BGC Partners, Inc.
Form 10-K
March 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR

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

Commission File Number: 0-28191

BGC Partners, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-4063515
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

499 Park Avenue, New York, NY	10022
(Address of Principal Executive Offices)	(Zip Code)

(212) 610-2200

(Registrant's telephone number, including area code)

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

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

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

None

(Title of Class)

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

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

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

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

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

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

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of voting common equity held by non-affiliates of the registrant, based upon the closing price of the Class A common stock on June 30, 2018 as reported on NASDAQ, was approximately $1,979,431,694.

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

Class	Outstanding at February 25, 2019
Class A Common Stock, par value $0.01 per share	291,835,553 shares
Class B Common Stock, par value $0.01 per share	45,884,380 shares

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the registrant's definitive proxy statement for its 2019 annual meeting of stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K

BGC Partners, Inc.

2018 FORM 10-K ANNUAL REPORT

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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

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

- market conditions, including trading volume and volatility, potential deterioration of equity and debt capital markets, impact of significant changes in interest rates and our ability to access the capital markets;
- pricing, commissions and fees, and market position with respect to any of our products and services and those of our competitors;
- the effect of industry concentration and reorganization, reduction of customers, and consolidation;
- liquidity, regulatory, and clearing capital requirements and the impact of credit market events;
- our relationships and transactions with Cantor Fitzgerald, L.P. and its affiliates, which we refer to as "Cantor," including Cantor Fitzgerald & Co., which we refer to as "CF&Co," and Cantor Commercial Real Estate Company, L.P., which we refer to as "CCRE," any related conflicts of interest or litigation, any impact of Cantor's results on our credit ratings and associated outlooks, any loans to or from us or Cantor, CF&Co's acting as our sales agent or underwriter under our controlled equity or other offerings, Cantor's holdings of our debt securities, CF&Co's acting as a market maker in our debt securities, CF&Co's acting as our financial advisor in connection with potential business combinations, dispositions, or other transactions and our participation in various investments, stock loans or cash management vehicles placed by or recommended by CF&Co;
- risks associated with the integration of acquired businesses with our other businesses;
- economic or geopolitical conditions or uncertainties, the actions of governments or central banks, including uncertainty regarding the nature, timing and consequences of the United Kingdom ("U.K")'s exit from the European Union ("EU") following the referendum and related rulings, including potential reduction in investment in the U.K., and the pursuit of trade, border control or other related policies by the U.S. and/or other countries, political and labor unrest in France, the impact of the U.S. government shutdown, and the impact of terrorist acts, acts of war or other violence or political unrest, as well as natural disasters or weather-related or similar events, including recent hurricanes as well as power failures, communication and transportation disruptions, and other interruptions of utilities or other essential services;
- the effect on our businesses, our clients, the markets in which we operate, and the economy in general of recent changes in the U.S. and foreign tax and other laws, potential policy and regulatory changes from the new government in Mexico, shutdowns of the U.S. government, sequestrations, uncertainties regarding the debt ceiling and the federal budget, and other potential political policies and impasses;
- the effect on our businesses of changes in interest rates, worldwide governmental debt issuances, austerity programs, increases or decreases in deficits, and other changes to monetary policy, and potential political impasses or regulatory requirements, including increased capital requirements for banks and other institutions or changes in legislation, regulations and priorities;
- extensive regulation of our businesses and customers, changes in regulations relating to financial services companies and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, increased financial and capital requirements, enhanced oversight, fines, penalties, sanctions, and changes to or restrictions or limitations on specific activities,

operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new businesses, products, or services;

- factors related to specific transactions or series of transactions, including credit, performance, and principal risk, trade failures, counterparty failures, and the impact of fraud and unauthorized trading;
- the effect on our businesses of the recently completed pro rata distribution (the “Spin-Off”) to our stockholders of all of the shares of common stock of our publicly traded subsidiary, Newmark Group, Inc. (“Newmark”) owned by us as of immediately prior to the effective time of the Spin-Off;

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• costs and expenses of developing, maintaining, and protecting our intellectual property, as well as employment and other litigation and their related costs, including judgments or settlements paid and the impact thereof on our financial results and cash flows in any given period;
• certain financial risks, including the possibility of future losses, reduced cash flows from operations, increased leverage and the need for short- or long-term borrowings, including from Cantor, the ability of us to refinance our indebtedness, or other sources of cash relating to acquisitions, dispositions, or other matters, potential liquidity and other risks relating to our ability to maintain continued access to credit and availability of financing necessary to support our ongoing business needs, on terms acceptable to us, if at all, and risks associated with the resulting leverage, including potentially causing a reduction in our credit ratings and the associated outlooks and increased borrowing costs as well as interest rate and foreign currency exchange rate fluctuations;
• risks associated with the temporary or longer-term investment of our available cash, including defaults or impairments on our investments, stock loans or cash management vehicles and collectability of loan balances owed to us by partners, employees, or others;
• our ability to enter new markets or develop new products, trading desks, marketplaces, or services for existing or new customers and to induce such customers to use these products, trading desks, marketplaces, or services and to secure and maintain market share;
• the impact of the Spin-Off and related transactions, our ability to enter into marketing and strategic alliances and business combinations or other transactions in the financial services and other industries, including acquisitions, tender offers, dispositions, reorganizations, partnering opportunities and joint ventures, , the anticipated benefits of any such transactions, relationships or growth and the future impact of any such transactions, relationships or growth on our other businesses and our financial results for current or future periods, the integration of any completed acquisitions and the use of proceeds of any completed dispositions, and the value of and any hedging entered into in connection with consideration received or to be received in connection with such dispositions and any transfers thereof;
• our estimates or determinations of potential value with respect to various assets or portions of our businesses, including with respect to the accuracy of the assumptions or the valuation models or multiples used;
• our ability to hire and retain personnel, including brokers, salespeople, managers, and other professionals;
• our ability to expand the use of technology for hybrid and fully electronic trading in our product and service offerings;
• our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable financial reporting, internal control, legal compliance, and regulatory requirements;
• our ability to identify and remediate any material weaknesses in our internal controls that could affect our ability to prepare financial statements and reports in a timely manner, control our policies, practices and procedures, operations and assets, assess and manage our operational, regulatory and financial risks, and integrate our acquired businesses and brokers, salespeople, managers and other professionals;
• the effectiveness of our risk management policies and procedures, and the impact of unexpected market moves and similar events;
• information technology risks, including capacity constraints, failures, or disruptions in our systems or those of the clients, counterparties, exchanges, clearing facilities, or other parties with which we interact, including cyber-security risks and incidents, compliance with regulations requiring data minimization and protection and preservation of records of access and transfers of data, privacy risk and exposure to potential liability and regulatory focus;
• the fact that the prices at which shares of our Class A common stock are sold in one or more of our controlled equity offerings or in other offerings or other transactions may vary significantly, and purchasers of shares in such offerings or other transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;
• our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases or redemptions of limited partnership interests of BGC Holdings, L.P., which we refer to as “BGC Holdings,” or other equity interests in us or any of our other subsidiaries, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from

offerings of our shares of Class A common stock; and

•the effect on the market for and trading price of our Class A common stock and of various offerings and other transactions, including our controlled equity and other offerings of our Class A common stock and convertible or exchangeable securities, our repurchases of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests in us or in our subsidiaries, any exchanges by Cantor of shares of our Class A common stock for shares of our Class B common stock, any exchanges or redemptions of limited partnership units and issuances of shares of Class A common stock in connection therewith, including in partnership restructurings, our payment of dividends on our Class A common stock and distributions on BGC Holdings limited partnership interests, convertible arbitrage, hedging, and other transactions engaged in by holders of our outstanding debt or other securities, share sales and stock pledge, stock loan, and other financing transactions by holders of our shares (including by Cantor or others), including of shares acquired pursuant to our employee benefit plans, unit exchanges and redemptions, partnership restructurings, acquisitions, conversions of our Class B common stock and our other convertible securities, stock pledge, stock loan, or other financing transactions, and distributions from Cantor pursuant to Cantor's distribution rights obligations and other distributions to Cantor partners, including deferred distribution rights shares.

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

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public from the SEC's website at www.sec.gov.

Our website address is www.bgcpartners.com. Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D filed on behalf of Cantor, CF Group Management, Inc. ("CFGM"), our directors and our executive officers; and amendments to those documents. Our website also contains additional information with respect to our industry and business. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

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

Our Businesses

We are a leading global brokerage and financial technology company servicing the global financial markets through our Financial Services businesses. Through brands including BGC®, GFI®, Sunrise Brokers™, Besso®, Ed. ®, Poten & Partners™ and R.P. Martin™, among others, we specialize in the brokerage of a broad range of products, including fixed income (rates and credit), foreign exchange, equities, energy and commodities, insurance, and futures. We also provide a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post-trade, information, and other back-office services to a broad range of financial and non-financial institutions. Our integrated platforms are designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enable them to use voice, hybrid, or in many markets, fully electronic brokerage services in connection with transactions executed either over-the-counter ("OTC") or through an exchange. Through our electronic brands including Fenics®, BGC Trader™, CreditMatch®, Fenics Market Data™, BGC Market Data™, kACE2®, EMBonds®, Capitalab®, Swaptioniser®, CBID® and Lucera®, we offer fully electronic brokerage, financial technology solutions, market data, post-trade services and analytics related to financial instruments and markets.

Until November 30, 2018 (the "Distribution Date"), we operated in two segments, Financial Services and Real Estate Services. For purposes of this 2018 Annual Report on Form 10-K, our Financial Services business is described below and our Real Estate Services business is described at the end of this Item 1 in a section entitled "Newmark Real Estate Services Business (Discontinued Operations)."

On the Distribution Date, we completed our previously announced pro-rata distribution (the "Spin-Off") to our stockholders of all of the shares of common stock of our publicly traded subsidiary, Newmark Group, Inc. ("Newmark"), which operated our Real Estate Services businesses, owned by us as of immediately prior to the effective time of the Spin-Off. Following the Spin-Off, we ceased to be Newmark's controlling stockholder, and we and our subsidiaries no longer held any shares of Newmark's common stock or other equity interests in Newmark or its subsidiaries. Following the Spin-Off, we have been operating our business solely in one segment.

BGC, BGC Partners, BGC Trader, GFI, CreditMatch, Fenics, Fenics.com, Sunrise Brokers, Besso, Ed., Poten & Partners, R. P. Martin, kACE2, EMBonds, Capitalab, Swaptioniser, CBID and Lucera are trademarks/service marks, and/or registered trademarks/service marks of BGC Partners, Inc. and/or its affiliates.

Our customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, investment firms, and prior to the Spin-Off, property owners and real estate developers. BGC Partners has dozens of offices globally in major markets including New York and London, as well as in Beijing, Bogotá, Buenos Aires, Chicago, Copenhagen, Dubai, Dublin, Geneva, Hong Kong, Istanbul, Johannesburg, Madrid, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo and Toronto. Prior to the Spin-Off on November 30, 2018, we had offices in Atlanta, Boston, Charlotte, Dallas, Denver, Houston, Los Angeles, Miami, Philadelphia, San Francisco, Santa Clara, and Washington, D.C.

As of December 31, 2018, we had over 2,600 brokers, salespeople, managers and other front-office personnel across our businesses.

Our History

Our Financial Services business originates from one of the oldest and most established inter-dealer or wholesale brokerage franchises in the financial intermediary industry. Cantor started our wholesale intermediary brokerage operations in 1972. In 1996, Cantor launched its eSpeed system, which revolutionized the way government bonds are traded in the inter-dealer market by providing a fully electronic trading marketplace. eSpeed, Inc. (“eSpeed”) completed an initial public offering in 1999 and began trading on NASDAQ, yet it remained one of Cantor’s controlled subsidiaries. Following eSpeed’s initial public offering, Cantor continued to operate its inter-dealer voice/hybrid brokerage business separately from eSpeed. In August 2004, Cantor announced the reorganization and separation of its inter-dealer voice/hybrid brokerage business into a subsidiary called “BGC,” in honor of B. Gerald Cantor, the pioneer in screen brokerage services and fixed income market data products. In April 2008, BGC and certain other Cantor assets merged with and into eSpeed, and the combined company began operating under the name “BGC Partners, Inc.” In June 2013, BGC sold certain assets relating to its U.S. Treasury benchmark business and the name “eSpeed” to Nasdaq, Inc. (“Nasdaq,” formerly known as “NASDAQ OMX Group, Inc.”) (see “Nasdaq Transaction and Nasdaq Monetization”).

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

Since the formation of BGC in 2004, we have substantially rebuilt our U.S. presence and have continued to expand our global footprint through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, we have been able to expand our presence in key markets and position our Financial Services business for sustained growth. Since 2015, our Financial Services acquisitions have included those of GFI Group, Inc. (“GFI”), Sunrise Brokers Group, Poten & Partners Group, Inc., Ed Broking Group Limited, Perimeter Markets Inc, Lucera, Micromega Securities Proprietary Limited, and Besso Insurance Group Limited.

Newmark was founded in 1929 with an emphasis on New York-based investor and owner services such as tenant and agency leasing. We acquired Newmark & Company Real Estate, Inc. in 2011, and since the acquisition, Newmark has embarked on a rapid expansion throughout North America across all critical business lines in the real estate services and product sectors.

Newmark IPO, Separation Transaction and Spin-Off.

On December 13, 2017, prior to the Newmark IPO (defined below), pursuant to the Separation and Distribution Agreement (defined below), we transferred substantially all of the assets and labilities relating to our Real Estate Services business to Newmark. In connection with the Separation (defined below), Newmark assumed certain indebtedness and made a proportional distribution of interests in Newmark Holdings, L.P. (“Newmark Holdings”) to holders of interests in BGC Holdings.

In December 2017, Newmark completed its initial public offering (the “Newmark IPO”) of an aggregate of 23 million shares of its Class A common stock, par value $0.01 per share (the “Class A common stock”). Prior to the Newmark IPO, Newmark was our wholly owned subsidiary.

On November 30, 2018, we completed our distribution of all of the shares of Class A and Class B common stock, par value $0.01 per share (the “Class B common stock”) of Newmark held by us to our stockholders as of the close of business on November 23, 2018 through a special pro-rata stock dividend pursuant to which shares of Newmark’s Class A common stock held by BGC were distributed to holders of the Class A common stock of BGC and shares of Newmark’s Class B common stock held by BGC were distributed to holders of the Class B common stock of BGC (which holders of Class B common stock of BGC were Cantor and another entity controlled by our CEO, Howard W. Lutnick). Following the Spin-Off, BGC no longer holds any shares of Newmark.

For more information about these transactions, see Note 1—“Organization and Basis of Presentation” to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview and Business Environment – Newmark IPO, Separation Transaction and Spin-Off” and “Item 7. Management’s Discussion and Analysis of Financial Condition and

Results of Operations – Overview and Business Environment.”

GFI Transaction

In early 2016, we completed our merger with GFI and now own 100% of GFI's outstanding shares following a tender offer in 2015. GFI is a leading intermediary and provider of trading technologies and support services to the global OTC and listed markets. GFI serves institutional clients in operating electronic and hybrid markets for cash and derivative products across multiple asset classes.

Overview of Our Products and Services

Financial Services (including Fenics)

Financial Brokerage

We are focused on serving four principal financial brokerage markets:

- traditional, liquid brokerage markets, such as government bonds, over the counter (OTC) European and U.S. interest rate, foreign exchange, and energy derivatives, as well as listed futures;
- less liquid markets, such as emerging market bonds and single name credit derivatives;
- targeted local markets throughout the world; and
- wholesale insurance brokerage.

We provide electronic marketplaces in multiple financial markets through numerous products and services, including Fenics, BGC Trader, and several multi-asset hybrid offerings for voice and electronic execution, including BGC's Volume Match and GFI's CreditMatch. These electronic marketplaces include government bond markets, interest rate derivatives, spot foreign exchange, foreign exchange derivatives, corporate bonds, and credit derivatives. We believe that we offer a comprehensive application providing volume, access, speed of execution and ease of use. Our trading platform establishes a direct link between our brokers and customers and occupies valuable real estate on traders' desktops, which is difficult to replicate. We believe that we can leverage our platform to offer fully electronic trading as additional products transition from voice and hybrid trading to fully electronic execution.

For the purposes of this document and subsequent SEC filings, all of our fully electronic businesses are referred to as "Fenics." These offerings include fully electronic brokerage products, as well as offerings in market data, software solutions, and post-trade services across both BGC and GFI. We have leveraged our hybrid platform to provide real-time product and pricing information through applications such as BGC Trader. We also provide straight-through processing to our customers for an increasing number of products. Our end-to-end solution includes real-time and auction-based transaction processing, credit and risk management tools and back-end processing and billing systems. Customers can access our trading application through our privately managed global high speed data network, over the Internet, or through third-party communication networks.

The following table identifies some of the key Financial Services products that we broker:

Rates	Interest rate derivatives
	Benchmark U.S. Treasuries

Off-the-run U.S. Treasuries

Other global government bonds

Agencies

Futures

Dollar derivatives

Repurchase agreements

Non-deliverable swaps

Interest rate swaps and options

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Credit	Credit derivatives
	Asset-backed securities
	Convertibles
	Corporate bonds
	High yield bonds
	Emerging market bonds
Foreign Exchange	Foreign exchange options
	G-10
	Emerging markets
	Cross currencies
	Exotic options
	Spot FX
	Emerging market FX options
	Non-deliverable forwards
Energy and Commodities (OTC and listed derivatives)	Electricity
	Natural Gas
	Coal
	Base and precious metals
	Refined and crude oil
	Emissions
	Soft commodities
	Shipping brokerage

Equities, Insurance, and Other	Equity derivatives Cash equities Index futures Other derivatives and futures Insurance brokerage

Certain categories of trades settle for clearing purposes with CF&Co, one of our affiliates. CF&Co is a member of the Financial Industry Regulatory Authority ("FINRA") and the Fixed Income Clearing Corporation ("FICC"), a subsidiary of the Depository Trust & Clearing Corporation. In addition, certain affiliated entities are subject to regulation by the Commodity Futures Trading Commission (the "CFTC"), including CF&Co and BGC Financial, L.P. ("BGC Financial" or "BGCF"). We, CF&Co, BGC Financial and other affiliates act in a matched principal or principal capacity in markets by posting and/or acting upon quotes for our account. Such activity is intended, among other things, to assist us, CF&Co and other affiliates in managing proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow. Similarly, when framing a market in a "name passing" marketplace, we and our affiliates may post quotations that we believe reflect contemporaneous and/or anticipated potential market interest in an effort to facilitate liquidity for market participants on our respective platforms. We and our affiliates use commercially reasonable efforts to find a counterparty for any resulting transactions, at the customary minimum size level for that market.

Market Data

Fenics Market Data is a supplier of real-time, tradable, indicative, end-of-day and historical market data. Our market data product suite includes fixed income, interest rate derivatives, credit derivatives, foreign exchange, foreign exchange options, money markets, energy, metals, and equity derivatives and structured market data products and services. The data are sourced from the voice, hybrid and electronic broking operations, as well as the market data operations, including BGC, GFI and RP Martin, among others. The data are made available to financial professionals, research analysts and other market participants via direct data feeds and BGC-hosted FTP environments, as well as via information vendors such as Bloomberg, Refinitiv, ICE Data Services, QUICK Corp., and other select specialist vendors.

Software Solutions and Post-Trade Services

Through our Software Solutions business, we provide customized screen-based market solutions to both related and unrelated parties. Our clients are able to develop a marketplace, trade with their customers and access our network and our intellectual property. We can add advanced functionality to enable our customers to distribute branded products to their customers through online offerings and auctions, including private and reverse auctions, via our trading platform and global network.

We offer a derivative price discovery, pricing analysis, risk management and trading software used by nearly 2,000 users globally at mid-tier banks, financial institutions and corporate clients. During the fourth quarter of 2016, we released our Fenics Trading Solutions™ platform, designed to enable our clients to better manage their trade flows and facilitate liquidity management, price making and distribution. During the first half of 2018, we fully integrated Fenics software and the recently purchased Kalahari software to form kACE, our new analytics brand.

Our Software Solutions business provides the software and technology infrastructure for the transactional and technology related elements of the Freedom International Brokerage Company marketplace as well as certain other services in exchange for specified percentages of transaction revenue from the marketplace.

As part of our Software Solutions business, using our Lucera® brand we deliver technology solutions designed to be performant, secure and scalable and to power demanding financial applications across several offerings: LumeFX® (distributed FX platform with managed infrastructure and software stack), Connect™ (global SDN for rapid provisioning of connectivity to counter-parties), and Compute™ (on-demand, co-located compute services in key financial data centers).

Our Post-Trade Services include post-trade risk mitigation services provided using our Capitalab brand. Capitalab, a division of BGC Brokers L.P. (“BGC Brokers”), provides compression services that are designed to bring greater capital and operational efficiency to the global derivatives market. It assists clients in managing the growing cost of holding derivatives, while helping them to meet their regulatory mandates. Through the Swaptioniser® service for portfolio compression of Interest Rate Swaptions, Interest Rate Swaps, Caps and Floors and FX Options, as well as Initial Margin Optimization service and fully automated trade processing, Capitalab looks to simplify the complexities of managing large quantities of derivatives to promote sustainable growth and lower systemic risk and to improve resiliency in the industry.

Aqua Business

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

Insurance Brokerage

In February 2017, we completed the acquisition of Besso Insurance Group Limited (“Besso”) and in January 2019, we completed the acquisition of Ed Broking Group Limited (“Ed”), an independent Lloyd’s of London insurance broker. Through Besso and Ed, our insurance brokerage business has a strong reputation across Accident and Health, Aerospace, Cargo, Energy, Financial and Political Risk, Marine, Professional and Executive Risk, Property and Casualty, Aviation, Specialty and Reinsurance.

Shipping Brokerage

In November 2018, we acquired Poten & Partners, a ship brokerage, consulting and business intelligence firm specializing in liquefied natural gas, tanker, and liquefied petroleum gas markets.

Financial Services Industry Recognition

Our Financial Services business has consistently won global industry awards and accolades in recognition of its performance and achievements. Recent examples include:

- In 2018, BGC was ranked #1 in foreign exchange products (all votes combined for swaps, forwards, options and other foreign exchange products) by Risk Magazine;
- In 2018, Sunrise was ranked #1 for OTC single-stock equity options for U.S., Europe and Asia; for equity and exotic index options; and for Delta One by Risk Magazine;
- In 2018, GFI was ranked #1 for overall natural gas and coal in the Energy Risk Commodity Rankings;
- BGC was the IDB of the year at the FOW Awards in 2018;
- Capitalab was named Compression Service of the Year by GlobalCapital in their Global Derivatives Awards in 2018;
- kACE won the Best Vendor for risk management/ options pricing software at the FX Week Best Bank Awards in 2018;
- In 2018, kACE won the Best e-FX software provider at the FX Week e-FX Awards;
- In 2017, Sunrise Brokers was ranked as the #1 Equity Products Broker globally by Risk Magazine for the 11th consecutive year and as the #1 Equity Exotic Derivatives broker for the 15th year;
- In 2017, BGC was ranked as the #1 Interest rate – inflation swaps broker (U.S. dollar and euro) globally and #1 Interest rate – inflation options broker (U.S. dollar, euro, and sterling) by Risk Magazine;
- In 2017, GFI was ranked as the #1 broker in Coal, Gold, Silver, Platinum and Palladium, and overall Precious Metals globally by Energy Risk Magazine;
- Capitalab was named Compression/Compaction Service of the Year by GlobalCapital in their 2016 Global Derivatives Awards;
- In 2017, Fenics Trading Solutions (TS) won the Technology Development of the Year Award from Asia Risk Magazine;
- In 2017, Fenics Pro won the Best Vendor for FXO Pricing & Risk Management Award from FX Magazine;

Customers and Clients

We primarily serve the wholesale financial, energy, insurance, and/or inter-dealer brokerage markets, with clients, including many of the world’s largest banks, that regularly trade in capital markets, brokerage houses, investment firms, hedge funds, and investment banks. Customers using our branded products and services also include professional trading firms, futures commission merchants, and other professional market participants and financial institutions. Our market data products and services are available through many platforms and are available to a wide variety of capital market participants, including banks, investment banks, brokerage firms, asset managers, hedge funds, investment analysts and financial advisors. We also license our intellectual property portfolio and offerings in Software Solutions to various financial markets participants. For the year ended December 31, 2018, our top ten Financial Services customers, collectively, accounted for approximately 34.6% of our total revenue on a consolidated basis, and our largest customer accounted for approximately 4.8% of our total revenue on a consolidated basis.

Sales and Marketing

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

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

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

Our market data, software solutions, and post-trade products and services are promoted to our existing and prospective customers through a combination of sales, marketing and co-marketing campaigns.

Technology

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

Inter-Dealer and Wholesale Trading Technology. We utilize a sophisticated proprietary electronic trading platform to provide execution and market data services to our customers. The services are available through our proprietary API, FIX and a multi-asset proprietary trading platform, operating under brands including BGC Trader™, CreditMatch®, Fenics®, GFI ForexMatch®, BGCForex™, BGCCredit™, BGCRates™, FenicsFX™ and FenicsUST™. This platform present supports a wide and constantly expanding range of products and services, which includes FX Options, corporate bonds, credit derivatives, OTC interest rate derivatives in multiple currencies, US REPO, TIPS, MBS, government bonds, spot FX, NDFs, and other products. Every product on the platform is supported in either view-only, hybrid/managed or fully electronic mode, and can be transitioned from one mode to the next in response to market demands. The flexible BGC technology stack is designed to support feature-rich work flows required by the hybrid mode as well as delivering high throughput and low transaction latency required by the fully-electronic mode. Trades executed by our customers in any mode are, when applicable, eligible for immediate electronic confirmation through direct straight-through processing ("STP") links as well as STP hubs. The BGC trading platform services are operated out of several globally distributed data centers and delivered to customers over BGC's global private network, third-party connectivity providers as well as the Internet. BGC's proprietary graphical user interfaces and the API/FIX connectivity are deployed at hundreds of major banks and institutions and service thousands of users.

Post-Trade Technology. Our platform automates previously paper and telephone-based transaction processing, confirmation and other functions, substantially improving and reducing the cost of many of our customers' back offices and enabling STP. In addition to our own system, confirmation and trade processing is also available through third-party hubs, including MarkitWIRE, ICElink, Reuters RTNS, and STP in FIX for various banks.

We have electronic connections to most mainstream clearinghouses, including The Depository Trust & Clearing Corporation (“DTCC”), CLS Group, Euroclear, Clearstream, Monte Titoli, LCH.Clearnet, Eurex Clearing, CME Clearing and the Options Clearing Corporation (“OCC”). As more products become centrally cleared, and as our customers request that we use a particular venue, we expect to expand the number of clearinghouses to which we connect in the future.

Systems Architecture. Our systems consist of layered components, which provide matching, credit management, market data distribution, position reporting, customer display and customer integration. The private network currently operates from six concurrent core data centers (three of which are in the U.K., one of which is in Trumbull, Connecticut, one of which is in Weehawken, New Jersey and one of which is in Secaucus, New Jersey) and seven hub cities throughout the world acting as distribution points for all private network customers. Our network hubs beyond the core data centers are in Chicago, Mexico City, Hong Kong, Sǎo Paolo, Singapore, Tokyo and Toronto. The redundant structure of our system provides multiple backup paths and re-routing of data transmission in the event of failure.

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

Software Development

We devote substantial efforts to the development and improvement of our hybrid and electronic marketplaces and licensed software products and services. We work with our customers to identify their specific requirements and make modifications to our software, network distribution systems and technologies that are responsive to those needs. Our efforts focus on internal development, strategic partnering, acquisitions and licensing. As of December 31, 2018, we employed approximately 600 technology professionals in our continuing operations.

Our Intellectual Property

We regard our technology and intellectual property rights, including our brands, as a critical part of our business. We hold various trademarks, trade dress and trade names and rely on a combination of patent, copyright, trademark, service mark and trade secret laws, as well as contractual restrictions, to establish and protect our intellectual property rights. We own numerous domain names and have registered numerous trademarks and/or service marks in the United States and foreign countries. Our trademark registrations must be renewed periodically, and, in most jurisdictions, every 10 years.

We have adopted a comprehensive intellectual property program to protect our proprietary technology and innovations. We currently have licenses covering various patents from related parties. We also have agreements to license technology that may be covered by several pending and/or issued U.S. patent applications relating to various aspects of our electronic trading systems, including both functional and design aspects. We have filed a number of patent applications to further protect our proprietary technology and innovations, and have received patents for some of those applications. We will continue to file additional patent applications on new inventions, as appropriate, demonstrating our commitment to technology and innovation.

Our patent portfolio continues to grow and we continue to look for opportunities to license and/or otherwise monetize the patents in our portfolio.

Credit Risk

For a description of our exposure to credit risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Credit Risk.”

Principal Transaction Risk

For a description of our exposure to principal transaction risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Principal Transaction Risk.”

Market Risk

For a description of our exposure to market risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Market Risk.”

Operational Risk

For a description of our exposure to operational risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Operational Risk.”

Foreign Currency Risk

For a description of our exposure to foreign currency risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Foreign Currency Risk.”

Interest Rate Risk

For a description of our exposure to interest rate risk, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk.”

Disaster Recovery

For a description regarding our disaster recovery processes, see “Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Disaster Recovery.”

Competition

We encounter competition in all aspects of our businesses. We compete primarily with other inter-dealer or wholesale brokers, including for brokers, salespeople, and suitable acquisition candidates. Our existing and potential competitors are numerous and include other wholesale financial brokerage and inter-dealer brokerage firms, multi-dealer trading companies, financial technology companies, market data and information vendors, securities and futures exchanges, electronic communications networks, crossing systems, software companies, financial trading consortia, insurance brokers, shipping brokers, business-to-business marketplace infrastructure companies, as well as niche market energy and other commodity Internet-based trading systems.

Inter-Dealer or Wholesale Financial Brokers

We primarily compete with two publicly traded diversified inter-dealer and/or wholesale financial brokers. These are TP ICAP plc (“TP ICAP”) (formerly known as “Tullett Prebon plc”) and Compagnie Financière Tradition (which is majority owned by Viel & Cie) (“Tradition”), Other such competitors include a number of smaller, private firms that tend to specialize in specific product areas or geographies, such as Marex Spectron Group Limited in energy and commodities and Gottex Brokers Holding SA in OTC interest rate derivatives.

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

Market Data and Financial Software Vendors

The majority of our large inter-dealer and wholesale financial broker competitors also sell proprietary market data and information, which competes with our market data offerings. In addition to direct sales, we resell market data through large market data and information providers. These companies have established significant presences on the vast majority of trading desks in our industry. Some of these market data and information providers, such as Bloomberg L.P. and Refinitiv (the former Financial & Risk business of Thomson Reuters Corporation), include in their product mix electronic trading and execution of both OTC and listed products in addition to their traditional market data offerings.

Exchanges and Other Trading Platforms

Although our businesses will often use exchanges to execute transactions brokered in both listed and OTC markets, we believe that exchanges have sought and will seek to migrate products traditionally traded in OTC markets by inter-dealer and/or wholesale financial brokers to exchanges. However, we believe that when a product goes from OTC to exchange-traded, the underlying or related OTC market often continues to experience growth in line with the growth of the exchange-traded contract. In addition, Intercontinental Exchange, Inc. (“ICE”) operates both regulated exchanges and OTC execution services, and in the latter it competes directly with inter-dealer and/or wholesale financial brokers in energy, commodities, and credit products. ICE entered these OTC markets primarily by acquiring independent OTC brokers. We also compete with NEX Group plc (“NEX”) (formerly known as ICAP plc). CME Group Inc. (“CME”) announced in March of 2018 that it had agreed to acquire NEX and completed the acquisition in November of 2018. We believe that it is likely ICE, CME, or other exchange operators may seek to compete with us in the future by acquiring other such brokers, by creating futures products designed to mimic OTC products, or through other means.

In addition to exchanges, other electronic trading platforms which currently operate in the dealer-to-client markets, including those run by MarketAxess Holdings Inc., have begun to compete with us in the inter-dealer markets. At the same time, we have begun to offer an increasing number of our services to the customers of firms like MarketAxess.

Further, ICE also operates a swap execution facility (“SEF”), as does Tradeweb, and we expect that other exchanges and trading platforms may also seek to do so.

Banks and Broker-Dealers

Banks and broker-dealers have in the past created and/or funded consortia to compete with exchanges and inter-dealer brokers. For example, CME's wholesale businesses for fully electronic trading of U.S. Treasuries and spot foreign exchange both began as dealer-owned consortia before being acquired by CME's NEX platform. An example of a current and similar consortium is Tradeweb Markets LLC. Currently, several large banks hold stakes in Tradeweb, an Internet-based market intermediary. Refinitiv is Tradeweb's single largest shareholder. Although Tradeweb operates primarily as a dealer to customer platform, some of its offerings include a voice and electronic inter-dealer platform and a SEF. In addition, Tradeweb's management has said that it would like to expand into other inter-dealer markets, and as such may compete with us in other areas over time.

In addition, certain investment management firms that traditionally deal with banks and broker-dealers have expressed a desire to have direct access to certain parts of the wholesale financial markets via firms such as ours. We believe that over time, interdealer-brokers will therefore gain a small percentage of the sales and trading market currently dominated by banks and broker-dealers. Since their collective revenues are many times those of the global inter-dealer market, we believe that our gaining a small share of banks and broker-dealers' revenues would lead to a meaningful increase in our Financial Services revenues.

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

Seasonality

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 around holiday seasons, with our Financial Services revenues tending to be strongest in the first quarter and lowest in the fourth quarter. For the year 2017, we earned approximately 26% of our revenues from continuing operations in the first quarter, while in 2018 we earned 27% of such revenues in the first quarter.

Partnership Overview

We believe that our partnership structure is one of the unique strengths of our business. Many of our key brokers, salespeople and other front office professionals have their own capital invested in our business, aligning their interests with our stockholders. Limited partnership interests in BGC Holdings and Newmark Holdings consist of:
(i) "founding/working partner units" held by limited partners who are employees; (ii) "limited partnership units," which consist of a variety of units that are generally held by employees such as REUs, RPUs, PSUs, PSIs, PSEs, LPUs, APSUs, APSIs, APSEs, AREUs, ARPUs and NPSUs; (iii) "Cantor units" which are the exchangeable limited partnership interests held by Cantor entities; and (iv) preferred partnership units ("Preferred Units"), which are working partner units that may be awarded to holders of, or contemporaneous with, the grant of REUs, RPUs, PSUs, PSIs, PSEs, LPUs, APSUs, APSIs, APSEs, AREUs, ARPUs and NPSUs. For further details, see "Our Organizational Structure." NPSUs are partnership units that are not entitled to participate in partnership distributions, not allocated any items of profit or loss and may not be exchangeable into shares of our common stock. On terms and conditions determined by the General Partner of the Partnership in its sole discretion, NPSUs are expected to be replaced by a grant of PSUs, PPSUs, LPUs or PLPUs, which may be set forth in a written schedule and subject to additional terms and conditions, provided that, in all circumstances such grant of PSUs, PPSUs, LPUs or PLPUs shall be contingent upon our, including our affiliates, earning, in aggregate, at least $5 million in gross revenues in the calendar quarter in

which the applicable award of PSUs, PPSUs, LPUs, or PLPUs is to be granted. In addition, we have NREUs, NPREUs, NLPUs, NPLPUs and NPPSUs (collectively, the "N Units") which are non-distributing partnership units that may not be allocated any item of profit or loss and may not be made exchangeable into shares of our Class A common stock. Subject to the approval of the Compensation Committee or its designee, the N Units are expected to be converted into the underlying unit type (i.e., an NREU will be converted into an REU) and then participate in Partnership distributions, subject to terms and conditions determined by the General Partner of the Partnership in its sole discretion, including that the recipient continue to provide substantial services to us and comply with his or her partnership obligations.

We believe that our partnership structure is an effective tool in recruiting, motivating and retaining key employees. Many brokers are attracted by the opportunity to become partners because the partnership agreement generally entitles partners to quarterly distributions of income from the partnership. While BGC Holdings limited partnership interests generally entitle our 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 partners are only entitled to receive over time, and provided he or she does not violate certain partner obligations, an amount for his or her BGC Holdings limited partnership interests that reflects such partner's capital account or compensatory grant awards, excluding any goodwill or going concern value of our business unless Cantor, in the case of the founding partners, and we, as the general partner of BGC Holdings, otherwise determine. Our partners can receive the right to exchange their BGC Holdings limited partnership interests for shares of our Class A common stock (if, in the case of founding partners, Cantor so determines and, in the case of working partners and limited partnership unit holders, the BGC Holdings general partner, with Cantor's consent, determines otherwise) and thereby realize any higher value associated with our Class A common stock. Similar provisions with respect to Newmark Holdings limited partnership interests are contained in the Newmark Holdings limited partnership agreement. We believe that, having invested in us, partners feel a sense of responsibility for the health and performance of our business and have a strong incentive to maximize our revenues and profitability.

Relationship Between BGC Partners and Cantor

See “Risk Factors—Risks Related to our Relationship with Cantor and its Affiliates.”

Debt

For information about our credit agreements and senior notes, see “Item 7— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

Regulation

U.S. Regulation

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

The SEC is the federal agency primarily responsible for the administration of federal securities laws, including adopting rules and regulations applicable to broker-dealers (other than government securities broker-dealers) and enforcing both its rules regarding broker-dealers and the Treasury’s rules regarding government securities broker-dealers. In addition, we operate a number of platforms that are governed pursuant to SEC Regulation ATS. Broker-dealers are also subject to regulation by state securities administrators in those states in which they conduct business or have registered to do business. In addition, Treasury rules relating to trading government securities apply to such activities when engaged in by broker-dealers. The Commodities Futures Trading Commission (the “CFTC”) is the federal agency primarily responsible for the administration of federal commodities future laws and other acts, including the adoption of rules applicable to Futures Commissions Merchants, Designated Contract Markets (“DCM”) and SEFs such as BGC Derivative Markets, L.P. (“BGC Derivative Markets”) and GFI Swaps Exchange LLC.

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

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

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

In light of recent events in the U.S. and global financial markets, regulators and legislators in the U.S. and European Union (“EU”) continue to craft new laws and regulations for the global OTC derivatives markets, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which became law in July 2010. The Dodd-Frank Act mandates or encourages several reforms regarding derivatives, including new regulations for swaps markets creating impartiality considerations, additional pre- and post-trade transparency requirements, and heightened collateral or capital standards, as well as recommendations for the obligatory use of central clearing for most standardized derivatives. The law also requires that standardized OTC derivatives be traded in an open and non-exclusionary manner on a DCM or a SEF. The SEC is still in the process of finalizing rules for the implementation of many of these requirements, however the SEC has not indicated when they may release their rule set surrounding security-based SEFs. The actual implementation of such rules may be phased in over a longer period.

As these rules require authorized execution facilities to maintain robust front-end and back-office IT capabilities and to make large and ongoing technology investments, and because these execution facilities may be supported by a variety voice and auction-based execution methodologies, we expect our hybrid and fully electronic trading capability to perform strongly in such an environment.

Similarly, while the Volcker Rule does not apply directly to us, the Volcker Rule may have a material impact on many of the banking and other institutions with which we do business or compete. There may be continued uncertainty regarding the Volcker Rule, its impact on various affected businesses, how those businesses will respond to it, and the effect that it will have on the markets in which we do business.

BGC Derivative Markets, and GFI Swaps Exchange LLC, our subsidiaries, began operating as SEFs on October 2, 2013. Both BGC Derivative Markets and GFI Swaps Exchange received permanent registration approval from the CFTC as SEFs on January 22, 2016. Mandatory Dodd-Frank Act compliant execution on SEFs by eligible U.S. persons commenced in February 2014 for “made available to trade” products, and a wide range of other rules relating to the execution and clearing of derivative products have been finalized with implementation periods in 2016 and beyond.

We believe that the November 2016 election results in the U.S. make it possible that some of the Dodd-Frank rules may be modified or repealed, which could be a net positive for our Financial Services business and its largest customers. Along these lines, the U.S. Treasury, in a report released in June 2017, called for streamlining of rules and easing regulatory burdens on banks. However, there can be no assurance that these rules will be amended, and we continue to expect the industry to be more heavily regulated than it was prior to the financial crisis of 2008-2009, and we are prepared to operate under a variety of regulatory regimes. While we continue to have compliance framework in place to comply with both existing and proposed rules and regulations, it is possible that the existing regulatory framework may be amended or relaxed.

In November 2018, the CFTC proposed significant revisions to CFTC Rule Part 37, which relates to SEFs. The proposed rules would significantly affect the trading of swaps and the facilities offering swaps trading. The Chairman of the CFTC has recently indicated that the comment period on the proposed rules has been extended to March 15, 2019. The proposed rules would allow for trading through “any means of interstate commerce” rather than the two methods prescribed under the current rules. The proposed rules may also expand the number and type of swaps required to be executed on SEFs. If these rules are passed, the Company’s SEFs would need to make numerous changes to facilitate trading under the new regulatory framework.

U.K. and European Regulation

The Financial Conduct Authority ("FCA") is the relevant statutory regulator for the United Kingdom financial services industry. The FCA's objectives are to protect customers, maintain the stability of the financial services industry and promote competition between financial services providers. It has broad rule-making, investigative and enforcement powers derived from the Financial Services and Markets Act 2000 and subsequent and derivative legislation and regulations. The FCA's recent focus has been on liquidity risk management and separation of business and prudential regulation. Currently, we have subsidiaries and branches regulated by the FCA (BGC Brokers L.P., the U.K. branch of Aurel BGC, GFI Securities Ltd., GFI Brokers Limited and Sunrise Brokers LLP).

From time to time, we have been and are subject to periodic examinations, inspections and investigations, including periodic risk assessment and related reviews of our U.K. group. As a result of such reviews, we may be required to include or enhance certain regulatory structures and frameworks in our operating procedures, systems and controls. We are also required to obtain approval from the FCA to acquire control of U.K.-regulated firms.

Increasingly, the FCA has developed a practice of requiring senior officers of regulated firms to provide individual attestations or undertakings as to the status of a firm's control environment, compliance with specific rules and regulations, or the completion of required tasks. Officers of BGC Brokers L.P. and GFI Brokers Limited have given such attestations or undertakings in the past and may do so again in the future. Similarly, the FCA can seek a voluntary requirement notice, which is a voluntary undertaking on behalf of a firm that is made publicly available on the FCA's website.

Recent European Regulatory Developments

The European Market Infrastructure Regulation on OTC derivatives, central counterparties and trade repositories ("EMIR") was adopted in July 2012. EMIR fulfills several of the EU's G20 commitments to reform OTC derivatives markets. The reforms are designed to reduce systemic risk and bring more transparency to both OTC and listed derivatives markets. EMIR derivatives rules will apply initially to financial and non-financial firms that are counterparties to derivatives contracts in the EU and later to those trading outside the EU under certain circumstances.

Along with the implementation of EMIR reporting requirements, the Regulation on Wholesale Energy Markets Integrity and Transparency ("REMIT") Implementation Acts became effective on January 7, 2015. The REMIT Implementing Acts developed by the European Commission define the details of reporting under REMIT, drawing up the list of reportable contracts and derivatives; defining details, timing and form of reporting, and establishing harmonized rules to report that information to the Agency for the Cooperation of Energy Regulators ("ACER"). They enable ACER to collect information in relation to wholesale energy market transactions and fundamentals through the Agency's REMIT Information System (ARIS), to analyze this data to detect market abuse and to report suspicious events to the National Competent Authorities, which are responsible for investigating these matters further, and if required, imposing sanctions. Market participants and third parties reporting on their behalf have had to: (i) report transactions executed at organized market places and fundamental data from the central information transparency platforms; and (ii) report transactions in the remaining wholesale energy contracts (OTC standard and non-standard supply contracts, transportation contracts) and additional fundamental data.

To achieve a high level of harmonization and convergence in regular supervisory reporting requirements, the Committee of European Banking Supervisors issued guidelines on prudential reporting with the aim of developing a supervisory reporting framework based on common formats, known as COREP. COREP has become part of European Banking Authorities' implementing technical standards on reporting under Basel III. Basel III (or the Third Basel Accord) is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk introduced by bank regulators in most, if not all, of the world's major economies. Basel III is designed to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. The ongoing adoption of these rules could restrict the ability of our large bank and broker-dealer customers to operate proprietary trading businesses and to maintain current capital market exposures under the present structure of their balance sheets, and will cause these entities to need to raise additional capital in order to stay active in our marketplaces. Meanwhile, global "Basel IV" standards are expected be adopted in the years to come.

Much of our global derivatives volumes continue to be executed by non-U.S. based clients outside the U.S. and subject to local prudential regulations. As such, we will continue to operate a number of EU regulated venues in accordance with EU directives and licensed by the FCA and other EU based national Competent Authorities. The second Markets in Financial Instruments Directive II ("MiFID II") was published by the European Securities and Markets Authority ("ESMA") in September 2015, and implemented in January 2018

MiFID II requires a significant part of the market in these instruments to trade on trading venues subject to pre- and post- trade transparency regimes and non-discriminatory fee structures and access. In addition, it has had a particularly significant impact in a number of key areas, including corporate governance, transaction reporting, technology synchronization, best execution and investor protection.

MiFID II is intended to help improve the functioning of the EU single market by achieving a greater consistency of regulatory standards. By design, therefore, it is intended that Member States should have very similar regulatory regimes in relation to the matters addressed to MiFID. MiFID II also introduced a new regulated execution venue category to accompany the existing Multilateral Trading Facility regime. The new venue category is known as an Organized Trading Facility ("OTF") and it captures much of the voice and hybrid oriented trading in EU, Certain of our existing EU derivatives and fixed income execution business now take place on OTFs, and we currently operate one OTF for each of the U.K. regulated entities, and one MTF under GFI Securities Limited. Authorization from the French Autorité des marchés financiers ("AMF") has also been obtained to operate an OTF at Aurel BGC.

On June 23, 2016, the U.K. held a referendum regarding continued membership in the EU. The exit from the EU is commonly referred to as "Brexit." The Brexit vote passed by 51.9% to 48.1%. The referendum was non-binding. However, on March 29, 2017, the Prime Minister gave the European Council of the EU formal written notification of the U.K.'s intention to leave the EU, triggering the withdrawal process under Article 50 of the Lisbon Treaty. Although the U.K. government and the EU negotiated a withdrawal agreement that was approved by the leaders of EU member states, the agreement failed on January 16, 2019 to receive U.K. parliamentary approval. While negotiations are continuing, there remains considerable uncertainty around the withdrawal. Failure to obtain parliamentary approval of an agreed withdrawal agreement may, absent a revocation of the U.K.'s notification to withdraw or some other delay, mean that the U.K. would leave the EU on March 29, 2019 with no agreement (a so-called "hard Brexit"). Absent mitigating legislative measures by individual EU Member States, in the event of a hard Brexit the trade relationship between the U.K. and the EU would be solely based on World Trade Organization terms, thereby hindering current levels of mutual market access. If the U.K. and the EU do reach a deal by March 29, 2019 or delay such date, and when the deal takes effect or such delay, a transition period may start that lasts until December 31, 2020. Based upon the currently proposed transition plan, during this period, the U.K. would, with some exceptions, remain subject to EU law. It would also maintain access to the EU's single market. During this transition phase, the U.K. and EU would also start negotiations on their future trade relationship.

In addition, the General Data Protection Regulation ("GDPR") came into effect in the EU on May 25, 2018 and creates obligations in relation to personal data. In addition to the increased cost of compliance, the GDPR may affect our practices and will increase financial penalties for non-compliance significantly.

Around autumn of 2019, a new European Commission will take office which will lay out its plans for legislation and regulation of financial services for the next five years. We are unable to predict how any of these new laws and proposed rules and regulations in the U.S. or the U.K. will be implemented or in what form, or whether any additional or similar changes to statutes or rules and regulations, including the interpretation or implementation thereof or a relaxation or other amendment of existing rules and regulations, will occur in the future. Any such action could affect us in substantial and unpredictable ways, including important changes in market infrastructure, increased reporting costs and a potential rearrangement in the sources of available revenue in a more transparent market. Certain enhanced regulations could subject us to the risk of fines, sanctions, enhanced oversight, increased financial and capital requirements and additional restrictions or limitations on our ability to conduct or grow our businesses, and could otherwise have an adverse effect on our businesses, financial condition, results of operations and prospects. We believe that uncertainty and potential delays around the final form of such new rules and regulations may negatively impact our customers and trading volumes in certain markets in which we transact, although a relaxation of existing rules and requirements could potentially have a positive impact in certain markets. Increased capital requirements may also diminish transaction velocity.

We believe that it remains premature to know conclusively the specific aspects of the U.S. and EU proposals that may directly affect our businesses, as some proposals have not yet been finalized and others which have been proposed remain subject to supervisory debate. While we generally believe the net impact of the rules and regulations may be positive for our businesses, it is possible that unintended consequences of the rules and regulations may materially adversely affect us in ways yet to be determined.

Insurance Regulation

Our insurance business is regulated by various national regulators, such as the FCA in the U.K., the Monetary Authority of Singapore in Singapore and the Dubai Financial Supervisory Authority in Dubai. Our insurance operations adhere to the statutory regulatory requirements but there are occasions where regulators will conduct periodic thematic reviews into specific practices and procedures within a chosen market. We fully comply with these reviews however we may become subject of these reviews at any point, often with little or no notice.

Other Financial Services Regulation

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

Jurisdiction	Regulatory Authorities/Self-Regulatory Organizations
Argentina	Comisión Nacional de Valores
Australia	Australian Securities and Investments Commission and Australian Securities Exchange
Bahrain	The Central Bank of Bahrain
Belgium	National Bank of Belgium, L'Autorité des services et marchés financiers
Brazil	Brazilian Securities and Exchange Commission, the Central Bank of Brazil, BM&F BOVESPA and Superintendencia de Seguors Privados

Jurisdiction	Regulatory Authorities/Self-Regulatory Organizations
Canada	Ontario Securities Commission, Autorite des Marches Financiers (Quebec), Investment Industry Regulatory Organization of Canada (IIROC)
Chile	Superintendencia de Valores y Seguros
China	China Banking Regulatory Commission, State Administration of Foreign Exchange
Columbia	Superintendencia Financiera de Columbia
Denmark	Finanstilsynet
Dubai	Dubai Financial Supervisory Authority
France	ACPR (L'Autorité de Contrôle Prudentiel et de Résolution), AMF (Autorité des Marchés Financiers)
Hong Kong	Hong Kong Securities and Futures Commission, The Hong Kong Monetary Authority and Professional Insurance Brokers Association
Ireland	Central Bank of Ireland
Japan	Japanese Financial Services Agency, Japan Securities Dealers Association and the Securities and Exchange Surveillance Commission
Mexico	Banking and Securities National Commission, Comision Nacional Bancaria y de Valores (CNBV)
Peru	Ministerio de Economica y Finanzas
Philippines	Securities and Exchange Commission
Russia	Federal Service for Financial Markets
Singapore	Monetary Authority of Singapore
South Africa	Johannesburg Stock Exchange
South Korea	Ministry of Strategy and Finance, The Bank of Korea, The Financial Services Commission and The Financial Supervisory Service
Spain	Comision Nacional del Mercado de Valores (CNMV)
Switzerland	Financial Markets Supervisory Authority (FINMA), Swiss Federal Banking Commission

Turkey	Capital Markets Board of Turkey and The Financial Crimes Investigation Board of Turkey and the Undersecretariat of the Turkish Treasury
United Kingdom	Financial Conduct Authority

Capital Requirements

U.S.

Every U.S.-registered broker-dealer is subject to the Uniform Net Capital Requirements. Futures Commissions Merchants ("FCMs"), such as our subsidiaries, BGC Financial and Mint Brokers ("Mint"), are also subject to CFTC capital requirements. These requirements are designed to ensure financial soundness and liquidity by prohibiting a broker or dealer from engaging in business at a time when it does not satisfy minimum net capital requirements.

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

Regulations have been adopted by the SEC that prohibit the withdrawal of equity capital of a broker-dealer, restrict the ability of a broker-dealer to distribute or engage in any transaction with a parent company or an affiliate that results in a reduction of equity capital or to provide an unsecured loan or advance against equity capital for the direct or indirect benefit of certain persons related to the broker-dealer (including partners and affiliates) if the broker-dealer's net capital is, or would be as a result of such withdrawal, distribution, reductions, loan or advance, below specified thresholds of excess net capital. In addition, the SEC's regulations require certain notifications to be provided in advance of such withdrawals, distributions, reductions, loans and advances that exceed, in the aggregate, 30% of excess net capital within any 30-day period. The SEC has the authority to restrict, for up to 20 business days, such withdrawal, distribution or reduction of capital if the SEC concludes that it may be detrimental to the financial integrity of the broker-dealer or may expose its customers or creditors to loss. Notice is required following any such withdrawal, distribution, reduction, loan or advance that exceeds, in the aggregate, 20% of excess net capital within any 30 day period. The SEC's regulations limiting withdrawals of excess net capital do not preclude the payment to employees of "reasonable compensation."

Five of our subsidiaries, BGCF, GFI Securities LLC, Kyte Securities LLC, Sunrise Brokers LLC and Mint, are registered with the SEC and are subject to the Uniform Net Capital Requirements. As FCMs, BGCF and Mint are also subject to CFTC minimum capital requirements. In December of 2018, BGCF submitted an application with the CFTC to withdraw its FCM license. After the withdrawal is approved, BGCF will conduct its business as an Introducing Broker registered with the NFA. BGCF is also a member of the FICC, which imposes capital requirements on its members. We also hold a 49% limited partnership interest in Aqua, a U.S. registered broker-dealer and ATS. In addition, our SEFs, BGC Derivative Markets and GFI Swaps Exchange are required to maintain financial resources to cover operating costs for at least one year, keeping at least enough cash or highly liquid securities to cover six months' operating costs. Compliance with the Uniform Net Capital Requirements may limit the extent and nature of our operations requiring the use of our registered broker-dealer subsidiaries' capital, and could also restrict or preclude our ability to withdraw capital from our broker-dealer subsidiaries or SEFs.

Non-U.S.

Our international operations are also subject to capital requirements in their local jurisdictions. BGC Brokers, BGC European Holdings, L.P., GFI Brokers Limited. GFI Securities Limited, and Sunrise Brokers LLP, which are based in the United Kingdom, are subject to capital requirements established by the FCA. The FCA applies stringent provisions with respect to capital applicable to the operation of these firms, which vary depending upon the nature and extent of their activities. EU policymakers are currently reviewing the capital regime applying to EU Investment

Firms.

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. Additionally, certain other of our foreign subsidiaries are required to maintain non-U.S. net capital requirements. For example, in Hong Kong, BGC Securities (Hong Kong), LLC, GFI (HK) Securities LLC and Sunrise Broker (Hong Kong) Limited are regulated by the Securities and Futures Commission. BGC Capital Markets (Hong Kong), Limited and GFI (HK) Brokers Ltd, are regulated by The Hong Kong Monetary Authority. All are subject to Hong Kong net capital requirements. In France, Aurel BGC and BGC France Holdings; in Australia, BGC Partners (Australia) Pty Limited, BGC (Securities) Pty Limited and GFI Australia Pty Ltd.; in Japan, BGC Shoken Kaisha Limited's Tokyo branch and BGC Capital Markets Japan LLC's Tokyo Branch; in Singapore, BGC Partners (Singapore) Limited, and GFI Group Pte Ltd; in Korea, BGC Capital Markets & Foreign Exchange Broker (Korea) Limited and GFI Korea Money Brokerage Limited; and in Turkey, BGC Partners Menkul Degerler AS, all have net capital requirements imposed upon them by local regulators. In addition, the LCH (LIFFE/LME) clearing organization, of which BGC Brokers L.P. is a member, also imposes minimum capital requirements. In Latin America, BGC Liquidez Distribuidora De Titulos E Valores Mobiliarios Ltda. (Brazil) has net capital requirements imposed upon it by local regulators.

We had net assets in our regulated subsidiaries of $551.3 million and $515.6 million for the years ended December 31, 2018 and 2017, respectively.

Employees

As of December 31, 2018, following the Spin-Off, we had 4,688 total employees.

As of the same date, following the Spin-Off, we had 2,600 brokers, salespeople, managers and other front-office personnel. Approximately 27% of our brokers, salespeople, managers and other front-office personnel were based in the Americas, and approximately 52% were based in Europe, the Middle East and Africa, with the remaining approximately 21 % based in the Asia-Pacific region.

Generally, our employees are not subject to any collective bargaining agreements, except for certain reimbursable employees within our former Real Estate Services segment, and certain of our employees based in our European offices that are covered by the national, industry-wide collective bargaining agreements relevant to the countries in which they work.

Our Financial Services business' two largest offices are located at One Churchill Place, London, E14 5RD and 199 Water Street, 19th Floor, New York, NY 10038. Our former Real Estate Services business' principal executive offices are located at 125 Park Avenue, New York, New York, 10017. This office consists of approximately 130,000 square feet of space under a lease that expires in 2031. During 2019, we will be relocating our London offices to Five Churchill Place, London, E14 5HU, which is next door to our current London offices.

BGC operates out of over 50 offices around the world. Currently, our former Real Estate Services business operates out of 129 offices in 90 cities, with an additional 27 licensee locations.

Legal Proceedings

See Note 20—"Commitments, Contingencies and Guarantees" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the section under the heading "Derivative Suit" included in Part I, Item 7 of this Annual Report on Form 10-K, Management's Discussion and Analysis of Financial Condition and Results of Operations for a description of our legal proceedings.

OUR ORGANIZATIONAL STRUCTURE

Stock Ownership

As of December 31, 2018, there were 291,474,768 shares of our Class A common stock outstanding. On June 21, 2017, Cantor pledged 10,000,000 shares of our Class A common stock in connection with a partner loan program. On November 23, 2018, those Class A shares were converted into 10,000,000 shares of our Class B common stock and remain pledged in connection with the partner loan program. On November 23, 2018, BGC Partners issued 10,323,366 shares of BGC Partners Class B common stock to Cantor and 712,907 shares of BGC Partners Class B common stock to CFGM, an affiliate of Cantor, in each case in exchange for shares of our Class A common stock from Cantor and CFGM, respectively, on a one-to-one basis pursuant to Cantor's and CFGM's right to exchange such shares under the letter agreement, dated as of June 5, 2015, by and between BGC Partners and Cantor (the "Exchange

Agreement" and such issuance, the "Class B Issuance"). Pursuant to the Exchange Agreement, no additional consideration was paid to BGC Partners by Cantor or CFGM for the Class B Issuance. The Class B Issuance was exempt from registration pursuant to Section 3(a)(9) of the Securities Act. As of December 31, 2018, Cantor and CFGM did not own any shares of our Class A common stock. Each share of Class A common stock is entitled to one vote on matters submitted to a vote of our stockholders.

In addition, as of December 31, 2018, Cantor and CFGM held 45,884,380 shares of our Class B common stock (which represents all of the outstanding shares of our Class B common stock), representing approximately 61.2% of our voting power on such date. Each share of Class B common stock is generally entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock is entitled to ten votes. The Class B common stock generally votes together with the Class A common stock on all matters submitted to a vote of our stockholders.

Through December 31, 2018, Cantor has distributed to its current and former partners an aggregate of 20,836,626 shares of our Class A common stock, consisting of (i) 19,372,634 shares to satisfy certain of Cantor's deferred stock distribution obligations provided to such partners on April 1, 2008 (the "April 2008 distribution rights shares"), and (ii) 1,463,992 shares to satisfy certain of Cantor's deferred stock distribution obligations provided to such partners on February 14, 2012 in connection with Cantor's payment of previous quarterly partnership distributions (the "February 2012 distribution rights shares"). As of December 31, 2018, Cantor is still obligated to distribute to its current and former partners an aggregate of 15,770,345 shares of our Class A common stock, consisting of 13,999,110 April 2008 distribution rights shares and 1,771,235 February 2012 distribution rights shares.

We received shares of Newmark in connection with the Separation, and Newmark completed the Newmark IPO on December 19, 2017. However, on the Distribution Date, we completed our previously announced Spin-Off to our stockholders of all of the shares of common stock of Newmark owned by us as of immediately prior to the effective time of the Spin-Off. Following the Spin-Off, we ceased to be Newmark's controlling stockholder, and we and our subsidiaries no longer held any shares of Newmark's common stock or other equity interests in Newmark or its subsidiaries. For more information on the Spin-Off of Newmark, see Note 1—"Organization and Basis of Presentation" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview and Business Environment –Newmark IPO, Separation Transaction and Spin-Off" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview and Business Environment."

From time to time, we may actively continue to repurchase shares of our Class A common stock including from Cantor, Newmark, our executive officers, other employees, partners and others.

BGC Partners, Inc. Partnership Structure

We are a holding company with no direct operations, and our business is operated through two operating partnerships, BGC Partners, L.P. ("BGC U.S. OpCo" or "BGC U.S."), which holds our U.S. businesses, and BGC Global Holdings, L.P. ("BGC Global OpCo" or "BGC Global"), which holds our non-U.S. businesses. The limited partnership interests of the two operating partnerships are held by us and BGC Holdings, and the limited partnership interests of BGC Holdings are currently held by limited partnership unit holders, founding partners, and Cantor. We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. OpCo general partnership interest and the BGC U.S. OpCo special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC U.S. OpCo, and the BGC Global OpCo general partnership interest and the BGC Global OpCo special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC Global OpCo, and serves as the general partner of BGC U.S. OpCo and BGC Global OpCo, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. OpCo and BGC Global OpCo. BGC Holdings holds its BGC Global OpCo general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited.

As of December 31, 2018, we held directly and indirectly, through wholly owned subsidiaries, BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests consisting of 337,359,148 units and 337,359,148 units, representing approximately 66.9% and 66.9% of the outstanding BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests, respectively. As of that date, BGC Holdings held BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests consisting of 167,233,715 units and 167,233,715 units, representing approximately 33.1% and 33.1% of the outstanding BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests, respectively.

Limited partnership unit holders, founding partners, and Cantor directly hold BGC Holdings limited partnership interests. Since BGC Holdings in turn holds BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests, limited partnership unit holders, founding partners, and Cantor indirectly have interests in BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests. Further, in connection with the Separation and Distribution Agreement, limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, whereby each holder of BGC Holdings limited partnership interests who at that time held a BGC Holdings limited partnership interest received a corresponding Newmark Holdings limited partnership interest, equal in number to a BGC Holdings limited partnership interest divided by 2.2 (i.e., 0.454545 of a unit in Newmark Holdings). Accordingly, existing partners at the time of the Separation in BGC Holdings are also partners in Newmark Holdings and hold corresponding units issued at the applicable ratio. Thus, such partners now also have an indirect interest in Newmark OpCo.

As of December 31, 2018, excluding Preferred Units and NPSUs described below, outstanding BGC Holdings partnership interests included 113,119,518 limited partnership units, 12,555,760 founding partner units and 52,362,964 Cantor units.

We may in the future effect additional redemptions of BGC Holdings limited partnership units and founding partner units and concurrently grant shares of our Class A common stock. We may also continue our earlier partnership restructuring programs, whereby we redeemed or repurchased certain limited partnership units and founding partner units in exchange for new units, grants of exchangeability for our Class A common stock or cash and, in many cases, obtained modifications or extensions of partners' employment arrangements. We also generally expect to continue to grant exchange rights with respect to outstanding non-exchangeable limited partnership units and founding partner units, and to repurchase BGC Holdings partnership interests from time to time, including from Cantor, our executive officers, and other employees and partners, unrelated to our partnership restructuring programs.

Cantor units in BGC Holdings are generally exchangeable for up to 23,610,420 shares of our Class B common stock (or, at Cantor's option or if there are no such additional authorized but unissued shares of our Class B common stock, our Class A common stock) on a one-for-one basis (subject to adjustments). Upon certain circumstances, Cantor may have the right to acquire additional Cantor units in connection with the redemption of or grant of exchangeability to certain non-exchangeable BGC Holdings founding partner units owned by persons who were previously Cantor partners prior to our 2008 acquisition of the BGC business from Cantor. Cantor has exercised this right from time to time.

As of December 31, 2018, there were 1,472,398 FPUs remaining which BGC Holdings had the right to redeem or exchange and with respect to which Cantor had the right to purchase an equivalent number of Cantor units.

In order to facilitate partner compensation and for other corporate purposes, the BGC Holdings limited partnership agreement provides for preferred partnership units ("Preferred Units"), which are working partner units that may be awarded to holders of, or contemporaneous with the grant of, PSUs, PSIs, PSEs, LPUs, APSUs, APSIs, APSEs, REUs, RPUs, AREUs, and ARPUs. These Preferred Units carry the same name as the underlying unit, with the insertion of an additional "P" to designate them as Preferred Units.

Such Preferred Units may not be made exchangeable into our Class A common stock and accordingly will not be included in the fully diluted share count. Each quarter, the net profits of BGC Holdings are allocated to such Units at a rate of either 0.6875% (which is 2.75% per calendar year) of the allocation amount assigned to them based on their award price, or such other amount as set forth in the award documentation (the "Preferred Distribution"), before calculation and distribution of the quarterly Partnership distribution for the remaining Partnership units. The Preferred Units will not be entitled to participate in Partnership distributions other than with respect to the Preferred Distribution. As of December 31, 2018, there were 23,552,667 such units granted and outstanding in BGC Holdings.

On June 5, 2015, we entered into an agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold our Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34,649,693 shares of our Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of our Class B common stock. Such shares of our Class B common stock, which currently can be acquired upon the exchange of exchangeable limited partnership units owned in our Holdings, are already included in the Company's fully diluted share count and will not increase Cantor's current maximum potential voting power in the common equity. The exchange agreement will enable the Cantor entities to acquire the same number of shares of our Class B common stock that they are already entitled to acquire without having to exchange their exchangeable limited partnership units in our Holdings.

Under the exchange agreement, Cantor and CFGM have the right to exchange shares of our Class A common stock owned by them for the same number of shares of our Class B common stock. As of December 31, 2018, Cantor and CFGM do not own any shares of our Class A common stock. Cantor and CFGM would also have the right to exchange any shares of our Class A common stock subsequently acquired by either of them for shares of our Class B common stock, up to 23,613,420 shares of our Class B common stock.

We and Cantor have agreed that any shares of our Class B common stock issued in connection with the exchange agreement would be deducted from the aggregate number of shares of our Class B common stock that may be issued to the Cantor entities upon exchange of exchangeable limited partnership units in BGC Holdings. Accordingly, the Cantor entities will not be entitled to receive any more shares of our Class B common stock under this agreement than they were previously eligible to receive upon exchange of exchangeable limited partnership units.

Non-distributing partnership units, or N Units, carry the same name as the underlying unit with the insertion of an additional "N" to designate them as the N Unit type and are designated as NREUs, NPREUs, NLPUs, NPLPUs and

NPPSUs. The N Units are not entitled to participate in Partnership distributions, will not be allocated any items of profit or loss and may not be made exchangeable into shares of our Class A common stock. Subject to the approval of the Compensation Committee or its designee, certain N Units may be converted into the underlying unit type (i.e. an NREU will be converted into an REU) and will then participate in Partnership distributions, subject to terms and conditions determined by the general partner of BGC Holdings, in its sole discretion, including that the recipient continue to provide substantial services to the Company and comply with his or her partnership obligations.

On December 13, 2017, the Amended and Restated BGC Holdings Partnership Agreement was amended and restated (the "Second Amended and Restated BGC Holdings Partnership Agreement") to include prior standalone amendments and to make certain other changes related to the Separation. The Second Amended and Restated BGC Holdings Partnership Agreement, among other things, reflects changes resulting from the division in the Separation of BGC Holdings into BGC Holdings and Newmark Holdings, including:

- an apportionment of the existing economic attributes (including, among others, capital accounts and post-termination payments) of each BGC Holdings limited partnership unit outstanding immediately prior to the Separation (a "Legacy BGC Holdings Unit") between such Legacy BGC Holdings Unit and the 0.454545 of a Newmark Holdings limited partnership unit issued in the Separation in respect of each such Legacy BGC Holdings Unit, based on the relative value of BGC and Newmark as of after the Newmark IPO; and

- a right of the employer of a partner to determine whether to grant exchangeability with respect to Legacy BGC Holdings Units held by such partner.

The Second Amended and Restated BGC Holdings Partnership Agreement also removes certain classes of BGC Holdings units that are no longer outstanding, and permits the general partner of BGC Holdings to determine the total number of authorized BGC Holdings units. The Second Amended and Restated BGC Holdings Limited Partnership Agreement was approved by the Audit Committee of the Board of Directors of the Company.

The following diagram illustrates our organizational structure as of December 31, 2018, following the Spin-Off. The diagram does not reflect the various subsidiaries of BGC, BGC U.S. OpCo, BGC Global OpCo, or Cantor, or the noncontrolling interests in our consolidated subsidiaries other than Cantor's units in BGC Holdings.*

STRUCTURE OF BGC PARTNERS, INC. AS OF DECEMBER 31, 2018

*Shares of our Class B common stock are convertible into shares of our Class A common stock at any time in the discretion of the holder on a one-for-one basis. Accordingly, if Cantor and CFGM converted all of their BGC Class B common stock into Class A common stock, Cantor would hold 13.4% of the voting power, CFGM would hold 0.2% of the voting power, and the public stockholders would hold 86.4% of the voting power (and Cantor and CFGM's indirect economic interests in BGC U.S. and BGC Global would remain unchanged). The diagram does not reflect certain BGC Class A common stock and BGC Holdings partnership units as follows: (a) any shares of Class A common stock that may become issuable upon the conversion or exchange of any convertible or exchangeable debt securities that may in the future be sold under our shelf Registration Statement on Form S-3 (Registration No. 333-180331); (b) 23,552,667 Preferred Units granted and outstanding to BGC Holdings partners (see “BGC Partners, Inc. Partnership Structure” herein); and (c) 7,696,727 N Units granted and outstanding to BGC Holdings partners.

The diagram reflects Class A common stock and BGC Holdings partnership unit activity from January 1, 2018 through December 31, 2018 as follows: (a) an aggregate of 30,847,027 limited partnership units granted by BGC Holdings; (b) 17,224,515 shares of Class A common stock sold by us under the April 2017 Sales Agreement pursuant to our Registration Statement on Form S-3 (Registration No. 333-214772); (c) 16,539,792 shares of Class A common stock sold by us under the March 2018 Sales Agreement pursuant to our Registration Statement on Form S-3 (Registration No. 333-223550), but not the remaining $95.5 million of stock remaining for sale by us under such sales agreement; (d) 788,788 shares of Class A common stock repurchased by us; (e) 527,951 shares of Class A common stock issued for vested restricted stock units; (f) 1,743,963 shares of Class A common stock issued by us under our acquisition shelf Registration Statement on Form S-4 (Registration No. 333-169232), but not the 7,208,327 of such shares remaining available for issuance by us under such Registration Statement; (g) 92,483 shares issued by us under our Dividend Reinvestment and Stock Purchase Plan shelf Registration Statement on Form S-3 (Registration No. 333-173109), but not the 9,565,891 of such shares remaining available for issuance by us under shelf Registration Statement on Form S-3 (Registration No. 333-196999); and (h) 18,942 shares sold by selling stockholders under our resale shelf Registration Statement on Form S-3 (Registration No. 333-175034), but not the 964,318 of such shares remaining available for sale by selling stockholders under such Registration Statement.

Newmark Real Estate Services Business (Discontinued Operations)

Until the Spin-Off on November 30, 2018, we offered Real Estate Services through Newmark. Newmark completed its initial public offering on December 19, 2017, and its Class A common stock trades on the NASDAQ Global Select Market under the ticker symbol "NMRK." Newmark operates as a full-service commercial real estate services business that offers a diverse array of integrated services and products designed to meet the full needs of both real estate investors/owners and occupiers. Newmark's investor/owner services and products include capital markets (including investment sales), agency leasing, property management, valuation and appraisal, commercial real estate due diligence consulting and underwriting. Newmark Group's subsidiaries also offer government sponsored enterprise ("GSE") lending, loan servicing, mortgage broking, and equity raising. Newmark's occupier services and products include tenant representation leasing, Global Corporate Services and consulting ("GCS"), real estate management technology systems, workplace and occupancy strategy, project management, lease administration and facilities management. Newmark enhances these services and products through innovative real estate technology solutions and data analytics designed to enable its clients to increase their efficiency and profits by optimizing their real estate portfolio. Newmark has relationships with many of the world's largest commercial property owners, real estate developers and investors, as well as Fortune 500 and Forbes Global 2000 companies.

Newmark offers innovative real estate technology solutions for both investors/owners and occupiers that enable its clients to increase efficiency and realize additional profits. Newmark's differentiated, value-added and client-facing technology platforms have been utilized by clients that occupy nearly 4.5 billion square feet of commercial real estate space globally. Newmark's N360™ platform is a powerful tool that is designed to provide access and comprehensive commercial real estate data in one place via mobile or desktop. For its occupier clients, the Newmark VISION™ platform is designed to provide integrated business intelligence, reporting and analytics. Newmark's deep and growing real estate database and commitment to providing innovative technological solutions empower it to provide its clients with value-adding technology products and data-driven advice and analytics.

Newmark, N (stylized), RKF, Grubb & Ellis, Apartment Realty Advisors, ARA, Computerized Facility Integration, CFI, Spring11, Landauer, Excess Space, Excess Space Retail Services, Inc., Berkeley Point and Grubb are trademarks/service marks, and/or registered trademarks/service marks of Newmark Group, Inc. and/or its affiliates. Knight Frank is a service mark of Knight Frank (Nominees) Limited.

Knight Frank Partnership

Newmark offers services to clients on a global basis. In 2005, Newmark partnered with London-based Knight Frank in order to enhance its ability to provide best-in-class local service to its clients, throughout the world. Knight Frank is a leading independent, global real estate services firm providing integrated prime and commercial real estate services and operates in over 200 key office hubs across Europe, the Middle East, Asia, Australia and Africa. Outside of the Americas, Newmark collaborates with Knight Frank to ensure that its clients have access to local expertise and to highly-skilled professionals in the locales where they choose to transact. Newmark expects that its cross-selling efforts with Knight Frank will lead to continued growth, particularly as its growing capital markets business increases its penetration with foreign investors.

While Newmark has the right to expand its international operations, it may be subject to certain short-term contractual restrictions due to its existing agreement with Knight Frank, which was extended, effective December 28, 2017, for a three-year period with a 90-day mutual termination right. The agreement restricts the parties from operating a competing commercial real estate business in the other party's areas of responsibility. Newmark's areas of responsibility are North America and South America. Knight Frank's areas of responsibility are the Asia-Pacific region, Europe, the Middle East and Africa.

Domestic and Latin American Real Estate Services Alliances

In certain smaller markets in the United States and in countries in the Americas in which Newmark does not maintain owned offices, it has agreements in place to operate on a collaborative and cross-referral basis with certain independently-owned offices in return for contractual and referral fees paid to Newmark and/or certain mutually beneficial co-branding and other business arrangements. Newmark does not derive a significant portion of its revenue from these relationships. These independently owned offices generally use some variation of Newmark's branding in their names and marketing materials. These agreements are normally multi-year contracts, and generally provide for mutual referrals in their respective markets, generating additional contract and brokerage fees. Through these independently-owned offices, Newmark's clients have access to additional brokers with local market research capabilities as well as other commercial real estate services in locations where Newmark's business does not have a physical presence.

Real Estate Customers and Clients

Newmark's clients include a full range of real estate owners, occupiers, tenants, investors, lenders and multi-national corporations in numerous markets, including office, retail, industrial, multifamily, student housing, hotels, data center, healthcare, selfstorage, land, condominium conversions, subdivisions and special use. Newmark's clients vary greatly in size and complexity, and include for-profit and non-profit entities, governmental entities and public and private companies. For the year ended December 31, 2018, our former Real Estate Services' business' top ten clients, collectively, accounted for approximately 5.3% of our former Real Estate Services business' total revenue on a consolidated basis, and our largest client accounted for less than 2.0% of our former Real Estate Services business' total revenue on a consolidated basis.

Real Estate Services Sales and Marketing

Newmark seeks to develop its brand and to highlight its expansive platform while reinforcing its position as a leading commercial real estate services firm in the United States through national brand and corporate marketing, local marketing of specific product lines and targeted broker marketing efforts.

Real Estate Services Competition

Newmark and its subsidiaries compete across a variety of business disciplines within the commercial real estate industry, including commercial property and corporate facilities management, owner-occupier, property and agency leasing, property sales, valuation, capital markets (equity and debt) solutions, GSE lending and loan servicing and development services. Each business discipline is highly competitive on a local, regional, national and global level. Depending on the geography, property type or service, it competes with other commercial real estate service providers, including outsourcing companies that traditionally competed in limited portions of its real estate management services business and have recently expanded their offerings. These competitors include companies such as Aramark, ISS A/S and ABM Industries. Newmark also competes with in-house corporate real estate departments, developers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting and consulting firms in various parts of its business. Despite recent consolidation, the commercial real estate services industry remains highly fragmented and competitive. Although many of Newmark's competitors are smaller local or regional firms, some of these competitors are more entrenched on a local or regional basis. Newmark is also subject to competition from other large multi-national firms that have similar service competencies, including CBRE Group, Inc., Jones Lang LaSalle Inc., Cushman & Wakefield plc, Savills Studley, Inc., and Colliers International Group, Inc. In addition, more specialized firms like HFF, Inc., Marcus & Millichap Inc., Eastdil Secured LLC (part of Wells Fargo & Company) and Walker & Dunlop, Inc. compete with Newmark in certain service lines.

Real Estate Services Seasonality

Due to the strong desire of many market participants to close real estate transactions prior to the end of a calendar year, Newmark exhibits certain seasonality, with revenue tending to be lowest in the first quarter and strongest in the fourth quarter. For the full year ended 2018, we earned 21% of our Real Estate Services revenues in the first quarter and 31% of our Real Estate Services revenues in the fourth quarter, while the comparable figures were 21% and 29%, respectively, in 2017.

Nasdaq Transaction and Nasdaq Monetization

On June 28, 2013, we completed the sale (the "Nasdaq Transaction") of certain assets to Nasdaq, which purchased certain assets and assumed certain liabilities from us and our affiliates, including the eSpeed brand name and various assets comprising the fully electronic portion of our benchmark on-the-run U.S. Treasury brokerage, market data and co-location service businesses, for cash consideration of $750 million paid at closing, plus an earn-out of up to 14,883,705 shares of Nasdaq common stock to be paid ratably in each of the fifteen years following the closing, provided that Nasdaq produces at least $25 million in gross revenues for the applicable year. Nasdaq has recorded more than $3.0 billion in gross revenues for each of the last 10 calendar years and generated gross revenues of approximately $4.3 billion in 2018. As of December 31, 2018, 3,968,988 shares of common stock of Nasdaq have been received by us. The right to receive the remainder of the Nasdaq payment was transferred from us to Newmark prior to the completion of the Newmark IPO and an additional 992,247 shares of common stock of Nasdaq were received by Newmark in 2018. The shares of Nasdaq that Newmark expects to receive in 2019, 2020, 2021 and 2022 were monetized in two separate transactions. See "Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations — Nasdaq Transaction." Following the transactions, Newmark continues to have the right to receive up to an aggregate of 4,961,235 shares of Nasdaq common stock beginning with the 2023 share earn-out.

BP Transaction Agreement and Real Estate LP Limited Partnership Agreement

On September 8, 2017, pursuant to a transaction agreement (which we refer to as the "BP Transaction Agreement") with Cantor, CCRE, the general partner of CCRE, Real Estate LP and CF Real Estate Holdings GP, LLC, the general partner of Real Estate LP (which we refer to as the "Real Estate LP general partner"), BGC Partners purchased from CCRE all of the outstanding membership interests of Berkeley Point. The total consideration for the acquisition of Berkeley Point was $875 million, subject to certain adjustments. Concurrently with the acquisition of Berkeley Point, (i) BGC Partners invested $100 million of cash in Real Estate LP for approximately 27% of the capital of Real Estate LP, and (ii) Cantor contributed approximately $267 million of cash for approximately 73% of the capital of Real Estate LP. We refer to these transactions, collectively, as the "BP Transaction." As part of the Separation described above, we contributed our interests in Berkeley Point and Real Estate LP to Newmark. Newmark accounted for its minority interest in Real Estate LP as an equity investment, and it is not consolidated in Newmark's financial statements.

Berkeley Point Acquisition

Pursuant to the BP Transaction Agreement, we purchased from CCRE all of the outstanding membership interests of Berkeley Point for a purchase price equal to $875 million, subject to certain adjustments, with $3.2 million of the purchase price paid in units of BGC Holdings (which we refer to as the "Berkeley Point Acquisition"). In accordance with the BP Transaction Agreement, Berkeley Point made a distribution of $69.8 million to CCRE prior to the Berkeley Point Acquisition, for the amount by which Berkeley Point's net assets exceeded $508.6 million. Cantor is entitled to receive the profits and obligated to bear the losses of the special asset servicing business of Berkeley Point, which represents less than 10% of Berkeley Point's servicing portfolio and generates an immaterial amount of Berkeley Point's servicing fee revenue.

Investment in Real Estate LP

Concurrently with the Berkeley Point Acquisition, we invested with Cantor in Real Estate LP. Real Estate LP may conduct activities in any real estate-related business or asset-backed securities-related business or any extensions thereof and ancillary activities thereto. Real Estate LP is operated and managed by Real Estate LP General Partner, which is controlled by Cantor.

Pursuant to the Amended and Restated Agreement of Limited Partnership of Real Estate LP (which we refer to as the "Real Estate LP limited partnership agreement"), Newmark is entitled to a cumulative annual preferred return of five percent of its capital account balance (which we refer to as the "Preferred Return"). After the Preferred Return is allocated, Cantor is then entitled to a cumulative annual preferred return of five percent of its capital account balance. Thereafter, Newmark is entitled to 60% of the gross percentage return on capital of Real Estate LP, multiplied by Newmark's capital account balance in Real Estate LP (less any amounts previously allocated to BGC Partners or Newmark pursuant to the Preferred Return), with the remainder of the net income of Real Estate LP allocated to Cantor. Cantor will bear initial net losses of Real Estate LP, if any, up to an aggregate amount of approximately $37 million per year. These allocations of net income and net loss are subject to certain adjustments.

At the option of Newmark, and upon one-year's written notice to Real Estate LP delivered any time on or after the fourth anniversary of the closing of the BP Transaction, Real Estate LP will redeem in full Newmark's investment in Real Estate LP in exchange for Newmark's capital account balance in Real Estate LP as of such time. At the option of Cantor, at any time on or after the fifth anniversary of the closing of the BP Transaction, Real Estate LP will redeem in full Newmark's investment in Real Estate LP in exchange for Newmark's capital account balance in Real Estate LP as of such time. At the option of Cantor, at any time prior to the fifth anniversary of the closing of the BP Transaction, Real Estate LP will redeem in full Newmark's investment in Real Estate LP in exchange for (i) Newmark's capital account balance in Real Estate LP as of such time plus (ii) the sum of the Preferred Return amounts for any prior taxable periods, less (iii) any net income allocated to BGC Partners or Newmark in any prior taxable periods.

Additional Terms of the BP Transaction Agreement

The BP Transaction Agreement includes customary representations, warranties and covenants, including covenants related to intercompany referral arrangements among Cantor, BGC Partners, Newmark and their respective subsidiaries. These referral arrangements provide for profit-sharing and fee-sharing arrangements at various rates depending on the nature of a particular referral. The parties have further agreed that, subject to limited exceptions, for so long as a member of the BGC group or a member of the Newmark group maintains an investment in Real Estate LP, Real Estate LP and the Cantor group will seek certain government-sponsored and government-funded loan financing exclusively through Berkeley Point.

Real Estate Services Regulation

The brokerage of real estate sales and leasing transactions, property and facilities management, conducting real estate valuation and securing debt for clients, among other business lines, also require that Newmark complies with regulations affecting the real estate industry and maintain licenses in the various jurisdictions in which it operates. Like other market participants that operate in numerous jurisdictions and in various business lines, Newmark must comply with numerous regulatory regimes.

Newmark could be required to pay fines, return commissions, have a license suspended or revoked, or be subject to other adverse action if it conducts regulated activities without a license or violate applicable rules and regulations. Licensing requirements could also impact Newmark’s ability to engage in certain types of transactions, change the way in which it conducts business or affect the cost of conducting business. Newmark and its licensed associates may be subject to various obligations and it could become subject to claims by regulators and/or participants in real estate sales or other services claiming that it did not fulfill its obligations. This could include claims with respect to alleged conflicts of interest where Newmark acts, or are perceived to be acting, for two or more clients. While its management has overseen highly regulated businesses before and expects Newmark to comply with all applicable regulations in a satisfactory manner, no assurance can be given that it will always be the case. In addition, federal, state and local laws and regulations impose various environmental zoning restrictions, use controls, and disclosure obligations that impact the management, development, use and/or sale of real estate. Such laws and regulations tend to discourage sales and leasing activities, as well as mortgage lending availability, with respect to such properties. In its role as property or facilities manager, Newmark could incur liability under environmental laws for the investigation or remediation of hazardous or toxic substances or wastes relating to properties it currently or formerly managed. Such liability may be imposed without regard for the lawfulness of the original disposal activity, or our knowledge of, or fault for, the release or contamination. Further, liability under some of these may be joint and several, meaning that one of multiple liable parties could be responsible for all costs related to a contaminated site. Certain requirements governing the removal or encapsulation of asbestos-containing materials, as well as recently enacted local ordinances obligating property or facilities managers to inspect for and remove lead-based paint in certain buildings, could increase Newmark’s costs of regulatory compliance and potentially subject us to violations or claims by regulatory agencies or others. Additionally, under certain circumstances, failure by Newmark’s brokers acting as agents for a seller or lessor to disclose environmental contamination at a property could result in liability to a buyer or lessee of an affected property.

Berkeley Point, a subsidiary of Newmark, is required to meet and maintain various eligibility criteria from time to time established by the GSEs and HUD, as well as applicable state and local licensing agencies, to maintain its status as an approved lender. These criteria include minimum net worth, operational liquidity and collateral requirements, and compliance with reporting requirements. Berkeley Point also is required to originate its loans and perform its loan servicing functions in accordance with the applicable program requirements and guidelines from time to time established by the GSEs and HUD.

ITEM 1A. RISK FACTORS

Any investment in shares of our Class A common stock, our 5.375% Senior Notes due 2023 ("5.375% Senior Notes due 2023") or our 5.125% Senior Notes due 2021 ("5.125% Senior Notes") or our other securities involves risks and uncertainties. The following are important risks and uncertainties that could affect our businesses, but we do not ascribe any particular likelihood or probability to them unless specifically indicated. Any of the risks and uncertainties set forth below, should they occur, could significantly and negatively affect our businesses, financial condition, results of operations, and prospects and/or the trading price of our Class A common stock, our 5.375% Senior Notes due 2023, our 5.125% Senior Notes or our other securities. To the extent that these Risk Factors reflect historical events, they include references to our Real Estate Services segment, which was spun off on November 30, 2018. Statements which refer to future events refer only to our Financial Services business and unless otherwise noted, percentages and other financial figures relate only to our Financial Services business.

RISKS RELATED TO OUR BUSINESSES GENERALLY

Global Economic and Market Conditions

Our businesses, financial condition, results of operations and prospects have been and may continue to be affected both positively and negatively by conditions in the global economy and financial and commercial real estate markets generally.

Our businesses and results of operations have been and may continue to be affected both positively and negatively by conditions in the global economy and financial markets generally. Difficult market and economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our businesses. Such conditions and uncertainties include fluctuating levels of economic output, interest and inflation rates, employment levels, consumer confidence levels, and fiscal and monetary policy. Economic policies of the current administration and Congress, potential increases in interest rates and proposed tax cuts and infrastructure spending plans may change the regulatory and economic landscape. These conditions may directly and indirectly impact a number of factors in the global markets that may have a positive or negative effect on our operating results, including the levels of trading, investing, and origination activity in the securities and derivatives markets, the valuations of financial instruments, unexpected changes in interest rates, changes in and uncertainty regarding tax laws and substantial fluctuations in volume and commissions on securities and derivatives transactions, the absolute and relative level of currency rates and the actual and the perceived quality of issuers, borrowers and investors. For example, the actions of the U.S. Federal Reserve and international central banking authorities directly impact our cost of funds and may impact the value of financial instruments we hold. In addition, changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

As a result of the Spin-Off of our Real Estate Services segment our revenues from continuing operations is solely comprised of revenues from our Financial Services businesses. As such, our revenues and profitability are likely to decline significantly during periods of low trading volume in the financial markets in which we offer our products and services.

The global financial services markets 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 transactional volume and profitability for our businesses. These factors include:

- economic and geopolitical conditions and uncertainties in the United States, Europe and elsewhere in the world, including government deficits, debt and possible defaults, austerity measures, changes in interest rates, and changes in central bank and/or fiscal policies, including the level and timing of government debt issuances, purchases and outstanding amounts;

- possible political turmoil with respect to the U.S. government, the European Union and/or its member states, China, or other major economies around the world;
- the effect of Federal Reserve Board and other central banks' monetary policies, increased capital requirements for banks and other financial institutions, and other regulatory requirements;
- terrorism, war and other armed hostilities;
- the impact of a short-term or prolonged U.S. government shutdowns;
- inflation, deflation and wavering institutional and consumer confidence levels;
- the availability of capital for borrowings and investments by our clients and their customers;
- the level and volatility of interest rates, foreign currency exchange rates and trading in certain equity, debt 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
- margin requirements, capital requirements, credit availability, and other liquidity concerns with respect to our business, its clients, and the customers of its clients.

Low transaction volumes for any of our brokerage asset classes generally result in reduced revenues. Under these conditions, our profitability is adversely affected since many of our costs are fixed. In addition, although less common, some of our transaction revenues are determined on the basis of the value of transactions or on spreads. For these reasons, substantial decreases in trading volume, declining prices, and/or reduced spreads could have material adverse effects on our businesses, financial condition, results of operations and prospects.

Any downgrades of the U.S. sovereign credit rating by one or more of the major credit rating agencies could have material adverse effects on financial markets and economic conditions in the U.S. and throughout the world. This in turn could have a material adverse impact on our businesses, financial condition, results of operations, and prospects. Because of the unprecedented nature of any negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and our businesses, financial condition, results of operations, and prospects are unpredictable and may not be immediately apparent. Additionally, the negative impact on economic conditions and global markets from further sovereign debt matters with respect to the EU and/or its member states, Japan, or other major economies could adversely affect our businesses, financial condition, results of operations and prospects. Concerns about the sovereign debt of certain major economies have caused uncertainty and disruption for financial markets globally, and continued uncertainties loom over the outcome of the various governments' financial support programs and the possibility that EU member states or other major economies may experience similar financial troubles. Any downgrades of the long-term sovereign credit rating of the U.S. or additional sovereign debt crises in major economies could cause disruption and volatility of financial markets globally and have material adverse effects on our businesses, financial condition, results of operations and prospects.

Over the past year, concerns over slowing growth in China, and unusual changes in volatility in various securities and derivatives markets have led to uncertainties about global economic growth, the stability of financial markets and the likely responses of governments and central banks. Any one of these factors, or others, could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

A U.K. exit from the European Union could materially adversely impact our customers, counterparties, businesses, financial condition, results of operations and prospects.

On June 23, 2016, the U.K. held a referendum regarding continued membership in the EU. The exit from the EU is commonly referred to as "Brexit." The Brexit vote passed by 51.9% to 48.1%. The referendum was non-binding. However, on March 29, 2017, the Prime Minister gave the European Council of the EU formal written notification of the U.K.'s intention to leave the EU, triggering the withdrawal process under Article 50 of the Lisbon Treaty.

Although the U.K. government and the EU negotiated a withdrawal agreement that was approved by the leaders of EU member states, the agreement failed on January 16, 2019 to receive U.K. parliamentary approval. While negotiations are continuing, there remains considerable uncertainty around the withdrawal. Failure to obtain parliamentary approval of an agreed withdrawal agreement may, absent a revocation of the U.K.'s notification to withdraw or some other delay, mean that the U.K. would leave the EU on March 29, 2019 with no agreement (a so-called "hard Brexit"). Absent delay or mitigating legislative measures by individual EU Member States, in the event of a hard Brexit the trade relationship between the U.K. and the EU would be solely based on World Trade Organization terms, thereby hindering current levels of mutual market access.

If the U.K. and the EU do reach a deal by March 29, 2019 or delay such date, and when the deal takes effect or such delay, a transition period may start that lasts until December 31, 2020. Based upon the currently proposed transition plan, during this period, the U.K. would, with some exceptions, remain subject to EU law. It would also maintain access to the EU's single market. During this transition phase, the U.K. and EU would also start negotiations on their future trade relationship.

Current discussions between the U.K. and the EU may result in any number of outcomes including an extension or delay of the U.K.'s withdrawal from the EU. The consequences for the economies of the U.K. and the EU member states as a result of the U.K.'s withdrawal from the EU are unknown and unpredictable, especially in the case of a hard Brexit. Given the lack of comparable precedent, it is unclear what the broader macro-economic and financial implications the U.K. leaving the EU with no agreements in place would have.

This uncertainty could adversely impact investor confidence which could result in additional market volatility. Historically, elevated volatility has often led to increased volumes in the Financial Services markets in which we broker, which could be beneficial for our businesses. However, any future trade deal might lead to a fragmented regulatory environment, which could increase the costs of our operations and loss of existing levels of cross-border market access. In addition, the U.K. vote to leave the E.U. may result in similar referendums or votes in other E.U. countries in which we do business. While we have implemented plans to ensure continuity of service in Europe and continue to have regulated entities and offices in place in many of the major European markets, these and other risks and uncertainties could have a material adverse effect on our customers, counterparties, businesses, prospects, financial condition and results of operations.

Evolving Business Environments

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

The pace of change in the industries in which we operate is extremely rapid. Operating in such rapidly changing business environments involves a high degree of risk. Our ability to succeed will depend on our ability to adapt effectively to these changing conditions. If we are unable to keep up with rapid 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 environments are characterized by rapid technological changes, changes in user 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 businesses;
- enhance our existing products and services;
- develop new products and 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 products, services and technologies on a cost-effective and timely basis; and
- adapt to technological advancements and changing standards to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers.

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

Geographic Concentration

Our businesses are geographically concentrated and could be significantly affected by any adverse change in the regions in which we operate.

Historically, our business operations have been substantially located in the U.S. and the U.K. While we are expanding our businesses to new geographic areas, we are still highly concentrated in these areas. Because we derived approximately 28.3% and approximately 41.0%, respectively, of our total revenues on a consolidated basis for the year ended December 31, 2018 from our operations in the U.S. and the U.K., respectively, our businesses are exposed to adverse regulatory and competitive changes, economic downturns and changes in political conditions in these countries. If we are unable to identify and successfully manage or mitigate these risks, our businesses, financial condition, results of operations and prospects could be materially adversely affected.

Risks Related to Our Real Estate Services Separation, the Newmark IPO and Spin-Off

We may not yet be able to achieve some or all of the expected benefits of the Separation, Newmark IPO and Spin-Off.

We may not be able to achieve the full strategic and financial benefits to us that were anticipated to result from the Separation, Newmark IPO and Spin-Off in a timely manner, or at all. These benefits include the following:

- improving strategic planning, increasing management focus and streamlining decision-making by providing the flexibility for each of us and Newmark to separately implement our respective strategic plans and to respond more effectively to different customer needs and the changing economic environment; and
- allowing our Financial Services business to adopt a capital structure, investment policy and dividend policy best suited to its financial profile and business needs;

We may not achieve the anticipated benefits for a variety of reasons. Such additional risks and uncertainties may include the following:

- the price of our Class A common stock has declined following the Spin-Off and may continue to fluctuate significantly in response to developments or restrictions relating to the Spin-Off, our financial reporting following the Spin-Off as well as other market forces, action or market speculation regarding the Spin-Off or other transactions;
- our financial results may be harmed, and our ability to execute effectively upon our business plans may be affected adversely, by the competing demands on management’s time and attention;
- we may be adversely affected by competition from larger companies and a loss of purchasing power as a result of the reduction in our size relative to our businesses prior to the Spin-Off;
- we may encounter difficulties obtaining sufficient debt financing to restructure our debt or to operate or expand our businesses, and we may incur a higher cost of capital as a result of the reduction of our asset base following the Separation and Newmark IPO;
- we may incur substantial increases in general and administrative expense associated with the need to retain and compensate third-party consultants and advisors (including legal counsel); and
- we may encounter difficulties in maintaining relationships or arrangements with customers, key suppliers, and other parties as a result of the Separation and the Spin-Off.

Any of these factors or others could have a negative impact on our businesses, financial condition, results of operations and prospects.

If there is a determination that the Spin-Off was taxable for U.S. federal income tax purposes because the facts, assumptions, representations or undertakings underlying the tax opinion with respect to the Spin-Off were incorrect, or for any other reason, then we and our stockholders could incur significant U.S. federal income tax liabilities.

We received an opinion of outside counsel to the effect that the Spin-Off, together with certain related transactions, qualified as a transaction that is described in Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”). The opinion relied on certain facts, assumptions, representations and undertakings from us and Newmark regarding the past and future conduct of the companies’ respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not otherwise satisfied, we and our stockholders may not be able to rely on the opinion of tax counsel.

Moreover, notwithstanding the opinion of counsel, the Internal Revenue Service (“IRS”) could determine that the Spin-Off is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated, or if it disagrees with the conclusions in the opinion, or for any other reasons. In addition, certain events occurring after the Spin-Off may not be in our control, including certain significant changes in the stock ownership of us or Newmark after the Spin-Off. If the Spin-Off or a related transaction is determined to be taxable for U.S. federal income tax purposes, we and our stockholders could incur significant U.S. federal income tax liabilities.

Any such liabilities could be substantial, and could have a negative impact on our financial results and operations.

We may not be able to execute transactions that are outside of Treasury Regulations safe harbors.

Under current law, a spin-off can be rendered taxable to the parent corporation and its stockholders as a result of certain post-spin-off acquisitions of shares or assets of the spun-off corporation. For example, a spin-off may result in taxable gain to the parent corporation under Section 355(e) of the Code if the spin-off were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in the spun-off corporation. To preserve the tax-free treatment of the separation and the Spin-Off, and in addition to our other indemnity obligations, the tax matters agreement between us and Newmark restricts us, through the end of the two-year period following the Spin-Off, except in specific circumstances, from: (i) entering into any transaction pursuant to which all or a portion of the shares of our common stock would be acquired, whether by merger or otherwise, (ii) issuing equity securities beyond certain thresholds, (iii) repurchasing shares of our common stock other than in certain open-market transactions, and (iv) ceasing to actively conduct certain of our businesses. The tax matters agreement also prohibits us from taking or failing to take any other action that would prevent the distribution and certain related transactions from qualifying as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. In the absence of the availability of a safe harbor under applicable Treasury Regulations, these restrictions may place constraints on the extent to which we may make equity issuances or repurchases or otherwise limit our ability to pursue strategic transactions or other transactions that we may believe to be in the best interests of our stockholders or that might increase the value of our business.

New Opportunities/Possible Transactions and Hires

If we are unable to identify and successfully exploit new product, service and market opportunities, including through hiring new brokers, salespeople, managers and other professionals, our businesses, financial condition, results of operations, cash flows and prospects could be materially adversely affected.

Because of significant competition in our market, our strategy is to broker more transactions, increase our share of existing markets and seek out new clients and markets. We may face enhanced risks as these efforts to expand our business result in our transacting with a broader array of clients and expose us to new products and services and markets. Pursuing this strategy may also require significant management attention and hiring expense and potential costs and liability in any litigation or arbitration that may result. We may not be able to attract new clients or brokers, salespeople, managers, or other professionals or successfully enter new markets. If we are unable to identify and successfully exploit new product, service and market opportunities, our business, financial condition, results of operations and prospects could be materially adversely affected.

We may pursue strategic alliances, acquisitions, joint ventures or other growth opportunities (including hiring new brokers), which could present unforeseen integration obstacles or costs and could dilute our stockholders. We may also face competition in our acquisition strategy, and such competition may limit our number of strategic alliances, acquisitions, joint ventures and other growth opportunities (including hiring new brokers).

We have explored a wide range of strategic alliances, acquisitions and joint ventures with other financial services companies that have interests in related businesses or other strategic opportunities. We continue to evaluate and potentially pursue possible strategic alliances, acquisitions, joint ventures and other growth opportunities (including hiring new brokers). Such transactions may be necessary in order for us to enter into or develop new products or services or markets, as well as to strengthen our current ones.

Strategic alliances, acquisitions, joint ventures and other growth opportunities (including hiring new brokers) specifically involve a number of risks and challenges, including:

- potential disruption of our ongoing business and product, service and market development and distraction of management;
- difficulty retaining and integrating personnel and integrating administrative, operational, financial reporting, internal control, compliance, technology and other systems;
- the necessity of hiring additional management and other critical personnel and integrating them into current operations;
- increasing the scope, geographic diversity and complexity of our operations;

- the risks relating to integrating accounting and financial systems and accounting policies and the related risk of having to recast our historical financial statements;
- potential dependence upon, and exposure to liability, loss or reputational damage relating to systems, controls and personnel that are not under our control;
- addition of business lines in which we have not previously engaged;
- potential unfavorable reaction to our strategic alliance, acquisition or joint venture strategy by our clients;
- to the extent that we pursue these opportunities, exposure to political, economic, legal, regulatory, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization and/or foreign ownership restrictions, expropriation, price controls, capital controls, foreign currency fluctuations, regulatory and tax requirements, economic and/or political instability, geographic, time zone, language and cultural

differences among personnel in different areas of the world, exchange controls and other restrictive government actions, as well as the outbreak of hostilities;
- the upfront costs associated with pursuing transactions and recruiting personnel, which efforts may be unsuccessful in the increasingly competitive marketplace for the most talented producers and managers;
- conflicts or disagreements between any strategic alliance or joint venture partner and us;
- exposure to potential unknown liabilities of any acquired business, strategic alliance or joint venture that are significantly larger than we anticipate at the time of acquisition, and unforeseen increased expenses or delays associated with acquisitions, including costs in excess of the cash transition costs that we estimate at the outset of a transaction;
- reduction in availability of financing due to tightened credit markets or credit rating downgrades or defaults by us in connection with strategic alliances, acquisitions, joint ventures and other growth opportunities;
- a significant increase in the level of our indebtedness in order to generate significant cash resources that may be required to effect acquisitions;
- dilution resulting from any issuances of shares of our common stock or limited partnership units in connection with strategic alliances, acquisitions, joint ventures and other growth opportunities;
- adverse effects on our liquidity as a result of payment of cash resources and/or issuance of shares of our common stock or limited partnership units of the BGC OpCos; and
- a lag in the realization of financial benefits from these transactions and arrangements.

We face competition for acquisition targets, which may limit our number of acquisitions and growth opportunities and may lead to higher acquisition prices or other less favorable terms. To the extent that we choose to grow internationally from acquisitions, strategic alliances, joint ventures, or other growth opportunities, we may experience additional expenses or obstacles. There can be no assurance that we will be able to identify, acquire or profitably manage additional businesses or integrate successfully any acquired businesses without substantial costs, delays or other operational or financial difficulties.

In addition, the acquisition of regulated firms generally requires the consent of the home jurisdiction regulator in which the target is domiciled and those jurisdictions in which the target has regulated subsidiaries. In certain circumstances one or more of these regulators may withhold their consent, impose restrictions or make their consent subject to conditions which may result in increased costs or delays.

Any future growth will be partially dependent upon the continued availability of suitable transactional candidates at favorable prices and upon advantageous terms and conditions, which may not be available to us, as well as sufficient liquidity and credit to fund these transactions. Future transactions and any necessary related financings also may involve significant transaction-related expenses, which include payment of break-up fees, assumption of liabilities, including compensation, severance and lease termination costs, and transaction and deferred financing costs, among others. In addition, there can be no assurance that such transactions will be accretive or generate favorable operating margins. The success of these transactions will also be determined in part by the ongoing performance of the acquired companies and the acceptance of acquired employees of our partnership compensation structure and other variables which may be different from the existing industry standards or practices at the acquired companies.

We will need to successfully manage the integration of recent acquisitions and future growth effectively. The integration and additional growth may place a significant strain upon our management, administrative, operational, financial reporting, internal control and compliance infrastructure. Our ability to grow depends upon our ability to successfully hire, train, supervise and manage additional employees, expand our operational, financial reporting, compliance and other control systems effectively, allocate our human resources optimally, maintain clear lines of communication between our transactional and management functions and our finance and accounting functions, and manage the pressure on our management, administrative, operational, financial reporting, internal control and compliance infrastructure. Additionally, managing future growth may be difficult due to our new geographic locations, markets and business lines. As a result of these risks and challenges, we may not realize the full benefits that we anticipate from strategic alliances, acquisitions, joint ventures or other growth opportunities. There can be no assurance that we will be able to accurately anticipate and respond to the changing demands we will face as we integrate and continue to expand our operations, and we may not be able to manage growth effectively or to achieve growth at all. Any failure to manage the integration of acquisitions and other growth opportunities effectively could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

Liquidity, Funding and Indebtedness

Liquidity is essential to our businesses, and insufficient liquidity could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

Liquidity is essential to our businesses. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Perceived liquidity issues may affect the willingness of our customers and counterparties to engage in transactions with us. Our liquidity position could be impaired due to circumstances that we may be unable to control, such as a general market disruption or idiosyncratic events that affect our trading customers or counterparties, other third parties or us, or a decrease in the market value of marketable securities held on our balance sheet.

We are a holding company with no direct operations. We conduct substantially all of our operations through our operating subsidiaries. We do not have any material assets other than our direct and indirect ownership in the equity of our subsidiaries and their respective operating subsidiaries. As a result, our operating cash flow and our liquidity position are dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to any of our subsidiaries, we, as an equity owner of such subsidiary, and therefore holders of our securities, including our notes, will be subject to the prior claims of such subsidiary's creditors, including trade creditors, and any preferred equity holders. Any dividends declared by us, any payment by us of our indebtedness or other expenses, and all applicable taxes payable in respect of our net taxable income, if any, are paid from cash on hand and funds received from distributions, dividends, loans and/or other payments, primarily from our subsidiaries. Regulatory, tax restrictions or elections, and other legal or contractual restrictions may limit our ability to transfer funds freely from our subsidiaries. In particular, many of our subsidiaries, including our broker-dealer subsidiaries, are subject to laws, regulations, and self-regulatory organization rules that authorize regulatory bodies to block or reduce the flow of funds to a holding company, or that prohibit such transfers altogether in certain circumstances. These laws, regulations and rules may hinder our ability to access funds that we may need to meet our obligations. Certain debt and security agreements entered into by our subsidiaries contain various restrictions, including restrictions on payments by our subsidiaries to us and the transfer by our subsidiaries of assets pledged as collateral. To the extent that we need funds to pay dividends, repay indebtedness and meet other expenses, or to pay taxes on our share of BGC U.S.'s and BGC Global' s net taxable income, and BGC U.S., BGC Global and their respective subsidiaries are restricted from making such distributions or dividends under applicable law, regulations, or agreements, or are otherwise unable to provide such funds, it could materially adversely affect our businesses, financial condition, results of operations and prospects, including our ability to maintain adequate liquidity or to raise additional funding, including through access to the debt and equity capital markets.

Our ability to raise funding in the long-term or short-term debt capital markets or the equity capital markets, or to access lending markets, has in the past been and could in the future be adversely affected by conditions in the U.S. and international economy and markets, with the cost and availability of funding adversely affected by wider credit spreads, changes in interest rates and dislocations in capital markets. To the extent we are unable to access the debt capital markets on acceptable terms in the future, we may seek to raise funding and capital through equity issuances or other means.

Turbulence in the U.S. and international economy and markets may adversely affect our liquidity and funding positions, financial condition and the willingness of certain customers and counterparties to do business with each other or with us. Acquisitions and financial reporting obligations related thereto may impact our ability to access capital markets on a timely basis and may necessitate greater short-term borrowings during certain times, which in turn may adversely affect our cost of borrowing, financial condition, and creditworthiness, and as a result, potentially impact our credit ratings and associated outlooks.

Our funding base consists of longer-term capital (equity, notes payable and collateralized borrowings), shorter-term liabilities and accruals that are a natural outgrowth of specific assets and/or our business model, such as matched fails and accrued compensation. We generally have had limited need for short-term unsecured funding. We may, however, need to access short-term funding sources in order to meet a variety of business needs from time to time, including, but not limited to, financing acquisitions as well as, ongoing business operations or activities such as hiring or retaining brokers, providing liquidity and funding fails, including in situations where we may not be able to access the capital markets in a timely manner when desired by us. While we have a credit facility in place, to the extent that our capital or other needs exceed the capacity of our existing funding sources or we are not able to access any of these sources, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Contingent liquidity needs are largely limited to potential cash collateral that may be needed to meet clearing bank, clearinghouse and exchange margins and/or to fund fails. A significant portion of our cash is held in our largest regulated entities, and we believe that cash in and available to these entities, inclusive of financing provided by clearing banks, is adequate for potential cash demands of normal operations such as margin or funding fails.

We are subject to risks associated with the current interest rate environment, and changes in interest rates may increase the cost of our debt financing.

Since the economic downturn that began in mid-2007, interest rates have remained low. Because longer-term inflationary pressure may result in the future, we may experience rising interest rates and increased debt refinancing costs.

Some of our borrowings have variable interest rates. As a result, a change in market interest rates could have a material adverse effect on our interest expense. In periods of rising interest rates, our cost of funds will increase, which could reduce our net income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, results of operations and prospects.

LIBOR, the London interbank offered rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and interest expense cannot yet be determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have debt, which could adversely affect our ability to raise additional capital to fund our operations and activities, limit our ability to react to changes in the economy or our industries, expose us to interest rate risk, impact our ability to obtain favorable credit ratings and prevent us from meeting or refinancing our obligations under our indebtedness.

Our indebtedness, which at December 31, 2018 was $768.7 million, may have important, adverse consequences to us and our investors, including:

- it may limit our ability to borrow money, dispose of assets or sell equity to fund our working capital, capital expenditures, dividend payments, debt service, strategic initiatives or other obligations or purposes;
- it may limit our flexibility in planning for, or reacting to, changes in the economy, the markets, regulatory requirements, our operations or businesses;
- it may impact our ability to obtain favorable credit ratings;
- our financial leverage may be higher than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to downturns in the economy or our businesses;
- it may require a substantial portion of our cash flow from operations to make interest payments;
- it may make it more difficult for us to satisfy other obligations;
- it may increase the risk of a future downgrade of our credit ratings or otherwise impact our ability to obtain or maintain investment grade credit ratings, which could increase future debt costs and limit the future availability of debt financing;
- we may not be able to borrow additional funds or refinance existing debt as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase common stock; and

- there would be a material adverse effect on our businesses, financial condition, results of operations and prospects if we were unable to service our indebtedness or obtain additional financing or refinance our existing debt on terms acceptable to us.

To the extent that we incur additional indebtedness or seek to refinance our existing debt the risks described above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to service our outstanding debt or to repay the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to service or refinance our debt.

We are dependent upon the availability of adequate funding and sufficient regulatory capital and clearing margin. Clearing margin is the amount of cash, guarantees or similar collateral that we must provide or deposit with our third-party clearing organizations in support of our obligations under contractual clearing arrangements with these organizations. Historically, these needs have been satisfied from internally generated funds and proceeds from debt and equity financings. We have also relied on Cantor’s support to clear our transactions in U.S. Treasury and U.S. government agency products under the clearing agreement we entered into with Cantor in November 2008. Although we have historically been able to raise debt on acceptable terms, if for any reason we need to raise additional funds, including in order to meet regulatory capital requirements and/or clearing margin requirements arising from growth in our brokerage businesses, to complete acquisitions 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 businesses, take advantage of future growth opportunities or respond to competitive pressure or unanticipated requirements.

We may incur substantially more debt or take other actions which would intensify the risks discussed herein.

We may incur substantial additional debt in the future, some of which may be secured debt. Under the terms of our existing debt, we are permitted under certain circumstances to incur additional debt, grant liens on our assets to secure existing or future debt, recapitalize our debt or take a number of other actions that could have the effect of diminishing our ability to make payments on our debt when due. To the extent that we borrow additional funds, the terms of such borrowings may contain more stringent financial covenants, change of control provisions, make-whole provisions or other terms that could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

Our credit agreement contains restrictions that may limit our flexibility in operating our businesses.

Our revolving credit agreement contains covenants that could impose operating and financial restrictions on us, including restrictions on our ability to, among other things and subject to certain exceptions:

- create liens on certain assets;
- incur additional debt;
- make significant investments and acquisitions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- sell certain assets;
- pay additional dividends on or make additional distributions in respect of our capital stock or make restricted payments;
- enter into certain transactions with our affiliates; and
- place restrictions on certain distributions from subsidiaries.

Indebtedness that we may enter into in the future, if any, could also contain similar or additional covenants or restrictions. Any of these restrictions could limit our ability to adequately plan for or react to market conditions and could otherwise restrict certain of our corporate activities. Any material failure to comply with these covenants could result in a default under the revolving credit agreement as well as instruments governing our future indebtedness. Upon a material default, unless such default were cured by us or waived by lenders in accordance with the revolving credit agreement, the lenders under such agreement could elect to invoke various remedies under the agreement, including potentially accelerating the payment of unpaid principal and interest, terminating their commitments or, however unlikely, potentially forcing us into bankruptcy or liquidation. In addition, a default or acceleration under such agreement could trigger a cross default under other agreements, including potential future debt arrangements. Although we believe that our operating results will be more than sufficient to cover all of these obligations, including potential future indebtedness, no assurance can be given that our operating results will be sufficient to service our indebtedness or to fund all of our other expenditures or to obtain additional or replacement financing on a timely basis and on reasonable terms in order to meet these requirements when due. See “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” in this Annual Report on Form 10-K.

Credit rating downgrades or defaults by us could adversely affect us.

The credit ratings and associated outlooks of companies may be critical to their reputation and operational and financial success. A company’s credit ratings and associated outlooks are influenced by a number of factors, including: operating environment, regulatory environment, earnings and profitability trends, the prudence of funding and liquidity management practices, balance sheet size/composition and resulting leverage, cash flow coverage of interest, composition and size of the capital base, available liquidity, outstanding borrowing levels, the company's competitive position in the industry and its relationships in the industry. A credit rating and/or the associated outlook can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances of that company or related companies warrant such a change. Any adverse ratings or reduction in the credit ratings of BGC Partners, Cantor or any of their other affiliates, and/or the associated outlook could adversely affect the availability of debt financing to us on acceptable terms, as well as the cost and other terms upon which we may obtain any such financing. In addition, credit ratings and associated outlooks may be important to clients in certain markets and in certain transactions. A company's contractual counterparties may, in certain circumstances, demand collateral in the event of a credit ratings or outlook downgrade of that company. Further, interest rates, including with respect to our 5.375% Senior Notes due 2023, may increase in the event that our ratings decline.

As of December 31, 2018, BGC Partners' public long-term credit ratings were BBB- and the associated outlooks were stable from both Fitch Ratings Inc. and Standard & Poor's. Although we have taken steps in recent months to further strengthen our balance sheet and continue to improve our credit ratings, no assurance can be given that the credit ratings will remain unchanged. Any additional indebtedness that we incur, as well as any impact on our credit ratings and associated outlooks, may restrict our ability to raise additional capital or refinance debt on favorable terms, and such leverage, and any resulting liquidity or credit issues, could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

Our acquisitions may require significant cash resources and may lead to a significant increase in the level of our indebtedness.

Potential future acquisitions may lead to a significant increase in the level of our indebtedness. We may enter into short- or long-term financing arrangements in connection with acquisitions which may occur from time to time. In addition, we may incur substantial non-recurring transaction costs, including break-up fees, assumption of liabilities and expenses and compensation expenses and we would likely incur similar expenses. The increased level of our consolidated indebtedness in connection with potential acquisitions may restrict our ability to raise additional capital on favorable terms, and such leverage, and any resulting liquidity or credit issues, could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

We may incur substantially more debt or take other actions which would intensify the risks discussed herein.

We may incur substantial additional debt in the future, some of which may be secured debt. We are not restricted under the terms of the indentures governing our 5.375% Senior Notes due 2023 and 5.125% Senior Notes from incurring additional debt, securing existing or future debt (with certain exceptions, including to the extent already secured), recapitalizing our debt or taking a number of other actions that are not limited by the terms of our debt instruments that could have the effect of diminishing our ability to make payments on our debt when due.

We may not have the funds necessary to repurchase the 5.375% Senior Notes due 2023 or the 5.125% Senior Notes upon a change of control triggering event as required by the indentures governing these notes.

Upon the occurrence of a "change of control triggering event" (as defined in the indentures governing the 5.375% Senior Notes due 2023 and the 5.125% Senior Notes), unless we have exercised our right to redeem such notes, holders of the notes will have the right to require us to repurchase all or any part of their notes at a price in cash equal to 100% of the then-outstanding aggregate principal amount of the notes repurchased plus accrued and unpaid interest, if any. There can be no assurance that we would have sufficient, available financial resources, or would be able to arrange financing, to repurchase the 5.375% Senior Notes due 2023 or the 5.125% Senior Notes upon a "change of control triggering event." A failure by us to repurchase the notes when required would result in an event of default with respect to the notes. In addition, such failure may also constitute an event of default and result in the effective acceleration of the maturity of our other then-existing indebtedness.

The requirement to offer to repurchase the 5.375% Senior Notes due 2023 and the 5.125% Senior Notes upon a "change of control triggering event" may delay or prevent an otherwise beneficial takeover attempt of us.

The requirement to offer to repurchase the 5.375% Senior Notes due 2023 and the 5.125% Senior Notes upon a "change of control triggering event" may in certain circumstances delay or prevent a takeover of us and/or the removal of incumbent management that might otherwise be beneficial to investors in our Class A common stock.

Intellectual Property

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

Our success is dependent, in part, upon our intellectual property, including our proprietary technology. We rely primarily on trade secret, contract, patent, copyright, and trademark law in the U.S. and other jurisdictions as well as confidentiality procedures and contractual provisions to establish and protect our intellectual property rights to proprietary technologies, products, services or methods, and our brand. For example, we regularly file patent applications to protect inventions arising from our research and development, and we are currently pursuing patent applications around the world. We also control access to our proprietary technology, and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties. Protecting our intellectual property rights is costly and time consuming.

Unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results. We cannot ensure that our intellectual property rights are sufficient to protect our competitive advantages or that any particular patent, copyright or trademark is valid and enforceable, and all patents ultimately expire. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws in the United States, or at all. Any significant impairment of our intellectual property rights could harm our business or our ability to compete.

Many companies, including those in the computer and financial services industries own large numbers of patents, copyrights, and trademarks and sometimes file lawsuits based on allegations of infringement or other violations of intellectual property rights. In addition, there has been a proliferation of patents applicable to these industries and a substantial increase in the number of such patent applications filed. Under current law, U.S. patent applications typically remain secret for 18 months or, in some cases, until a patent is issued. Because of technological changes in these industries, patent coverage, and the issuance of new patents, it is possible certain components of our products and services may unknowingly infringe existing patents or other intellectual property rights of others. Although we have taken steps to protect ourselves, there can be no assurance that we will be aware of all patents, copyrights or trademarks that may pose a risk of infringement by our products and services. Generally, it is not economically practicable to determine in advance whether our products or services may infringe the present or future rights of others.

Accordingly, we may face claims of infringement or other violations of intellectual property rights that could interfere with our ability to use intellectual property or technology that is material to our businesses. In addition, restrictions on the distribution of some of the market data generated by our brokerage desks could limit the comprehensiveness and quality of the data we are able to distribute or sell. The number of such third-party claims may grow. Our technologies may not be able to withstand such third-party claims or rights against their use.

We may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the 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, the diversion of resources and the attention of management, any of which could materially negatively affect our businesses. Responding to these claims could also require us to enter into royalty or licensing agreements with the third parties claiming infringement, stop selling or redesign affected products or services or pay damages on our own behalf or to satisfy indemnification commitments with our customers. Such royalty or licensing agreements, if available, may not be available on terms acceptable to us, and may negatively affect our business, financial condition, results of operations or prospects.

If our licenses from third parties are terminated or adversely changed or amended or contain material defects or errors, or if any of these third parties were to cease doing business or if products or services offered by third parties were to contain material defects or errors, our ability to operate our businesses may be materially adversely affected.

We license databases and 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 licenses were terminated or adversely changed or amended, if any of these third parties were to cease doing business or if any licensed software or databases licensed by these third parties were to contain material defects or errors, we may be forced to spend significant time and money to replace the licensed software and databases, and our ability to operate our business may be materially adversely affected. Further, any errors or defects in third-party services or products (including hardware, software, databases, cloud computing and other platforms and systems) or in services or products that we develop ourselves, could result in errors in, or a failure of our services or products, which could harm our business. Although we take steps to locate replacements, there can be no assurance that the necessary replacements will be available on acceptable terms, if at all. There can be no assurance that we will have an ongoing license to use all intellectual property which our systems require, the failure of which could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

IT Systems and Cyber-Security Risks

Defects or disruptions in our technology or services could diminish demand for our products and service and subject us to liability.

Because our technology, products and services are complex and use or incorporate a variety of computer hardware, software and databases, both developed in-house and acquired from third party vendors, our technology, products and services may have errors or defects. Errors and defects could result in unanticipated downtime or failure, and could cause financial loss and harm to our reputation and our business. We have from time to time found defects and errors in our technology, products and service and defects and errors in our technology, products or services may be detected in the future. In addition, our customers may use our technology, products and services in unanticipated ways that may cause a disruption for other customers. As we acquire companies, we may encounter difficulty in incorporating the acquired technologies, products and services, and maintaining the quality standards that are consistent with our technology, products and services. Additionally, we intend to move some of our IT infrastructure in the U.K. during 2019 in connection with the relocation of the Company's U.K. headquarters. Although we will take actions to protect against this and have redundancies in place, our technology, products or services could be negatively affected by the headquarters move. Since our customers use our technology, products and services for important aspects of their business and for financial transactions, any errors, defects, or disruptions in such technology, products and services or other performance problems with our technology, products and services could subject our customers to financial loss and hurt our reputation.

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

If we experience computer systems failures or capacity constraints, our ability to conduct our business operations could be harmed. We support and maintain many of our computer systems and networks internally. Our failure to monitor or maintain these systems and networks or, if necessary, to find a replacement for this technology in a timely and cost-effective manner, could have a material adverse effect on our ability to conduct our business operations.

Although all of our business critical systems have been designed and implemented with fault tolerant and/or redundant clustered hardware and diversely routed network connectivity, our redundant systems or disaster recovery plans may prove to be inadequate. Although we operate four geographically disparate main data centers, they could be subject to failure due to environmental factors, power outage and other factors. We may be subject to system failures and outages which might impact our revenues and relationships with customers. In addition, we will be subject to risk in the event that systems of our customers, business partners, counterparties, vendors, and other third parties, including exchanges and clearing organizations, are subject to failures and outages.

We rely on various third parties for computer and communications systems, such as telephone companies, online service providers, cloud computing providers, data processors, and software and hardware vendors. Our systems, or those of our third-party providers, may fail or operate slowly, causing one or more of the following, which may not in all cases be covered by insurance:

- unanticipated disruptions in service to our customers;
- slower response times;
- delays in our customers’ trade executions;
- failed settlement of trades;
- incomplete or inaccurate accounting, recording or processing of trades;
- financial losses;
- litigation or other customer claims; and