believe that it provides long-term incentives and is an effective tool in recruiting, motivating, and retaining our key employees. Key professionals who are invited to be partners are required to make a capital contribution to establish their partnership account. We believe that the ability to participate in the ongoing success of the enterprise acts as a strong motivator for our brokers to perform and aligns their interests with our stockholders. Our partnership structure is described in greater detail in Partnership Overview.

We Have a Proven Acquisition Track Record. In 2005, we acquired Euro Brokers and ETC Pollak, and we have integrated these established brokerage companies into our business. More recently, in November 2006, we acquired Aurel Leven, one of the leading independent inter-dealer brokers in France, active in the equities, equity derivatives and fixed income markets, and in December 2006, we acquired AS Menkul, an established broker in Turkey. These acquisitions allowed us to expand our broker headcount, product offerings and geographic footprint. These acquisitions gave us sufficient scale to compete effectively in a number of products, including U.S. Treasuries, U.S. securities repurchase agreements, U.S. agencies, eurobonds, interest rate options/swaps, cash markets and emerging market credit default swaps. We believe that this ability to successfully identify, acquire and integrate high quality brokerage companies provides us with the opportunity to strengthen and enhance our franchise and to continue the rebuilding of our U.S. business and expand in local markets internationally.

We Have Experienced Senior Management. We are led by a core senior management team each of whom has over 20 years of experience in the inter-dealer brokerage markets. The Chairman of the Board of Directors and Chief Executive Officer of Cantor, Mr. Lutnick, who will serve as our Co-Chief Executive Officer and Chairman, guided us, eSpeed and Cantor through the aftermath of the events of September 11, 2001 and was instrumental in the initial public offering of eSpeed in 1999. Prior to the events of September 11, 2001, Mr. Amaitis, who will serve as our Co-Chief Executive Officer and a member of our board of directors, led the inter-dealer brokerage business of Cantor, which was one of the largest inter-dealer brokers in the world. Since these events, Mr. Amaitis has successfully led the resurgence of our business. Mr. Amaitis and our President, Mr. Lynn, have presided over the addition of hundreds of new brokers and the expansion and growth of our business in the U.S., Europe and Asia. Our senior management team is supported by a highly experienced and qualified team of managers. We believe that our experienced senior management team gives us a competitive advantage in executing our business strategy.

Our Strategy

We seek to become the leading global inter-dealer broker by increasing our market share in existing markets an