

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2020

OR

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

Commission File Numbers: 0-28191

BGC Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

499 Park Avenue, New York, NY

(Address of principal executive offices)

13-4063515

(I.R.S. Employer
Identification No.)

10022

(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	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	BGCP	The Nasdaq Stock Market, LLC
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. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
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	<input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>	

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

On November 3, 2020, the registrant had 316,710,462 shares of Class A common stock, \$0.01 par value, and 45,884,380 shares of Class B common stock, \$0.01 par value, outstanding.

BGC PARTNERS, INC.

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GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

The following terms, abbreviations and acronyms are used to identify frequently used terms and phrases in this report:

<u>TERM</u>	<u>DEFINITION</u>
3.750% Senior Notes	The Company's \$300.0 million principal amount of 3.750% senior notes maturing on October 1, 2024 and issued on September 27, 2019
4.375% Senior Notes	The Company's \$300.0 million principal amount of 4.375% senior notes maturing on December 15, 2025 and issued on July 10, 2020
5.125% Senior Notes	The Company's original \$300.0 million principal amount of 5.125% senior notes maturing on May 27, 2021 and issued on May 27, 2016, of which \$44.0 million was redeemed through a cash tender offer by the Company on August 14, 2020
5.375% Senior Notes	The Company's \$450.0 million principal amount of 5.375% senior notes maturing on July 24, 2023 and issued on July 24, 2018
Adjusted Earnings	A non-GAAP financial measure used by the Company to evaluate financial performance, which primarily excludes (i) certain non-cash items and other expenses that generally do not involve the receipt or outlay of cash and do not dilute existing stockholders, and (ii) certain gains and charges that management believes do not best reflect the ordinary results of BGC
Algomi	Algomi Limited, a wholly owned subsidiary of the Company, acquired on March 6, 2020
April 2008 distribution rights shares	Cantor's deferred stock distribution rights provided to current and former Cantor partners on April 1, 2008
API	Application Programming Interface
Aqua	Aqua Securities L.P., an alternative electronic trading platform, which offers new pools of block liquidity to the global equities markets and is a 49%-owned equity method investment of the Company and 51% owned by Cantor
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Audit Committee	Audit Committee of the Board
BEAT	Base Erosion and Anti-abuse Tax
Besso	Besso Insurance Group Limited, a wholly owned subsidiary of the Company, acquired on February 28, 2017
BGC	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
BGC or our Class A common stock	BGC Partners Class A common stock, par value \$0.01 per share
BGC or our Class B common stock	BGC Partners Class B common stock, par value \$0.01 per share
BGC Credit Agreement	Agreement between the Company and Cantor, dated March 19, 2018, that provides for each party or its subsidiaries to borrow up to \$250.0 million, as amended on August 6, 2018 to increase the facility to \$400.0 million
BGC Financial or BGCF	BGC Financial, L.P
BGC Global OpCo	BGC Global Holdings, L.P., an operating partnership, which is owned jointly by BGC and BGC Holdings and holds the non-U.S. businesses of BGC
BGC Group	BGC, BGC Holdings, and BGC U.S. OpCo, and their respective subsidiaries (other than, prior to the Spin-Off, the Newmark Group), collectively

TERM**DEFINITION**

BGC Holdings	BGC Holdings, L.P., an entity owned by Cantor, Founding Partners, BGC employee partners and, after the Separation, Newmark employee partners
BGC Holdings Distribution	Pro-rata distribution, pursuant to the Separation and Distribution Agreement, by BGC Holdings to its partners of all of the exchangeable limited partnership interests of Newmark Holdings owned by BGC Holdings immediately prior to the distribution, completed on the Distribution Date
BGC OpCos	BGC U.S. OpCo and BGC Global OpCo, collectively
BGC Partners	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
BGC U.S. OpCo	BGC Partners, L.P., an operating partnership, which is owned jointly by BGC and BGC Holdings and holds the U.S. businesses of BGC
Board	Board of Directors of the Company
Brexit	Exit of the U.K. from the EU
Cantor	Cantor Fitzgerald, L.P. and, where applicable, its subsidiaries
Cantor group	Cantor and its subsidiaries other than BGC Partners
Cantor units	Limited partnership interests of BGC Holdings or Newmark Holdings held by the Cantor group, which units are exchangeable into shares of BGC Class A common stock or BGC Class B common stock, or Newmark Class A common stock or Newmark Class B common stock, as applicable
CCRE	Cantor Commercial Real Estate Company, L.P.
CECL	Current Expected Credit Losses
CEO Program	Controlled equity offering program
CF&Co	Cantor Fitzgerald & Co., a wholly owned broker-dealer subsidiary of Cantor
CFGF	CFG Group Management, Inc., the general partner of Cantor
CFS	Cantor Fitzgerald Securities, a wholly owned broker-dealer subsidiary of Cantor
CFTC	Commodity Futures Trading Commission
Charity Day	BGC's annual event held on September 11 th where employees of the Company raise proceeds for charity
Class B Issuance	Issuance by BGC of 10,323,366 and 712,907 shares of BGC Class B common stock to Cantor and CFGF, respectively, in exchange for 11,036,273 shares of BGC Class A common stock under the Exchange Agreement, completed on November 23, 2018
CLOB	Central Limit Order Book
CME	CME Group Inc., the company that acquired NEX in November 2018
Company	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
Company Debt Securities	The 5.125% Senior Notes, 5.375% Senior Notes, 3.750% Senior Notes, 4.375% Senior Notes and any future debt securities issued by the Company
Compensation Committee	Compensation Committee of the Board
Contribution Ratio	Equal to a BGC Holdings limited partnership interest multiplied by one, divided by 2.2 (or 0.4545)
Converted Term Loan	BGC's term loan in an aggregate principal amount of \$400.0 million entered into on November 22, 2017 in conversion of its then-outstanding borrowings under its revolving credit facility, which Converted Term Loan was assumed by Newmark in connection with the Separation and was repaid on November 6, 2018

<u>TERM</u>	<u>DEFINITION</u>
COVID-19	Coronavirus Disease 2019
CRD	Capital Requirements Directive
Credit Facility	A \$150.0 million credit facility between the Company and an affiliate of Cantor entered into on April 21, 2017, which was terminated on March 19, 2018
CSC	CSC Commodities UK Limited
Distribution Date	November 30, 2018, the date that BGC and BGC Holdings completed the Spin-Off and the BGC Holdings Distribution, respectively
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
ECB	European Central Bank
Ed Broking	Ed Broking Group Limited, a wholly owned subsidiary of the Company, acquired on January 31, 2019
EMIR	European Market Infrastructure Regulation
EPS	Earnings Per Share
Equity Plan	Seventh Amended and Restated Long Term Incentive Plan, approved by the Company's stockholders at the annual meeting of stockholders on June 22, 2016
ESG	Environmental, social and governance
eSpeed	Various assets comprising the Fully Electronic portion of the Company's former benchmark on-the-run U.S. Treasury brokerage, market data and co-location service businesses, sold to Nasdaq on June 28, 2013
ETR	Effective Tax Rate
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
Exchange Agreement	A letter agreement by and between BGC Partners and Cantor and CFGM, dated June 5, 2015, that grants Cantor and CFGM the right to exchange shares of BGC Class A common stock into shares of BGC Class B common stock on a one-to-one basis up to the limits described therein
Exchange Ratio	Ratio by which a Newmark Holdings limited partnership interest can be exchanged for shares of Newmark Class A or Class B common stock
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority of the U.K.
FCM	Futures Commission Merchant
February 2012 distribution rights shares	Cantor's deferred stock distribution rights provided to current and former Cantor partners on February 14, 2012
Fenics	BGC's group of electronic brands, offering a number of market infrastructure and connectivity services, Fully Electronic marketplaces, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution, including market data and related information services, Fully Electronic brokerage, connectivity software, compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions
FINRA	Financial Industry Regulatory Authority

TERM**DEFINITION**

Founding Partners	Individuals who became limited partners of BGC Holdings in the mandatory redemption of interests in Cantor in connection with the 2008 separation and merger of Cantor's BGC division with eSpeed, Inc. (provided that members of the Cantor group and Howard W. Lutnick (including any entity directly or indirectly controlled by Mr. Lutnick or any trust with respect to which he is a grantor, trustee or beneficiary) are not founding partners) and became limited partners of Newmark Holdings in the Separation
Founding/Working Partners	Holders of FPU's
FPU's	Founding/Working Partners units in BGC Holdings or Newmark Holdings that are generally redeemed upon termination of employment
Freedom	Freedom International Brokerage Company, a 45%-owned equity method investment of the Company
Fully Electronic	Broking transactions intermediated on a solely electronic basis rather than by Voice or Hybrid Broking
FX	Foreign exchange
GDPR	General Data Protection Regulation
GFI	GFI Group Inc., a wholly owned subsidiary of the Company, acquired on January 12, 2016
GFI Merger	Acquisition of GFI by a wholly owned subsidiary of the Company pursuant to the GFI Merger Agreement, completed on January 12, 2016 after BGC's acquisition of Jersey Partners, Inc., GFI's largest shareholder
GFI Merger Agreement	Agreement in connection with the GFI Merger, dated December 22, 2015
GILTI	Global Intangible Low-Taxed Income
Ginga Petroleum	Ginga Petroleum (Singapore) Pte Ltd, a wholly owned subsidiary of the Company, acquired on March 12, 2019
GUI	Graphical User Interface
HDUs	LPU's with capital accounts, which are liability awards recorded in "Accrued compensation" in the Company's statements of financial condition
Hybrid	Broking transactions executed by brokers and involving some element of Voice Broking and electronic trading
ICAP	ICAP plc, a part of TP ICAP group, and a leading markets operator and provider of execution and information services
ICE	Intercontinental Exchange
IMO	Initial Margin Optimization
Incentive Plan	The Company's Second Amended and Restated Incentive Bonus Compensation Plan, approved by the Company's stockholders at the annual meeting of stockholders on June 6, 2017
Investment in Newmark	Purchase of 16.6 million Newmark Holdings limited partnership units for \$242.0 million by BGC Partners and BGC U.S. OpCo on March 7, 2018
Legacy BGC Holdings Units	BGC Holdings LPU's outstanding immediately prior to the Separation
Legacy Newmark Holdings Units	Newmark Holdings LPU's issued in connection with the Separation
LGD	Loss Given Default
LIBOR	London Interbank Offering Rate

TERM**DEFINITION**

LPU	Certain limited partnership units in BGC Holdings or Newmark Holdings held by certain employees of BGC Partners or Newmark and other persons who have provided services to BGC Partners or Newmark, which units may include APSIs, APSUs, AREUs, ARPSUs, HDUs, U.K. LPUs, N Units, PLPUs, PPSIs, PPSUs, PSEs, PSIs, PSUs, REUs, and RPUs, along with future types of limited partnership units in BGC Holdings or Newmark Holdings
Lucera	A wholly owned subsidiary of the Company. Lucera (also known as “LFI Holdings, LLC” or “LFI”) is our software defined network, offering the trading community direct connectivity
March 2018 Sales Agreement	CEO sales agreement, by and between the Company and CF&Co, dated March 9, 2018, pursuant to which the Company may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock
MEA	Middle East and Africa region
MiFID II	Markets in Financial Instruments Directive II, a legislative framework instituted by the EU to regulate financial markets and improve protections for investors by increasing transparency and standardizing regulatory disclosures
Mint Brokers	A wholly owned subsidiary of the Company, acquired on August 19, 2010, registered as an FCM with both the CFTC and NFA
Nasdaq	Nasdaq, Inc., formerly known as NASDAQ OMX Group, Inc.
Newmark	Newmark Group, Inc. (NASDAQ symbol: NMRK), a publicly traded and former majority-owned subsidiary of BGC until the Distribution Date, and, where applicable, its consolidated subsidiaries
Newmark Class A common stock	Newmark Group Class A common stock, par value \$0.01 per share
Newmark Class B common stock	Newmark Group Class B common stock, par value \$0.01 per share
Newmark Group	Newmark, Newmark Holdings, and Newmark OpCo and their respective subsidiaries, collectively
Newmark Holdings	Newmark Holdings, L.P.
Newmark IPO	Initial public offering of 23 million shares of Newmark Class A common stock by Newmark at a price of \$14.00 per share in December 2017
Newmark OpCo	Newmark Partners, L.P., an operating partnership, which is owned jointly by Newmark and Newmark Holdings and holds the business of Newmark
NYAG	New York Attorney General’s Office
NEX	NEX Group plc, an entity formed in December 2016, formerly known as ICAP
NFA	National Futures Association
Non-GAAP	A financial measure that differs from the most directly comparable measure calculated and presented in accordance with U.S. GAAP, such as Adjusted Earnings and Adjusted EBITDA
N Units	Non-distributing partnership units of BGC Holdings or Newmark Holdings that may not be allocated any item of profit or loss, and may not be made exchangeable into shares of Class A common stock, including NREUs, NPREUs, NLPUs, NPLPUs, NPSUs, and NPPSUs
OCI	Other comprehensive income (loss), including gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities (in periods prior to January 1, 2018), certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
OECD	Organization for Economic Cooperation and Development
OTC	Over-the-Counter
OTF	Organized Trading Facility, a regulated execution venue category introduced by MiFID II

TERM**DEFINITION**

PCD assets	Purchased financial assets with deterioration in credit quality since origination
PD	Probability of Default
Period Cost Method	Treatment of taxes associated with the GILTI provision as a current period expense when incurred rather than recording deferred taxes for basis differences
Poten & Partners	Poten & Partners Group, Inc., a wholly owned subsidiary of the Company, acquired on November 15, 2018
Preferred Distribution	Allocation of net profits of BGC Holdings or Newmark Holdings to holders of Preferred Units, at a rate of either 0.6875% (i.e., 2.75% per calendar year) or such other amount as set forth in the award documentation
Preferred Units	Preferred partnership units in BGC Holdings or Newmark Holdings, such as PPSUs, which are settled for cash, rather than made exchangeable into shares of Class A common stock, are only entitled to a Preferred Distribution, and are not included in BGC's or Newmark's fully diluted share count
Real Estate L.P.	CF Real Estate Finance Holdings, L.P., a commercial real estate-related financial and investment business controlled and managed by Cantor, of which Newmark owns a minority interest
Real GDP	Real Gross Domestic Product is a macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation), which transforms the money-value measure, nominal GDP, into an index for quantity of total output
Record Date	Close of business on November 23, 2018, in connection with the Spin-Off
Repurchase Agreements	Securities sold under agreements to repurchase that are recorded at contractual amounts, including interest, and accounted for as collateralized financing transactions
Revolving Credit Agreement	The Company's unsecured senior revolving credit facility with Bank of America, N.A., as administrative agent, and a syndicate of lenders, dated as of November 28, 2018, that provides for a maximum revolving loan balance of \$350.0 million, bearing interest at either LIBOR or a defined base rate plus additional margin, amended on December 11, 2019 to extend the maturity date to February 26, 2021 and further amended on February 26, 2020 to extend the maturity date to February 26, 2023
ROU	Right-of-Use
RSUs	BGC or Newmark unvested restricted stock units, payable in shares of BGC Class A common stock or Newmark Class A common stock, respectively, held by certain employees of BGC Partners or Newmark and other persons who have provided services to BGC Partners or Newmark, or issued in connection with certain acquisitions
SaaS	Software as a Service
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SEF	Swap Execution Facility
Separation	Principal corporate transactions pursuant to the Separation and Distribution Agreement, by which BGC, BGC Holdings and BGC U.S. OpCo and their respective subsidiaries (other than the Newmark Group) transferred to Newmark, Newmark Holdings and Newmark OpCo and their respective subsidiaries the assets and liabilities of the BGC Group relating to BGC's real estate services business, and related transactions, including the distribution of Newmark Holdings units to holders of units in BGC Holdings and the assumption and repayment of certain BGC indebtedness by Newmark
Separation and Distribution Agreement	Separation and Distribution Agreement, by and among the BGC Group, the Newmark Group, Cantor and BGC Global OpCo, originally entered into on December 13, 2017, as amended on November 8, 2018 and amended and restated on November 23, 2018
SMCR	Senior Managers Certification Regime

TERM**DEFINITION**

Spin-Off	Pro-rata distribution, pursuant to the Separation and Distribution Agreement, by BGC to its stockholders of all the shares of common stock of Newmark owned by BGC Partners immediately prior to the Distribution Date, with shares of Newmark Class A common stock distributed to the holders of shares of BGC Class A common stock (including directors and executive officers of BGC Partners) of record on the Record Date, and shares of Newmark Class B common stock distributed to the holders of shares of BGC Class B common stock (Cantor and CFGM) of record on the Record Date, completed on the Distribution Date
Tax Act	Tax Cuts and Jobs Act enacted on December 22, 2017
Term Loan	BGC's term loan in an aggregate principal amount of \$575.0 million under a credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, dated as of September 8, 2017, as amended, which Term Loan was assumed by Newmark in connection with the Separation and repaid on March 31, 2018
Tower Bridge	Tower Bridge International Services L.P., a subsidiary of the Company, which is 52% owned by the Company and 48% owned by Cantor
TP ICAP	TP ICAP plc, an entity formed in December 2016, formerly known as Tullett
Tullett	Tullett Prebon plc, a part of TP ICAP group and an interdealer broker, primarily operating as an intermediary in the wholesale financial and energy sectors
U.K.	United Kingdom
U.S. GAAP or GAAP	Generally Accepted Accounting Principles in the United States of America
UBT	Unincorporated Business Tax
VIE	Variable Interest Entity
Voice	Voice-only broking transactions executed by brokers over the telephone

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements. 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,” and similar expressions are intended to identify forward-looking statements.

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

- the impact of the COVID-19 pandemic, including possible successive waves, on our operations, including the continued ability of our executives, employees, customers, clients, third-party service providers, exchanges and other facilities to perform their functions at normal levels and the availability of the requisite technology to execute trades in certain Fully Electronic offerings while working remotely;
- macroeconomic and other challenges and uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, including the development and distribution of an effective vaccine, public acceptance of the vaccine, and governmental and public reactions thereto, the U.S. and global economies, financial and insurance markets and consumer and corporate clients and customers, including economic activity, employment levels and market liquidity, as well as the various actions taken in response to the challenges and uncertainties by governments, central banks and others, including us;
- market conditions, including trading volume and volatility in the demand for the products and services we provide, resulting from the effects of COVID-19 or otherwise, possible disruptions in trading, developments in the insurance industry, potential deterioration of equity and debt capital markets, impact of significant changes in interest rates and our ability to access the capital markets as needed or on reasonable terms and conditions;
- 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, cash and clearing capital requirements and the impact of credit market events, including the impact of COVID-19 and actions taken by governments and businesses in response thereto on the credit markets and interest rates;
- our relationships and transactions with Cantor and its affiliates, including CF&Co, and CCRE, our structure, including BGC Holdings, which is owned by us, Cantor, our employee partners and other partners, and the BGC OpCos, which are owned jointly by us and BGC Holdings, any possible changes to our structure, any related transactions, 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, BGC Holdings, or the BGC OpCos, including the balances and interest rates thereof from time to time and any convertible or equity features of any such loans, CF&Co’s acting as our sales agent or underwriter under our CEO program or other offerings, Cantor’s holdings of the Company’s Debt Securities, CF&Co’s acting as a market maker in the Company’s Debt Securities, CF&Co’s acting as our financial advisor in connection with potential acquisitions, dispositions, or other transactions and our participation in various investments, stock loans or cash management vehicles placed by or recommended by CF&Co;
- the impact on our stock price of the reduction of our dividend and potential future changes in our dividend policy, as well as reductions in BGC Holdings distributions to partners and the related impact of such reductions, as well as layoffs, salary cuts, and expected lower commissions or bonuses on the repayment of partner loans;
- the integration of acquired businesses with our other businesses;
- the rebranding of our current businesses or risks related to any potential dispositions of all or any portion of our existing or acquired businesses;
- market volatility as a result of the effects of COVID-19, which may not be sustainable or predictable in future periods;
- economic or geopolitical conditions or uncertainties, the actions of governments or central banks, including the impact of COVID-19 on the global markets, and related government stimulus packages, government “shelter-in-place” mandates and other restrictions on business and commercial activity and timing of reopening of world economies, uncertainty regarding the nature, timing and consequences of Brexit following the withdrawal process, proposed transition period 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 (including U.S.- China trade relations), political and labor unrest in France, Hong Kong, China, and other jurisdictions, conflict in the Middle East, the impact of U.S. government shutdowns, elections, political unrest or stalemates relating to the U.S. Presidential and Congressional elections or in response to governmental mandates and other restrictions related to COVID-19 in the U.S. or abroad, risks of illness of the U.S. President and other governmental officials, 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 hurricanes as well as power failures,

communication and transportation disruptions, and other interruptions of utilities or other essential services and the impacts of pandemics and other international health emergencies, including COVID-19;

- the effect on our businesses, our clients, the markets in which we operate, our possible restructuring, and the economy in general of changes in the U.S. and foreign tax and other laws, including changes in tax rates, repatriation rules, and deductibility of interest, potential policy and regulatory changes in Mexico and other countries, sequestrations, uncertainties regarding the debt ceiling and the federal budget, and other potential political policies;
- the effect on our businesses of changes in interest rates, changes in benchmarks, including the phase out of LIBOR, the level of worldwide governmental debt issuances, austerity programs, government stimulus packages, including those related to COVID-19, increases or decreases in deficits and the impact of increased government tax rates, 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, remediation, fines, penalties, sanctions, and changes to or restrictions or limitations on specific activities, including potential delays in accessing markets, including due to our regulatory status and actions, 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 any extraordinary transactions, including the possible restructuring of our partnership into a corporate structure, including potential dilution and other impacts, as well as the continuing effects on our businesses and operations of the Spin-Off, to our stockholders, including Cantor and our executive officers, of all of the shares of common stock of Newmark which were owned by us immediately prior to the Distribution Date, including on any equity-based compensation paid to our employees, including our executive officers, in the form of shares of Newmark or units in Newmark Holdings, for services rendered to us, and any equity-based compensation paid to Newmark employees, including our executive officers, in the form of our shares or units of BGC Holdings for services rendered to Newmark, following the Spin-Off;
- costs and expenses of developing, maintaining, and protecting our intellectual property, as well as employment, regulatory, and other litigation and proceedings, and their related costs, including judgments, indemnities, fines, 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, reduced availability under the Revolving Credit Agreement resulting from recent borrowings, and the need for short- or long-term borrowings, including from Cantor, our ability to refinance our indebtedness, including in the credit markets weakened by the impact of COVID-19, and changes to interest rates and liquidity or our access to 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 in the BGC OpCos, defaults or impairments on our investments, joint venture interests, stock loans or cash management vehicles and collectability of loan balances owed to us by partners, employees, the BGC OpCos or others;
- our ability to enter new markets or develop new products, trading desks, marketplaces, or services for existing or new clients, including efforts to convert certain existing products to a Fully Electronic trade execution, and to induce such clients to use these products, trading desks, marketplaces, or services and to secure and maintain market share, including changes to the likelihood or timing of such efforts due to COVID-19 or other measures;
- the impact of the Spin-Off and related transactions or any restructuring or similar transactions on 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 failure to realize 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, such as Fenics and our insurance brokerage business, 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, and recent departures of senior personnel;
- our ability to expand the use of technology for Hybrid and Fully Electronic trade execution 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 or significant deficiencies in our internal controls that could affect our ability to properly maintain books and records, 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 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 increased demands on such systems and on the telecommunications infrastructure from remote working during the COVID-19 pandemic, 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 effectiveness of our governance, risk management, and oversight procedures and impact of any potential transactions or relationships with related parties;
- the impact of our ESG or “sustainability” ratings on the decisions by clients, investors, ratings agencies, potential clients and other parties with respect to our businesses, investments in us or the market for and trading price of BGC Class A common stock, Company Debt Securities, or other matters;
- the fact that the prices at which shares of our Class A common stock are or may be sold in one or more of our CEO Program or in other offerings, acquisitions, 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;
- the impact of our recent significant reductions to our dividends and distributions and the timing and amounts of any future dividends or distributions, including 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 in BGC Holdings, or other equity interests in us or any of our other subsidiaries, including the BGC OpCos, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of shares of BGC Class A common stock and Company Debt Securities; and
- the effect on the markets for and trading prices of our Class A common stock and Company Debt Securities due to COVID-19 and other market factors as well as on various offerings and other transactions, including our CEO Program and other offerings of our Class A common stock and convertible or exchangeable debt or other securities, our repurchases of shares of our Class A common stock and purchases or redemptions 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 our Class A common stock in connection therewith, including in corporate or partnership restructurings, our payment of dividends on our Class A common stock and distributions on limited partnership interests in BGC Holdings and the BGC OpCos, convertible arbitrage, hedging, and other transactions engaged in by us or holders of our outstanding shares, Company Debt Securities, share sales and stock pledge, stock loans, 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, corporate or partnership restructurings, acquisitions, conversions of shares of our Class B common stock and our other convertible securities into shares of our Class A common stock, stock pledge, stock loan, or other financing transactions, and distributions of our Class A common stock by Cantor to its partners, including the April 2008 and February 2012 distribution rights shares.

The foregoing risks and uncertainties, as well as those risks and uncertainties set forth in this Quarterly Report on Form 10-Q, 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-Q with 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 with respect to our securities filed on behalf of Cantor, CFGM, our directors and our executive officers; and amendments to those documents. Our website also contains additional information with respect to our industry and businesses. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except per share data)
(unaudited)

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 492,303	\$ 415,379
Cash segregated under regulatory requirements	244,230	220,735
Securities owned	58,547	57,525
Marketable securities	303	14,228
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	1,140,121	551,445
Accrued commissions and other receivables, net	689,045	778,415
Loans, forgivable loans and other receivables from employees and partners, net	401,633	315,590
Fixed assets, net	218,654	204,841
Investments	40,169	40,349
Goodwill	553,688	553,745
Other intangible assets, net	291,339	303,224
Receivables from related parties	14,246	14,273
Other assets	450,007	446,371
Total assets	<u>\$ 4,594,285</u>	<u>\$ 3,916,120</u>
Liabilities, Redeemable Partnership Interest, and Equity		
Short-term borrowings	\$ 3,546	\$ 4,962
Repurchase agreements	2,089	—
Securities loaned	—	13,902
Accrued compensation	212,561	215,085
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	988,329	416,566
Payables to related parties	45,750	72,497
Accounts payable, accrued and other liabilities	1,197,615	1,283,046
Notes payable and other borrowings	<u>1,318,490</u>	<u>1,142,687</u>
Total liabilities	3,768,380	3,148,745
Commitments, contingencies and guarantees (Note 20)		
Redeemable partnership interest	23,280	23,638
Equity		
Stockholders' equity:		
Class A common stock, par value \$0.01 per share; 750,000 shares authorized; 365,842 and 358,440 shares issued at September 30, 2020 and December 31, 2019, respectively; and 315,315 and 307,915 shares outstanding at September 30, 2020 and December 31, 2019, respectively	3,658	3,584
Class B common stock, par value \$0.01 per share; 150,000 shares authorized; 45,884 shares issued and outstanding at each of September 30, 2020 and December 31, 2019, convertible into Class A common stock	459	459
Additional paid-in capital	2,317,706	2,271,947
Treasury stock, at cost: 50,527 and 50,525 shares of Class A common stock at each of September 30, 2020 and December 31, 2019, respectively	(315,313)	(315,308)
Retained deficit	(1,237,657)	(1,241,754)
Accumulated other comprehensive income (loss)	<u>(39,405)</u>	<u>(33,102)</u>
Total stockholders' equity	729,448	685,826
Noncontrolling interest in subsidiaries	<u>73,177</u>	<u>57,911</u>
Total equity	802,625	743,737
Total liabilities, redeemable partnership interest, and equity	<u>\$ 4,594,285</u>	<u>\$ 3,916,120</u>

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

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Commissions	\$ 352,027	\$ 409,765	\$ 1,190,522	\$ 1,262,921
Principal transactions	65,182	75,536	277,946	250,198
Fees from related parties	8,814	8,208	20,897	21,224
Data, software and post-trade	21,523	18,364	61,060	55,015
Interest and dividend income	2,418	3,976	13,115	15,454
Other revenues	5,075	5,288	13,754	12,263
Total revenues	455,039	521,137	1,577,294	1,617,075
Expenses:				
Compensation and employee benefits	244,240	278,544	872,426	856,615
Equity-based compensation and allocations of net income to limited partnership units and FPU's	33,007	40,330	103,030	96,223
Total compensation and employee benefits	277,247	318,874	975,456	952,838
Occupancy and equipment	45,224	44,709	143,545	135,820
Fees to related parties	7,610	7,123	18,239	16,507
Professional and consulting fees	15,637	21,262	55,398	64,614
Communications	30,088	29,882	91,133	90,267
Selling and promotion	5,943	20,320	31,276	60,213
Commissions and floor brokerage	12,933	15,831	45,730	47,240
Interest expense	19,488	15,258	54,279	43,441
Other expenses	18,458	42,757	59,145	88,537
Total expenses	432,628	516,016	1,474,201	1,499,477
Other income (losses) , net:				
Gain (loss) on divestitures and sale of investments	(9)	—	(9)	18,435
Gains (losses) on equity method investments	1,527	1,530	3,669	3,051
Other income (loss)	4,779	2,095	(107)	23,491
Total other income (losses), net	6,297	3,625	3,553	44,977
Income (loss) from operations before income taxes	28,708	8,746	106,646	162,575
Provision (benefit) for income taxes	3,778	6,186	21,125	51,076
Consolidated net income (loss)	\$ 24,930	\$ 2,560	\$ 85,521	\$ 111,499
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	5,549	6,089	23,727	39,549
Net income (loss) available to common stockholders	\$ 19,381	\$ (3,529)	\$ 61,794	\$ 71,950
Per share data:				
<i>Basic earnings (loss) per share</i>				
Net income (loss) available to common stockholders	\$ 19,381	\$ (3,529)	\$ 61,794	\$ 71,950
Basic earnings (loss) per share	\$ 0.05	\$ (0.01)	\$ 0.17	\$ 0.21
Basic weighted-average shares of common stock outstanding	363,244	346,060	360,629	341,940
<i>Fully diluted earnings (loss) per share</i>				
Net income (loss) for fully diluted shares	\$ 29,575	\$ (3,529)	\$ 90,270	\$ 108,378
Fully diluted earnings (loss) per share	\$ 0.05	\$ (0.01)	\$ 0.17	\$ 0.21
Fully diluted weighted-average shares of common stock outstanding	549,244	346,060	544,475	523,218

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

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Consolidated net income (loss)	\$ 24,930	\$ 2,560	\$ 85,521	\$ 111,499
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	8,190	(8,241)	(8,375)	(10,476)
Benefit plans	—	—	2,236	—
Total other comprehensive income (loss), net of tax	8,190	(8,241)	(6,139)	(10,476)
Comprehensive income (loss)	33,120	(5,681)	79,382	101,023
Less: Comprehensive income (loss) attributable to noncontrolling interest in subsidiaries, net of tax	6,574	5,110	23,891	38,260
Comprehensive income (loss) attributable to common stockholders	<u>\$ 26,546</u>	<u>\$ (10,791)</u>	<u>\$ 55,491</u>	<u>\$ 62,763</u>

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

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

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	\$ 85,521	\$ 111,499
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Fixed asset depreciation and intangible asset amortization	63,075	58,710
Employee loan amortization and reserves on employee loans	42,733	23,286
Equity-based compensation and allocations of net income to limited partnership units and FPU's	103,030	96,223
Deferred compensation expense	502	1,193
Losses (gains) on equity method investments	(966)	(3,051)
Realized losses (gains) on marketable securities	(289)	(3,528)
Unrealized losses (gains) on marketable securities	(24)	(2,197)
Loss (gains) on other investments	1,036	(20,396)
Amortization of discount (premium) on notes payable	3,204	2,216
Impairment of fixed assets, intangible assets and investments	5,238	1,302
Deferred tax provision (benefit)	(1,202)	181
Change in estimated acquisition earn-out payables	1,172	(4,371)
Forfeitures of Class A common stock	—	(139)
Other	3,643	—
Consolidated net income (loss), adjusted for non-cash and non-operating items	306,673	260,928
Decrease (increase) in operating assets:		
Securities owned	(1,078)	(1,990)
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(588,483)	(2,529,636)
Accrued commissions receivable, net	92,714	15,115
Loans, forgivable loans and other receivables from employees and partners, net	(135,874)	(76,489)
Receivables from related parties	(3,664)	91
Other assets	(14,782)	(15,158)
Increase (decrease) in operating liabilities:		
Repurchase agreements	2,089	909
Securities loaned	(13,902)	(2,140)
Accrued compensation	1,656	(5,583)
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	571,965	2,529,655
Payables to related parties	(26,899)	45,047
Accounts payable, accrued and other liabilities	(48,880)	(87,169)
Net cash provided by (used in) operating activities	\$ 141,535	\$ 133,580

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

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	\$ (28,586)	\$ (36,618)
Capitalization of software development costs	(41,076)	(29,997)
Purchase of equity method investments	(1,103)	(1,103)
Proceeds from equity method investments	1,650	3,737
Payments for acquisitions, net of cash and restricted cash acquired	(7,871)	26,264
Proceeds from sale of marketable securities	14,237	24,626
Purchase of assets	(2,000)	—
Net cash provided by (used in) investing activities	\$ (64,749)	\$ (13,091)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt and collateralized borrowings	\$ (354,353)	\$ (328,974)
Issuance of long-term debt and collateralized borrowings, net of deferred issuance costs	524,551	670,263
Earnings distributions to limited partnership interests and other noncontrolling interests	(63,109)	(74,484)
Redemption and repurchase of limited partnership interests	(11,899)	(22,736)
Dividends to stockholders	(56,814)	(131,039)
Repurchase of Class A common stock	(6)	(1,236)
Cancellation of RSUs in satisfaction of withholding tax requirements	—	(458)
Payments on acquisition earn-outs	(8,540)	(7,888)
Net cash provided by (used in) financing activities	\$ 29,830	\$ 103,448
Effect of exchange rate changes on Cash and cash equivalents and Cash segregated under regulatory requirements	(6,197)	(3,235)
Net increase (decrease) in Cash and cash equivalents and Cash segregated under regulatory requirements	100,419	220,702
Cash and cash equivalents and Cash segregated under regulatory requirements at beginning of period	636,114	416,778
Cash and cash equivalents and Cash segregated under regulatory requirements at end of period	\$ 736,533	\$ 637,480
Supplemental cash information:		
Cash paid during the period for taxes	\$ 30,043	\$ 28,817
Cash paid during the period for interest	48,036	41,830
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	\$ 10,029	\$ 23,414
Issuance of Class A and contingent Class A common stock and limited partnership interests for acquisitions	1,377	3,038
ROU assets and liabilities	17,628	202,275

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

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three and Nine Months Ended September 30, 2020
(in thousands, except share amounts)
(unaudited)

	BGC Partners, Inc. Stockholders							
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, July 1, 2020	\$ 3,638	\$ 459	\$ 2,308,973	\$ (315,308)	\$ (1,253,434)	\$ (46,570)	\$ 64,920	\$ 762,678
Consolidated net income (loss)	—	—	—	—	19,381	—	5,549	24,930
Other comprehensive income (loss), net of tax	—	—	—	—	—	7,165	1,025	8,190
Equity-based compensation, 114,967 shares	1	—	2,701	—	—	—	1,297	3,999
Dividends to common stockholders	—	—	—	—	(3,604)	—	—	(3,604)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(3,142)	(3,142)
Grant of exchangeability and redemption of limited partnership interests, issuance of 1,746,526 shares	17	—	5,660	—	—	—	3,854	9,531
Issuance of Class A common stock (net of costs), 91,034 shares	1	—	233	—	—	—	6	240
Redemption of FPU's, 26,594 units	—	—	—	—	—	—	(32)	(32)
Repurchase of Class A common stock, 2,259 shares	—	—	—	(5)	—	—	(1)	(6)
Contributions of capital to and from Cantor for equity-based compensation	—	—	85	—	—	—	52	137
Issuance of Class A common stock and RSUs for acquisitions, 41,593 shares	1	—	84	—	—	—	(106)	(21)
Other	—	—	(30)	—	—	—	(245)	(275)
Balance, September 30, 2020	\$ 3,658	\$ 459	\$ 2,317,706	\$ (315,313)	\$ (1,237,657)	\$ (39,405)	\$ 73,177	\$ 802,625

	BGC Partners, Inc. Stockholders							
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2020	\$ 3,584	\$ 459	\$ 2,271,947	\$ (315,308)	\$ (1,241,754)	\$ (33,102)	\$ 57,911	\$ 743,737
Consolidated net income (loss)	—	—	—	—	61,794	—	23,727	85,521
Other comprehensive income (loss), net of tax	—	—	—	—	—	(6,303)	164	(6,139)
Equity-based compensation, 914,641 shares	9	—	6,631	—	—	—	3,176	9,816
Dividends to common stockholders	—	—	—	—	(56,814)	—	—	(56,814)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(28,285)	(28,285)
Grant of exchangeability and redemption of limited partnership interests, issuance of 5,820,715 shares	58	—	31,785	—	—	—	16,443	48,286
Issuance of Class A common stock (net of costs), 339,617 shares	4	—	5,155	—	—	—	77	5,236
Redemption of FPU's, 27,844 units	—	—	—	—	—	—	(34)	(34)
Repurchase of Class A common stock, 2,259 shares	—	—	—	(5)	—	—	(1)	(6)
Contributions of capital to and from Cantor for equity-based compensation	—	—	849	—	—	—	593	1,442
Issuance of Class A common stock and RSUs for acquisitions, 327,028 shares	3	—	1,305	—	—	—	69	1,377
Cumulative effect of CECL standard adoption	—	—	—	—	(883)	—	(417)	(1,300)
Other	—	—	34	—	—	—	(246)	(212)
Balance, September 30, 2020	\$ 3,658	\$ 459	\$ 2,317,706	\$ (315,313)	\$ (1,237,657)	\$ (39,405)	\$ 73,177	\$ 802,625

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Dividends declared per share of common stock	\$ 0.01	\$ 0.14	\$ 0.16	\$ 0.42
Dividends declared and paid per share of common stock	\$ 0.01	\$ 0.14	\$ 0.16	\$ 0.42

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

BGC PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three and Nine Months Ended September 30, 2019
(in thousands, except share amounts)
(unaudited)

BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, July 1, 2019	\$ 3,484	\$ 459	\$ 2,228,854	\$ (315,210)	\$ (1,124,860)	\$ (26,390)	\$ 85,109	\$ 851,446
Consolidated net income (loss)	—	—	—	—	(3,529)	—	6,089	2,560
Other comprehensive income (loss), net of tax	—	—	—	—	—	(7,262)	(979)	(8,241)
Equity-based compensation, 61,851 shares	1	—	343	—	—	—	166	510
Dividends to common stockholders	—	—	—	—	(48,353)	—	—	(48,353)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(18,469)	(18,469)
Grant of exchangeability and redemption of limited partnership interests, issuance of 4,001,618 shares	39	—	11,933	—	—	—	6,200	18,172
Issuance of Class A common stock (net of costs), 53,810 shares	1	—	212	—	—	—	56	269
Redemption of FPU's, 37,126 units	—	—	—	—	—	—	(169)	(169)
Forfeiture of Class A common stock, 22,046 shares	—	—	(12)	(98)	—	—	(29)	(139)
Contributions of capital to and from Cantor for equity-based compensation	—	—	561	—	—	—	358	919
Issuance of Class A common stock and RSUs for acquisitions, 348,797 shares	3	—	1,904	—	—	—	(971)	936
Other	—	—	94	—	1	—	3	98
Balance, September 30, 2019	\$ 3,528	\$ 459	\$ 2,243,889	\$ (315,308)	\$ (1,176,741)	\$ (33,652)	\$ 77,364	\$ 799,539

BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2019	\$ 3,417	\$ 459	\$ 2,208,221	\$ (314,240)	\$ (1,105,019)	\$ (24,465)	\$ 94,801	\$ 863,174
Consolidated net income (loss)	—	—	—	—	71,950	—	39,549	111,499
Other comprehensive income (loss), net of tax	—	—	—	—	—	(9,187)	(1,289)	(10,476)
Equity-based compensation, 383,357 shares	4	—	3,462	—	—	—	1,687	5,153
Dividends to common stockholders	—	—	—	—	(143,673)	—	—	(143,673)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(71,310)	(71,310)
Grant of exchangeability and redemption of limited partnership interests, issuance of 9,701,674 shares	97	—	27,388	—	—	—	14,560	42,045
Issuance of Class A common stock (net of costs), 162,237 shares	2	—	648	—	—	—	175	825
Redemption of FPU's, 42,181 units	—	—	—	—	—	—	(190)	(190)
Repurchase of Class A common stock, 233,172 shares	—	—	—	(970)	—	—	(266)	(1,236)
Forfeiture of Class A common stock, 22,046 shares	—	—	(12)	(98)	—	—	(29)	(139)
Contributions of capital to and from Cantor for equity-based compensation	—	—	464	—	—	—	497	961
Issuance of Class A common stock and RSUs for acquisitions, 848,246 shares	8	—	3,573	—	—	—	(543)	3,038
Other	—	—	145	—	1	—	(278)	(132)
Balance, September 30, 2019	\$ 3,528	\$ 459	\$ 2,243,889	\$ (315,308)	\$ (1,176,741)	\$ (33,652)	\$ 77,364	\$ 799,539

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

BGC PARTNERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Basis of Presentation

Business Overview

BGC Partners, Inc. is a leading global brokerage and financial technology company servicing the global financial markets. Through the Company's financial service brands, including BGC, GFI, Sunrise Brokers, Besso, Ed Broking, Poten & Partners and RP Martin, among others, the Company specializes in the brokerage of a broad range of products, including fixed income (rates and credit), FX, equity derivatives and cash equities, energy and commodities, insurance, and futures. It also provides a wide variety of services, including trade execution, brokerage, clearing, trade compression, post-trade, information, and other back-office services to a broad assortment of financial and non-financial institutions. BGC Partners' integrated platform is designed to provide flexibility to customers with regards to price discovery, execution and processing of transactions, and enables them to use Voice, Hybrid, or in many markets, Fully Electronic brokerage services in connection with transactions executed either OTC or through an exchange. Through the Company's electronic brands, including Fenics, BGC Trader, CreditMatch, Fenics Market Data, BGC Market Data, kACE2, EMBonds, Capitalab, Swaptioniser, CBID and Lucera, BGC Partners offers Fully Electronic brokerage, financial technology solutions, market data, post-trade services and analytics related to financial instruments and markets.

The Company's customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, and investment firms. BGC Partners has dozens of offices globally in major markets including New York and London, as well as in Bahrain, Beijing, Bermuda, Bogotá, Brisbane, Buenos Aires, Chicago, Copenhagen, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, Houston, Istanbul, Johannesburg, Madrid, Melbourne, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo, and Toronto.

The Company previously offered real estate services through its publicly traded subsidiary, Newmark (NASDAQ: NMRK). On November 30, 2018, BGC completed the Spin-Off, with shares of Newmark Class A common stock distributed to the holders of shares of BGC Class A common stock (including directors and executive officers of BGC Partners) of record as of the close of business on the Record Date and shares of Newmark Class B common stock distributed to the holders of shares of BGC Partners Class B common stock (consisting of Cantor and CFGM) of record as of the close of business on the Record Date. The Spin-Off was effective as of 12:01 a.m., New York City time, on the Distribution Date.

Spin-Off of Newmark

On November 30, 2018, the Company completed the Spin-Off. Based on the number of shares of BGC common stock outstanding on the Record Date, BGC's stockholders as of the Record Date received 0.463895 of a share of Newmark Class A common stock for each share of BGC Class A common stock held as of the Record Date, and 0.463895 of a share of Newmark Class B common stock for each share of BGC Class B common stock held as of the Record Date. No fractional shares of Newmark common stock were distributed in the Spin-Off. Instead, BGC stockholders received cash in lieu of any fraction of a share of Newmark common stock that they otherwise would have received in the Spin-Off.

In the aggregate, BGC Partners distributed 131,886,409 shares of Newmark Class A common stock and 21,285,537 shares of Newmark Class B common stock to BGC's stockholders in the Spin-Off. These shares of Newmark common stock collectively represented approximately 94% of the total voting power of the outstanding Newmark common stock and approximately 87% of the total economics of the outstanding Newmark common stock, in each case as of the Distribution Date.

On November 30, 2018, BGC Partners also caused its subsidiary, BGC Holdings, to distribute pro-rata all of the 1,458,931 exchangeable limited partnership interests in Newmark Holdings held by BGC Holdings immediately prior to the Distribution Date to its limited partners entitled to receive distributions on their BGC Holdings units who were holders as of the Record Date (including Cantor and executive officers of BGC). The Newmark Holdings units distributed to BGC Holdings partners in the BGC Holdings Distribution are exchangeable for shares of Newmark Class A common stock, and in the case of the 449,917 Newmark Holdings units received by Cantor also into shares of Newmark Class B common stock, at the current Exchange Ratio. As of September 30, 2020, the Exchange Ratio equaled 0.9373 shares of Newmark common stock per Newmark Holdings unit (subject to adjustment).

See Note 1—"Organization and Basis of Presentation" to the Company's consolidated financial statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K as of December 31, 2019, for further information regarding the transactions related to the IPO and Spin-Off of Newmark.

Following the Spin-Off and the BGC Holdings Distribution, BGC ceased to be a controlling stockholder of Newmark, and BGC and its subsidiaries no longer held any shares of Newmark common stock or other equity interests in Newmark or its subsidiaries. Therefore, the Company no longer consolidates Newmark with its financial results. Cantor continues to control Newmark and its subsidiaries following the Spin-Off and the BGC Holdings Distribution.

Basis of Presentation

The Company's unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC and in conformity with U.S. GAAP. The Company's unaudited condensed consolidated financial statements include the Company's accounts and all subsidiaries in which the Company has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Effective with the three and six months ended June 30, 2020, the Company changed the line item formerly known as "Interest income" to "Interest and dividend income" in the Company's unaudited condensed consolidated statements of operation. The change did not result in any reclassification of revenue, had no impact on the Company's "Total revenues" and is viewed only as a name change to better reflect the underlying activity.

Effective with the three months ended March 31, 2019, the Company changed the line item formerly known as "Allocations of net income and grant of exchangeability to limited partnership units and FPU's and issuance of common stock" to "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows. The change resulted in the reclassification of amortization charges related to equity-based awards such as REUs and RSUs from "Compensation and employee benefits" to "Equity-based compensation and allocations of net income to limited partnership units and FPU's." This change in presentation had no impact on the Company's "Total compensation and employee benefits" nor "Total expenses."

"Equity-based compensation and allocations of net income to limited partnership units and FPU's" reflects the following items related to cash and equity-based compensation:

- Charges with respect to the issuance of shares of common stock or LPU's with capital accounts, such as HDU's, including in connection with the redemption of non-exchangeable LPU's, including PSU's, as well as the cash paid in the settlement of the related Preferred Units to pay withholding taxes owed by the unit holder upon such grant.
- Charges with respect to the grant of exchangeability, such as the right of holders of LPU's with no capital accounts, such as PSU's, to exchange the units into shares of Class A common stock or HDU's, as well as the cash paid in the settlement of the related Preferred Units to pay the withholding taxes owed by the unit holder upon such issuance or exchange.
- Charges related to the amortization of RSUs and LPU's, including REUs.
- Allocations of net income to LPU's and FPU's, including the Preferred Distribution.

The unaudited condensed consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the unaudited condensed consolidated statements of financial condition, the unaudited condensed consolidated statements of operations, the unaudited condensed consolidated statements of comprehensive income (loss), the unaudited condensed consolidated statements of cash flows and the unaudited condensed consolidated statements of changes in equity of the Company for the periods presented.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which relates to how an entity recognizes the revenue it expects to be entitled to for the transfer of promised goods and services to customers. The ASU replaced certain previously existing revenue recognition guidance. The FASB has subsequently issued several additional amendments to the standard, including ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the guidance on principal versus agent analysis based on the notion of control and affects recognition of revenue on a gross or net basis. The Company adopted the new revenue recognition guidance on its required effective date of January 1, 2018 using the modified retrospective transition approach applied to contracts that were not completed as of the adoption date. Accordingly, the new revenue standard is applied prospectively in the Company's financial statements from January 1, 2018 onward and reported financial information for historical comparable periods is not revised and continues to be reported under the accounting standards in effect during those historical periods. The new revenue recognition guidance does not apply to revenues associated with financial instruments, including loans and securities that are accounted for under other U.S. GAAP, and as a result, it did not have a material impact on the elements of the Company's unaudited condensed consolidated statements of operations most closely associated with financial instruments such as revenues from Principal transactions. As a result, the adoption of the new revenue recognition guidance as of January 1, 2018 did not have a material impact on the Company's unaudited condensed consolidated financial statements. Further, the adoption of the new guidance on principal versus agent considerations impacted the Company's presentation of revenues versus expenses incurred on behalf of customers for certain commissions contracts. The Company concluded that it controls the services provided by a third party on behalf of the customers and, therefore, acts as a principal under those contracts. Accordingly, upon adoption on January 1, 2018 and going forward, for these commission-related contracts the Company began to present expenses incurred on behalf of its customers along with a corresponding reimbursement revenue on a gross basis in its consolidated statements of operations, with no impact to Net income (loss) available to common stockholders. See Note 24—"Revenues from Contracts with Customers" for additional information.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income (loss) unless the investments qualify for the new measurement alternative. The guidance also requires entities to record changes in instrument-

specific credit risk for financial liabilities measured under the fair value option in other comprehensive income (loss). In February 2018, the FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, to clarify transition and subsequent accounting for equity investments without a readily determinable fair value, among other aspects of the guidance issued in ASU 2016-01. The amendments in ASU 2018-03 were effective for fiscal years beginning January 1, 2018 and interim periods beginning July 1, 2018. The amendments and technical corrections provided in ASU 2018-03 could be adopted concurrently with ASU 2016-01, which was effective for the Company on January 1, 2018. The Company adopted both ASUs on January 1, 2018 using the modified retrospective approach for equity securities with a readily determinable fair value and the prospective method for equity investments without a readily determinable fair value. As a result, upon transition the Company recognized a cumulative-effect adjustment as a decrease to both Retained deficit and Accumulated other comprehensive income (loss) and an increase in Noncontrolling interest in subsidiaries of approximately \$2.1 million, \$2.9 million, and \$0.8 million, respectively, on a pre-tax basis. The tax effect of the impact of the adoption was an increase to both Retained deficit and Accumulated other comprehensive income (loss) and a decrease in Noncontrolling interest in subsidiaries of approximately \$0.4 million, \$0.6 million, and \$0.2 million, respectively.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of providing additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard became effective for the Company beginning January 1, 2018 and is applied on a prospective basis. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope and application of ASC 610-20, *Other Income—Gains and Losses from Derecognition of Nonfinancial Assets*, and defines in substance nonfinancial assets. The ASU also impacts the accounting for partial sales of nonfinancial assets (including in substance real estate). Under this guidance, when an entity transfers its controlling interest in a nonfinancial asset but retains a noncontrolling ownership interest, the entity is required to measure the retained interest at fair value, which results in a full gain or loss recognition upon the sale of a controlling interest in a nonfinancial asset. The Company adopted the standard on its required effective date of January 1, 2018. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Under this guidance, an entity would not apply modification accounting if the fair value, the vesting conditions, and the classification of the awards (as equity or liability) are the same immediately before and after the modification. The standard was effective for the Company beginning January 1, 2018 on a prospective basis for awards modified on or after the adoption date. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize an ROU asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. Accounting guidance for lessors is mostly unchanged. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments, among other issues. In addition, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, which provided an additional (and optional) transition method to adopt the new leases standard. Under the new transition method, a reporting entity would initially apply the new lease requirements at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; continue to report comparative periods presented in the financial statements in the period of adoption in accordance with legacy U.S. GAAP (i.e., ASC 840, *Leases*); and provide the required disclosures under ASC 840 for all periods presented under legacy U.S. GAAP. Further, ASU 2018-11 contains a practical expedient that allows lessors to avoid separating lease and associated non-lease components within a contract if certain criteria are met. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*, to clarify guidance for lessors on sales taxes and other similar taxes collected from lessees, certain lessor costs and recognition of variable payments for contracts with lease and non-lease components. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842), Codification Improvements*, to clarify certain application and transitional disclosure aspects of the new leases standard. The amendments address determination of the fair value of the underlying asset by lessors that are not manufacturers or dealers and clarify interim period transition disclosure requirements, among other issues. The guidance in ASUs 2016-02, 2018-10, 2018-11 and 2018-20 was effective beginning January 1, 2019, with early adoption permitted; whereas the guidance in ASU 2019-01 is effective beginning January 1, 2020, with early adoption permitted. The Company adopted the abovementioned standards on January 1, 2019 using the effective date as the date of initial application. Therefore, pursuant to this transition method financial information was not updated and the disclosures required under the new leases standards were not provided for dates and periods before January 1, 2019. The guidance provides a number of optional practical expedients to be utilized by lessees upon transition. Accordingly, BGC elected the "package of practical expedients," which permitted the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. BGC did not elect the use-of-hindsight or the practical expedient pertaining to land easements, with the latter not being applicable to the Company. The standard also provides practical expedients for an entity's ongoing accounting as a lessee. BGC elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets and lease liabilities, and this includes not recognizing ROU assets and lease liabilities for existing

short-term leases of those assets upon transition. The Company also elected the practical expedient to not separate lease and non-lease components for all of leases other than leases of real estate. As a result upon adoption, acting primarily as a lessee, BGC recognized a \$192.4 million ROU asset and a \$206.0 million lease liability on its unaudited condensed consolidated statements of financial condition for its real estate and equipment operating leases. The adoption of the guidance did not have a material impact on the Company's unaudited condensed consolidated statements of operations, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows. See Note 25 —“Leases” for additional information on the Company's leasing arrangements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The guidance intends to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. Based on concerns about the sustainability of LIBOR, in 2017, a committee convened by the Federal Reserve Board and the Federal Reserve Bank of New York identified a broad Treasury repurchase agreement (repo) financing rate referred to as the SOFR as its preferred alternative reference rate. The guidance in ASU No. 2018-16 adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. The amendments in this ASU were required to be adopted concurrently with the guidance in ASU No. 2017-12. The guidance became effective for the Company on January 1, 2019 and was required to be applied on a prospective and modified retrospective basis. The adoption of this guidance did not have a material impact on BGC's unaudited condensed consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance helps organizations address certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act by providing an option to reclassify these stranded tax effects to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The standard became effective for BGC on January 1, 2019. The guidance was required to be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted the guidance starting on January 1, 2019. The adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The guidance largely aligns the accounting for share-based payment awards issued to employees and nonemployees, whereby the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The standard became effective for the Company on January 1, 2019. The ASU was required to be applied on a prospective basis to all new awards granted after the date of adoption. In addition, any liability-classified awards that were not settled and equity-classified awards for which a measurement date had not been established by the adoption date were remeasured at fair value as of the adoption date with a cumulative effect adjustment to opening retained earnings in the year of adoption. BGC adopted this standard on its effective date. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In July 2019, the FASB issued ASU No. 2019-07, *Codification Updates to SEC Sections—Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates*. The guidance clarifies or improves the disclosure and presentation requirements of a variety of codification topics by aligning them with already effective SEC final rules, thereby eliminating redundancies and making the codification easier to apply. This ASU was effective upon issuance, and it did not have a material impact on the Company's unaudited condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, which requires financial assets that are measured at amortized cost to be presented, net of an allowance for credit losses, at the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets, as well as changes to credit losses during the period, are recognized in earnings. For certain PCD assets, the initial allowance for expected credit losses is recorded as an increase to the purchase price. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, are measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The new standard became effective for the Company beginning January 1, 2020, under a modified retrospective approach, and early adoption was permitted. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, to clarify that operating lease receivables accounted for under ASC 842, *Leases*, are not in the scope of the new credit losses guidance, and, instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, *Leases*. In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The ASU makes changes to the guidance introduced or amended by ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*. See below for the description of the amendments stipulated in ASU No. 2019-04. In addition, in May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*. The amendments in this ASU allow entities, upon adoption of ASU No.

2016-13, to irrevocably elect the fair value option for financial instruments that were previously carried at amortized cost and are eligible for the fair value option under ASC 825-10, *Financial Instruments: Overall*. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The amendments in this ASU require entities to include certain expected recoveries of the amortized cost basis previously written off, or expected to be written off, in the allowance for credit losses for PCD assets; provide transition relief related to troubled debt restructurings; allow entities to exclude accrued interest amounts from certain required disclosures; and clarify the requirements for applying the collateral maintenance practical expedient. The amendments in ASUs No. 2018-19, 2019-04, 2019-05 and 2019-11 were required to be adopted concurrently with the guidance in ASU No. 2016-13. BGC adopted the standards on their required effective date beginning January 1, 2020. The primary effect of adoption related to the increase in the allowances for credit losses for Accrued commissions receivable, and Loans, forgivable loans and other receivables from employees and partners. As a result, on a pre-tax basis, the Company recognized a decrease in assets and noncontrolling interest in subsidiaries, and an increase in retained deficit, of approximately \$1.9 million, \$0.6 million, and \$1.3 million, respectively, as of January 1, 2020. The tax effect of the impact of the adoption was an increase in assets and noncontrolling interest in subsidiaries, and a decrease in retained deficit of approximately \$0.6 million, \$0.2 million, and \$0.4 million, respectively.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the ASU, goodwill impairment testing is performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The Company adopted the standard on its required effective date beginning January 1, 2020, and the guidance will be applied on a prospective basis. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance is part of the FASB's disclosure framework project, whose objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements. The ASU eliminates, amends and adds certain disclosure requirements for fair value measurements. The FASB concluded that these changes improve the overall usefulness of the footnote disclosures for financial statement users and reduce costs for preparers. Certain disclosures are required to be applied prospectively and other disclosures need to be adopted retrospectively in the period of adoption. As permitted by the transition guidance in the ASU, the Company early adopted, eliminated and modified disclosure requirements as of September 30, 2018. The early adoption of this guidance did not have an impact on the Company's unaudited condensed consolidated financial statements. The additional disclosure requirements were adopted by BGC beginning January 1, 2020, and the adoption of these fair value measurement disclosures did not have an impact on the Company's unaudited condensed consolidated financial statements. See Note 13—"Fair Value of Financial Assets and Liabilities" for additional information.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. The guidance on the accounting for implementation, setup, and other upfront costs (collectively referred to as implementation costs) applies to entities that are a customer in a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the guidance in this ASU. BGC adopted the standard on its effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The guidance was issued in response to stakeholders' observations that Topic 810, *Consolidation*, could be improved in the areas of applying the variable interest entity guidance to private companies under common control and in considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. BGC adopted the standard on its effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The ASU amends guidance introduced or amended by ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments to ASU No. 2016-13 clarify the scope of the credit losses standard and address guidance related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other issues. With respect to amendments to ASU No. 2017-12, the guidance addresses partial-term fair value hedges, fair value hedge basis adjustments, and certain transition requirements, along with other issues. The clarifying guidance pertaining to ASU No. 2016-01 requires an entity to remeasure an equity security without a readily determinable fair value accounted for under the measurement alternative at fair value in accordance with guidance in ASC 820, *Fair Value Measurement*; specifies that equity securities without a readily determinable fair value denominated in nonfunctional currency must be remeasured at historical exchange rates; and provides fair value measurement disclosure guidance. BGC adopted the standard on the required effective date beginning January 1, 2020. The adoption of the hedge accounting and the recognition and measurement guidance amendments did not have a material impact on the Company's unaudited condensed consolidated financial statements. See above for the impact of adoption of the amendments related to the credit losses standard.

In November 2019, the FASB issued ASU No. 2019-08, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*. The ASU simplifies and increases comparability of accounting for nonemployee share-based payments, specifically those made to customers. Under the guidance, such awards will be accounted for as a reduction of the transaction price in revenue, but should be measured and classified following the stock compensation guidance in ASC 718, *Compensation—Stock Compensation*. BGC adopted standard on the required effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This ASU which makes narrow-scope amendments related to various aspects pertaining to financial instruments and related disclosures by clarifying or improving the Codification. For the most part, the guidance was effective upon issuance, and the adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

New Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU is part of the FASB's simplification initiative, and it is expected to reduce cost and complexity related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes* related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The new standard will become effective for the Company beginning January 1, 2021 and, with certain exceptions, will be applied prospectively. Early adoption is permitted. Management is currently evaluating the impact of the new guidance on the Company's unaudited condensed consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*. These amendments improve current guidance by reducing diversity in practice and increasing comparability of the accounting for the interactions between these codification topics as they pertain to certain equity securities, investments under the equity method of accounting and forward contracts or purchased options to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option. The new standard will become effective for the Company beginning January 1, 2021 and will be applied prospectively. Early adoption is permitted. Management is currently evaluating the impact of the new guidance on the Company's unaudited condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, and borrowings) necessitated by reference rate reform as entities transition away from LIBOR and other interbank offered rates to alternative reference rates. This ASU also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by reference rate reform. Application of the guidance is optional and only available in certain situations. The ASU is effective upon issuance and generally can be applied through December 31, 2022. Management is currently evaluating the impact of the new guidance on the Company's unaudited condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The standard is expected to reduce complexity and improve comparability of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The ASU also enhances information transparency by making targeted improvements to the related disclosures guidance. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The new standard will become effective for the Company beginning January 1, 2022 and can be applied using either a modified retrospective or a fully retrospective method of transition. Early adoption is permitted, but no earlier than beginning January 1, 2021. Management is currently evaluating the impact of the new standard on the Company's unaudited condensed consolidated financial statements.

2. Limited Partnership Interests in BGC Holdings and Newmark Holdings

BGC Partners is a holding company with no direct operations and conducts substantially all of its operations through its operating subsidiaries. Virtually all of the Company's consolidated net assets and net income are those of consolidated variable interest entities. BGC Holdings is a consolidated subsidiary of the Company for which the Company is the general partner. The Company and BGC Holdings jointly own BGC U.S. OpCo and BGC Global OpCo, the two operating partnerships. In addition, Newmark Holdings is a consolidated subsidiary of Newmark for which Newmark is the general partner. Newmark and Newmark Holdings jointly own Newmark OpCo, the operating partnership. Listed below are the limited partnership interests in BGC Holdings and Newmark Holdings. The FPU's, LPU's and limited partnership interests held by Cantor, each as described below, collectively represent all of the limited partnership interests in BGC Holdings and Newmark Holdings.

As a result of the Separation, 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 at that time who held a BGC Holdings limited partnership interest received a corresponding Newmark Holdings limited partnership interest, determined by the Contribution Ratio, which was equal to a BGC Holdings limited partnership interest multiplied by one divided by 2.2, divided by the Exchange Ratio. Initially, the Exchange Ratio equaled one, so that each Newmark Holdings limited partnership interest was exchangeable for one share of Newmark Class A common stock. For reinvestment, acquisition or other purposes, Newmark may determine on a quarterly basis to distribute to its stockholders a smaller percentage than Newmark Holdings distributes to its equity holders (excluding tax distributions from Newmark Holdings) of cash that it received from Newmark OpCo. In such circumstances, the Separation and Distribution Agreement provides that the Exchange Ratio will be reduced to reflect the amount of additional cash retained by Newmark as a result of the distribution of such smaller percentage, after the payment of taxes. The Exchange Ratio as of September 30, 2020 equaled 0.9373.

Founding/Working Partner Units

Founding/Working Partners have FPU's in BGC Holdings and Newmark Holdings. The Company accounts for FPU's outside of permanent capital, as "Redeemable partnership interest," in the Company's unaudited condensed consolidated statements of financial condition. This classification is applicable to Founding/Working Partner units because these units are redeemable upon termination of a partner, including a termination of employment, which can be at the option of the partner and not within the control of the issuer.

FPU's are held by limited partners who are employees and generally receive quarterly allocations of net income. Upon termination of employment or otherwise ceasing to provide substantive services, the FPU's are generally redeemed, and the unit holders are no longer entitled to participate in the quarterly allocations of net income. Since these allocations of net income are cash distributed on a quarterly basis and are contingent upon services being provided by the unit holder, they are reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations.

Limited Partnership Units

Certain BGC employees hold LPU's in BGC Holdings and Newmark Holdings (e.g., REUs, RPU's, PSU's, and PSI's). Prior to the Separation, certain employees of both BGC and Newmark received LPU's in BGC Holdings. As a result of the Separation, these employees were distributed LPU's in Newmark Holdings equal to a BGC Holdings LPU multiplied by the Contribution Ratio. Subsequent to the Separation, BGC employees are only granted LPU's in BGC Holdings, and Newmark employees are only granted LPU's in Newmark Holdings.

Generally, LPU's receive quarterly allocations of net income, which are cash distributed and generally are contingent upon services being provided by the unit holder. As prescribed in U.S. GAAP guidance, prior to the Spin-Off, the quarterly allocations of net income on BGC Holdings LPU's held by all employees and the quarterly allocations of net income on Newmark Holdings LPU's held by BGC employees were reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations. In addition, prior to the Spin-Off, the quarterly allocation of net income on such LPU's in Newmark Holdings held by Newmark employees were reflected as a component of "Consolidated net income (loss) from discontinued operations, net of tax" in the Company's unaudited condensed consolidated statements of operations. Following the Spin-Off, the quarterly allocations of net income on BGC Holdings and Newmark Holdings LPU's held by BGC employees are reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations, and the quarterly allocations of net income on BGC Holdings LPU's held by Newmark employees are reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations. From time to time, the Company also issues BGC LPU's as part of the consideration for acquisitions.

Certain of these LPU's in BGC Holdings and Newmark Holdings, such as REUs, entitle the holders to receive post-termination payments equal to the notional amount of the units in four equal yearly installments after the holder's termination. These LPU's held by BGC employees are accounted for as post-termination liability awards, and in accordance with U.S. GAAP guidance, the Company records compensation expense for the awards based on the change in value at each reporting date in the Company's unaudited condensed consolidated statements of operations as part of "Equity-based compensation and allocations of net income to limited partnership units and FPU's."

The Company has also awarded certain Preferred Units. Each quarter, the net profits of BGC Holdings and Newmark Holdings are allocated to such units at a rate of either 0.6875% (which is 2.75% per calendar year) or such other amount as set forth in the award documentation. These allocations are deducted before the calculation and distribution of the quarterly partnership distribution for the remaining partnership interests and are generally contingent upon services being provided by the unit holder. The Preferred Units are not entitled to participate in partnership distributions other than with respect to the Preferred Distribution. Preferred Units may not be made exchangeable into Class A common stock, and are only entitled to the Preferred Distribution; accordingly they are not included in the fully diluted share count. The quarterly allocations of net income on Preferred Units are reflected the same as those of the LPU's described above in the Company's unaudited condensed consolidated statements of operations. After deduction of the Preferred Distribution, the remaining partnership units generally receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. Preferred Units are granted in connection with the grant of certain LPU's, such as PSU's, that may be granted exchangeability or redeemed in connection with the issuance of shares of common stock to cover the withholding taxes owed by the unit

holder, rather than issuing the gross amount of shares to employees, subject to cashless withholding of shares to pay applicable withholding taxes.

Cantor Units

Cantor holds limited partnership interests in BGC Holdings. Cantor units are reflected as a component of “Noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of financial condition. Cantor receives allocations of net income (loss), which are cash distributed on a quarterly basis and are reflected as a component of “Net income (loss) attributable to noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of operations. In addition, Cantor holds limited partnership interests in Newmark Holdings, which were reflected as a component of “Noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of financial condition until the Spin-Off. The allocations of net income (loss) Cantor received for its interests in Newmark Holdings, which was cash distributed on a quarterly basis, were reflected as a component of “Net income (loss) from discontinued operations attributable to noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of operations until the Spin-Off. Cantor units in BGC Holdings are generally exchangeable for up to 23.6 million shares of BGC Class B common stock.

General

Certain of the limited partnership interests, described above, have been granted exchangeability into shares of BGC or Newmark Class A common stock, and additional limited partnership interests may become exchangeable into shares of BGC or Newmark Class A common stock. In addition, certain limited partnership interests have been granted the right to exchange into a partnership unit with a capital account, such as HDUs. HDUs have a stated capital account which is initially based on the closing trading price of Class A common stock at the time the HDU is granted. HDUs participate in quarterly partnership distributions and are generally not exchangeable into shares of Class A common stock.

Prior to the Separation, BGC Holdings limited partnership interests could become exchangeable for a BGC Class A common stock on a one-for-one basis (subject to adjustment). Following the Separation and prior to the Spin-Off, in order for a partner or Cantor to exchange a limited partnership interest in BGC Holdings or Newmark Holdings into a share of BGC Class A or BGC Class B common stock, such partner or Cantor was required to exchange both one BGC Holdings limited partnership interest and a number of Newmark Holdings limited partnership interests equal to a BGC Holdings limited partnership interest multiplied by the quotient obtained by dividing Newmark Class A and Newmark Class B common stock, Newmark OpCo interests, and Newmark Holdings limited partnership interests held by BGC as of such time by the number of shares of BGC Class A and BGC Class B common stock outstanding as of such time, referred to as the “Distribution Ratio”, divided by the Exchange Ratio. Initially the Distribution Ratio was equivalent to the Contribution Ratio (one divided by 2.2 or 0.4545), and at the time of the Spin-Off, the Distribution Ratio equaled 0.463895. As a result of the change in the Distribution Ratio, certain BGC Holdings limited partnership interests no longer had a corresponding Newmark Holdings limited partnership interest. The exchangeability of these BGC Holdings limited partnership interests along with any new BGC Holdings limited partnership interests issued after the Separation (together referred to as “standalone”) into BGC Class A or BGC Class B common stock was contingent upon the Spin-Off.

Following the Spin-Off, a partner or Cantor is no longer required to have paired BGC Holdings and Newmark Holdings limited partnership interests to exchange into BGC Class A or BGC Class B common stock. Subsequent to the Spin-Off, limited partnership interests in BGC Holdings held by a partner or Cantor may become exchangeable for BGC Class A or BGC Class B common stock on a one-for-one basis, and limited partnership interests in Newmark Holdings held by a partner or Cantor may become exchangeable for a number of shares of Newmark Class A or Newmark Class B common stock equal to the number of limited partnership interests multiplied by the then-current Exchange Ratio. Therefore, standalone BGC limited partnership interests, which were previously excluded from the Company’s fully diluted number of shares and units outstanding, are now included in the Company’s fully diluted number of shares and units outstanding if dilutive. Because limited partnership interests are included in the Company’s fully diluted share count, if dilutive, any exchange of limited partnership interests into shares of BGC Class A or BGC Class B common stock would not impact the fully diluted number of shares and units outstanding. Because these limited partnership interests generally receive quarterly allocations of net income, such exchange would have no significant impact on the cash flows or equity of the Company.

Each quarter, net income (loss) is allocated between the limited partnership interests and the Company’s common stockholders. In quarterly periods in which the Company has a net loss, the loss allocation for FPU, LPU and Cantor units in BGC Holdings is allocated to Cantor and reflected as a component of “Net income (loss) attributable to noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of operations. In subsequent quarters in which the Company has net income, the initial allocation of income to the limited partnership interests in BGC Holdings is to Cantor and is recorded as “Net income (loss) attributable to noncontrolling interests in subsidiaries,” to recover any losses taken in earlier quarters, with the remaining income allocated to the limited partnership interests. This income (loss) allocation process has no impact on the net income (loss) allocated to common stockholders. In addition, in quarterly periods in which Newmark has a net loss, the loss allocation for FPU, LPU and Cantor units in Newmark Holdings is allocated to Cantor. In subsequent quarters in which Newmark has net income, the initial allocation of income to limited partnership interests in Newmark Holdings is allocated to Cantor to recover any losses taken in earlier quarters, with the remaining income allocated to the limited partnership interests. These income (loss) allocations to Cantor by Newmark have no impact on BGC’s unaudited condensed consolidated statements of operations following the Spin-Off.

3. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 3—"Summary of Significant Accounting Policies," in its consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019. Other than the following, during the nine months ended September 30, 2020, there were no significant changes made to the Company's significant accounting policies.

Current Expected Credit Losses (CECL)

The accounting policy changes are attributable to the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, and related amendments on January 1, 2020. In accordance with the guidance in ASC Topic 326, the Company presents its financial assets that are measured at amortized cost, net of an allowance for credit losses, which represents the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets carried at amortized cost, as well as changes to expected lifetime credit losses during the period, are recognized in earnings. The CECL methodology represents a significant change from prior U.S. GAAP and replaced the prior multiple impairment methods, which generally required that a loss be incurred before it was recognized. Within the life cycle of a loan or other financial asset in scope, the methodology generally results in the earlier recognition of the provision for credit losses and the related allowance for credit losses than under prior U.S. GAAP. The CECL methodology's impact on expected credit losses, among other things, reflects the Company's view of the current state of the economy, forecasted macroeconomic conditions and the Company's portfolios.

Accrued Commissions Receivable

The Company's CECL methodology for Accrued commissions receivable follows a PD/LGD framework with adjustments for the macroeconomic outlook, with the calculation performed at a counterparty level. The receivable balance for each counterparty is the outstanding receivable amount adjusted for any volume discounts. Accrued commissions receivable are not subject to an interest income accrual. The Company writes off a receivable in the period in which such balance is deemed uncollectible.

The PD rate is sourced from Moody's Annual Default Study for Corporates and it corresponds to the 1983-2018 average 1-year default rate by rating. The Moody's quarterly updated data is used as well, if deemed appropriate. A significant number of the Company's counterparties are publicly rated, and, therefore, the Moody's PD rate is used as a proxy based on the counterparty's external rating. In addition, the Company maintains internal obligor ratings that map to Moody's long-term ratings.

The LGD rate is derived from the Basel Committee's June 2004 Second Basel Accord on international banking laws and regulations. The Company understands that the LGD assumption is a well-known industry benchmark for unsecured credits, which aligns with the unsecured nature of these receivables. Management considered that historically the Company has collected on substantially all its receivables, and, therefore, the LGD assumption is a reasonable benchmark in absence of internal data from which to develop an LGD measure.

The macroeconomic adjustment is based on an average of the outlook scenarios for changes in the Real GDP growth rate for advanced economies over the next year, including the impact of COVID-19. Historical and forecast data for this metric is obtained from the International Monetary Fund's Word Economic Outlook database. The Company believes that changes in expected credit losses for its counterparties are impacted by changes in broad economic activity and, therefore, determined that the Real GDP growth rate was a reasonable metric to evaluate for macroeconomic adjustments. Further, given that the Company's receivables are related to counterparties with global operations, management sourced the data for this metric as applicable to advanced economies. The Company notes that, given the short-term nature of these receivables, a forecast beyond 1 year is neither required nor appropriate, and, therefore, the adjustment also covers the approximated life of these assets with no need for reversion.

Loans, Forgivable Loans and Other Receivables from Employees and Partners

The Company has entered into various agreements with certain employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distributions that the individuals receive on some or all of their LPUs and from proceeds of the sale of the employees' shares of BGC Class A common stock, or may be forgiven over a period of time. The forgivable portion of these loans is not included in the Company's estimate of expected credit losses when employees meet the conditions for forgiveness through their continued employment over the specified time period, and is recognized as compensation expense over the life of the loan. The amounts due from terminated employees that the Company does not expect to collect are included in the allowance for credit losses.

From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements. The Company reviews loan balances each reporting period for collectability. If the Company determines that the collectability of a portion of the loan balances is not expected, the Company recognizes a reserve against the loan balances as compensation expense.

4. Acquisitions

Ed Broking

On January 31, 2019, the Company completed the acquisition of Ed Broking, an independent Lloyd's of London insurance broker with a number of insurance products, including accident and health, aerospace, cargo, energy, financial and political risks, marine, professional and executive risk, property and casualty, specialty and reinsurance.

Algomi

On March 6, 2020, the Company completed the acquisition of Algomi, a software company that provides technology to bond market participants to improve their workflow and liquidity by data aggregation, pre-trade information analysis, and execution facilitation.

Other Acquisitions

During the nine months ended September 30, 2020 and the year ended December 31, 2019, the Company completed several smaller acquisitions. The aggregate consideration paid for these acquisitions was not material to the Company's unaudited condensed consolidated financial statements.

Total Consideration

The total consideration for all acquisitions during the nine months ended September 30, 2020 was \$9.6 million in total fair value which was paid in cash. The excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately \$3.0 million. The goodwill figure includes measurement period adjustments of approximately \$(0.1) million recorded during the nine months ended September 30, 2020.

The total consideration for acquisitions during the year ended December 31, 2019 was approximately \$102.8 million in total fair value, comprised of cash and RSUs. The excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately \$48.7 million.

The results of operations of the Company's acquisitions have been included in the Company's unaudited condensed consolidated financial statements subsequent to their respective dates of acquisition. The Company has made preliminary allocations of the consideration to the assets acquired and liabilities assumed as of the acquisition dates, and expects to finalize its analysis with respect to acquisitions within the first year after the completion of the respective transaction. Therefore, adjustments to preliminary allocations may occur.

5. Divestitures

During the three months ended March 31, 2019, the Company completed the sale of CSC, which was part of its energy and commodities businesses. As a result of this sale, the Company recognized a \$18.4 million gain, which is included in "Gain (loss) on divestiture and sale of investments" in the Company's unaudited condensed consolidated statements of operations. The Company had no significant gains or losses from divestitures or sale of investments during the three and nine months ended September 30, 2020.

6. Earnings Per Share

U.S. GAAP guidance establishes standards for computing and presenting EPS. Basic EPS excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding and contingent shares for which all necessary conditions have been satisfied except for the passage of time. Net income (loss) is allocated to the Company's outstanding common stock, FPU's, LPU's and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings").

Basic Earnings Per Share:

The following is the calculation of the Company's basic EPS (in thousands, except per share data):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Basic earnings (loss) per share:</i>				
Net income (loss) available to common stockholders	\$ 19,381	\$ (3,529)	\$ 61,794	\$ 71,950
Basic weighted-average shares of common stock outstanding	363,244	346,060	360,629	341,940
Basic earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.17</u>	<u>\$ 0.21</u>

Fully Diluted Earnings Per Share:

Fully diluted EPS is calculated utilizing net income (loss) available to common stockholders plus net income allocations to the limited partnership interests as the numerator. The denominator comprises the Company's weighted-average number of outstanding BGC shares of common stock, including contingent shares of BGC common stock, and, if dilutive, the weighted-average number of limited partnership interests, including contingent units of BGC Holdings, and other contracts to issue shares of BGC common stock, including RSUs. The limited partnership interests generally are potentially exchangeable into shares of BGC Class A common stock (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings") and are entitled to their pro-rata share of earnings after the deduction for the Preferred Distribution; as a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

The following is the calculation of the Company's fully diluted EPS (in thousands, except per share data):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Fully diluted earnings (loss) per share</i>				
Net income (loss) available to common stockholders	\$ 19,381	\$ (3,529)	\$ 61,794	\$ 71,950
Allocations of net income (loss) to limited partnership interests, net of tax	10,194	—	28,476	36,428
Net income (loss) for fully diluted shares	<u>\$ 29,575</u>	<u>\$ (3,529)</u>	<u>\$ 90,270</u>	<u>\$ 108,378</u>
Weighted-average shares:				
Common stock outstanding	363,244	346,060	360,629	341,940
Partnership units ¹	184,642	—	182,394	178,971
RSUs (Treasury stock method)	219	—	221	938
Other	<u>1,139</u>	<u>—</u>	<u>1,231</u>	<u>1,369</u>
Fully diluted weighted-average shares of common stock outstanding	<u>549,244</u>	<u>346,060</u>	<u>544,475</u>	<u>523,218</u>
Fully diluted earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.17</u>	<u>\$ 0.21</u>

¹ Partnership units collectively include FPU's, LPU's, and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for more information).

For the three and nine months ended September 30, 2020, 2.7 million and 2.9 million potentially dilutive securities, respectively, were excluded from the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for the three and nine months ended September 30, 2020, comprised RSUs. For the three and nine months ended September 30, 2019, approximately 182.7 million and 0.5 million potentially dilutive securities, respectively, were excluded from the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for the three months ended September 30, 2019, included 180.5 million limited partnership interests and 2.2 million other contracts to issue shares of BGC common stock, including RSUs. Anti-dilutive securities for the nine months ended September 30, 2019, comprised RSUs.

As of September 30, 2020 and 2019, approximately 28.4 million and 15.3 million shares, respectively, of contingent shares of BGC Class A common stock, N units, RSUs, and LPU's were excluded from the fully diluted EPS computations because the conditions for issuance had not been met by the end of the respective periods.

7. Stock Transactions and Unit Redemptions

Class A Common Stock

Changes in shares of BGC Class A common stock outstanding were as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Shares outstanding at beginning of period	313,323	297,871	307,915	291,475
Share issuances:				
Redemptions/exchanges of limited partnership interests ¹	1,747	4,002	5,821	9,702
Vesting of RSUs	115	62	915	383
Acquisitions	42	349	327	848
Other issuances of BGC Class A common stock	90	53	339	162
Treasury stock repurchases	(2)	—	(2)	(233)
Forfeitures of restricted BGC Class A common stock	—	(22)	—	(22)
Shares outstanding at end of period	<u>315,315</u>	<u>302,315</u>	<u>315,315</u>	<u>302,315</u>

¹ Included in redemptions/exchanges of limited partnership interests for the three months ended September 30, 2020 and 2019 are 0.5 million shares of BGC Class A common stock granted in connection with the cancellation of 0.4 million LPUs, and 2.8 million shares of BGC Class A common stock granted in connection with the cancellation of 3.2 million LPUs, respectively. Included in redemptions/exchanges of limited partnership interests for the nine months ended September 30, 2020 and 2019 are 2.6 million shares of BGC Class A common stock granted in connection with the cancellation of 2.5 million LPUs, and 5.2 million shares of BGC Class A common stock granted in connection with the cancellation of 5.8 million LPUs, respectively. Because LPUs are included in the Company's fully diluted share count, if dilutive, redemptions/exchanges in connection with the issuance of BGC Class A common stock would not impact the fully diluted number of shares outstanding.

Class B Common Stock

The Company did not issue any shares of BGC Class B common stock during the three and nine months ended September 30, 2020 and 2019. As of September 30, 2020 and December 31, 2019, there were 45,884,380 shares of BGC Class B common stock outstanding.

CEO Program

On March 9, 2018, the Company entered into the March 2018 Sales Agreement, pursuant to which the Company may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock under the CEO Program. Proceeds from shares of BGC Class A common stock sold under the March 2018 Sales Agreement may be used for the repurchase of shares and the redemptions of limited partnership interests in BGC Holdings, as well as for general corporate purposes, including acquisitions and the repayment of debt. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of the Company. Under the March 2018 Sales Agreement, the Company has agreed to pay CF&Co up to 2% of the gross proceeds from the sale of shares. The Company did not sell any shares under the March 2018 Sales Agreement during the three months ended September 30, 2020. During the nine months ended September 30, 2020, the Company sold 0.2 million shares under the March 2018 Sales Agreement for aggregate proceeds of \$0.7 million, at a weighted-average price of \$4.04 per share. As of September 30, 2020, the Company had sold 17.6 million shares of BGC Class A common stock (or \$210.6 million) under the March 2018 Sales Agreement. For additional information on the Company's CEO Program sales agreements, see Note 14—"Related Party Transactions."

Unit Redemptions and Share Repurchase Program

The Company's Board and Audit Committee have authorized repurchases of BGC Class A common stock and redemptions of limited partnership interests or other equity interests in the Company's subsidiaries. On August 1, 2018, the Company's Board and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to \$300.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of September 30, 2020, the Company had \$251.2 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units.

The table below represents the units redeemed and/or shares repurchased for cash and does not include units redeemed/cancelled in connection with the grant of shares of BGC Class A common stock nor the limited partnership interests exchanged for shares of BGC Class A common stock. The unit redemptions and share repurchases of BGC Class A common stock during the three and nine months ended September 30, 2020 were as follows (in thousands, except for weighted-average price data):

Period	Total Number of Units Redeemed or Shares Repurchased	Weighted- Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Program
Redemptions^{1,2}			
January 1, 2020—March 31, 2020	235	\$ 4.30	
April 1, 2020—June 30, 2020	103	3.05	
July 1, 2020—September 30, 2020	1,481	2.80	
Total Redemptions	1,819	\$ 3.01	
Repurchases^{3,4}			
January 1, 2020—March 31, 2020	—	\$ —	
April 1, 2020—June 30, 2020	—	—	
July 1, 2020—July 31, 2020	2	2.58	
August 1, 2020—September 30, 2020	—	—	
Total Repurchases	2	2.58	
Total Redemptions and Repurchases	1,821	\$ 3.01	\$ 251,206

- ¹ During the three months ended September 30, 2020, the Company redeemed 1.5 million LPUs at an aggregate redemption price of \$4.1 million for a weighted-average price of \$2.81 per unit. During the three months ended September 30, 2020, the Company redeemed 27 thousand FPU's at an aggregate redemption price of \$73 thousand for a weighted-average price of \$2.74 per unit. During the three months ended September 30, 2019, the Company redeemed 36 thousand LPUs at an aggregate redemption price of \$188 thousand for a weighted-average price of \$5.19 per unit and 37 thousand FPU's at an aggregate redemption price of \$196 thousand for a weighted-average price of \$5.28 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 0.5 million and 2.8 million shares of BGC Class A common stock during the three months ended September 30, 2020 and 2019, respectively, nor the limited partnership interests exchanged for 1.3 million and 1.2 million shares of BGC Class A common stock during the three months ended September 30, 2020 and 2019, respectively.
- ² During the nine months ended September 30, 2020, the Company redeemed 1.8 million LPUs at an aggregate redemption price of \$5.4 million for a weighted-average price of \$3.02 per unit. During the nine months ended September 30, 2020, the Company redeemed 28 thousand FPU's at an aggregate redemption price of \$77 thousand for a weighted-average price of \$2.75 per unit. During the nine months ended September 30, 2019, the Company redeemed 1.3 million LPUs at an aggregate redemption price of \$7.9 million for a weighted-average price of \$5.94 per unit and 42 thousand FPU's at an aggregate redemption price of \$226 thousand for a weighted-average price of \$5.35 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 2.6 million and 5.2 million shares of BGC Class A common stock during the nine months ended September 30, 2020 and 2019, respectively, nor the limited partnership interests exchanged for 3.1 million and 3.6 million shares of BGC Class A common stock during the nine months ended September 30, 2020 and 2019, respectively.
- ³ During the three and nine months ended September 30, 2020, the Company repurchased 2 thousand shares of BGC Class A common stock at an aggregate price of \$6 thousand for a weighted-average price of \$2.58 per share.
- ⁴ The Company did not repurchase any shares of BGC Class A common stock during the three months ended September 30, 2019. During the nine months ended September 30, 2019, the Company repurchased 0.2 million shares of BGC Class A common stock at an aggregate price of \$1.2 million for a weighted-average price of \$5.30 per share.

Redeemable Partnership Interest

The changes in the carrying amount of FPU's were as follows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Balance at beginning of period	\$ 23,638	\$ 24,706
Consolidated net income allocated to FPU's	815	1,942
Earnings distributions	(255)	(1,297)
FPU's exchanged	(797)	(733)
FPU's redeemed	(121)	(58)
Balance at end of period	<u>\$ 23,280</u>	<u>\$ 24,560</u>

8. Securities Owned

Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total Securities owned were \$58.5 million and \$57.5 million as of September 30, 2020 and December 31, 2019, respectively. For additional information, see Note 13—"Fair Value of Financial Assets and Liabilities."

9. Collateralized Transactions

Repurchase Agreements

Securities sold under Repurchase Agreements are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be repurchased, including accrued interest. As of September 30, 2020, Cantor facilitated Repurchase Agreements between the Company and Cantor in the amount of \$2.1 million for the purpose of financing fails. U.S. Treasury or other fixed income securities were provided to Cantor as collateral for the fair value of the Repurchase Agreements. These Repurchase Agreements had a maturity date of October 1, 2020. As of December 31, 2019, Cantor had not facilitated any Repurchase Agreements between the Company and Cantor.

Securities Loaned

As of September 30, 2020, the Company did not have any Securities loaned transactions with Cantor. As of December 31, 2019, the Company had Securities loaned transactions of \$13.9 million with CF&Co. The fair value of the securities loaned was \$13.9 million. As of December 31, 2019, the cash collateral received from Cantor bore an annual interest rate of 2.45%. These transactions had no stated maturity date.

10. Marketable Securities

Marketable securities consist of the Company's ownership of equity securities carried at fair value in accordance with ASU 2016-01. The securities had a fair value of \$0.3 million and \$14.2 million as of September 30, 2020 and December 31, 2019, respectively.

These marketable securities are measured at fair value, with any changes in fair value recognized in earnings and included in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations. The Company recognized realized and unrealized net gains of \$25.6 thousand and \$0.3 million for the three and nine months ended September 30, 2020, respectively, related to sales of shares and the mark-to-market adjustments on shares. The Company recognized realized and unrealized net gains of \$0.4 million and \$5.7 million, for the three and nine months ended September 30, 2019, respectively, related to sales of shares, the mark-to-market adjustments on shares and any related hedging transactions, when applicable.

During the nine months ended September 30, 2020 and 2019, the Company sold marketable securities with a fair value of \$14.2 million and \$24.6 million, respectively, at the time of sale. The Company did not purchase any marketable securities during the nine months ended September 30, 2020 and 2019.

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

Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges and amounts related to open derivative contracts, including derivative contracts into which the Company may enter to minimize the effect of price changes of the Company's marketable securities (see Note 12—"Derivatives"). As of September 30, 2020 and December 31, 2019, Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	\$ 986,870	\$ 400,713
Receivables from clearing organizations	131,823	134,163
Other receivables from broker-dealers and customers	17,452	12,769
Net pending trades	3,445	1,932
Open derivative contracts	531	1,868
Total	<u>\$ 1,140,121</u>	<u>\$ 551,445</u>
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	\$ 899,375	\$ 389,458
Payables to clearing organizations	76,204	11,005
Other payables to broker-dealers and customers	10,907	11,950
Open derivative contracts	1,843	4,153
Total	<u>\$ 988,329</u>	<u>\$ 416,566</u>

A portion of these receivables and payables are with Cantor. See Note 14—"Related Party Transactions," for additional information related to these receivables and payables.

Substantially all open fails to deliver, open fails to receive and pending trade transactions as of September 30, 2020 have subsequently settled at the contracted amounts.

12. Derivatives

In the normal course of operations, the Company enters into derivative contracts. These derivative contracts primarily consist of FX swaps, FX/commodities options, futures and forwards. The Company enters into derivative contracts to facilitate client transactions, hedge principal positions and facilitate hedging activities of affiliated companies.

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

The Company does not designate any derivative contracts as hedges for accounting purposes. U.S. GAAP guidance requires that an entity recognize all derivative contracts as either assets or liabilities in the unaudited condensed consolidated statements of financial condition and measure those instruments at fair value. The fair value of all derivative contracts is recorded on a net-by-counterparty basis where a legal right to offset exists under an enforceable netting agreement. Derivative contracts are recorded as part of “Receivables from broker-dealers, clearing organizations, customers and related broker-dealers” and “Payables to broker-dealers, clearing organizations, customers and related broker-dealers” in the Company’s unaudited condensed consolidated statements of financial condition.

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

Derivative contract	September 30, 2020			December 31, 2019		
	Assets	Liabilities	Notional Amounts ¹	Assets	Liabilities	Notional Amounts ¹
FX/commodities options	\$ 271	\$ —	\$ 5,064	\$ 26	\$ —	\$ 4,487
Forwards	62	892	191,512	564	1,285	110,051
FX swaps	198	309	589,009	1,278	2,244	555,519
Futures	—	642	9,278,281	—	624	11,106,203
Total	<u>\$ 531</u>	<u>\$ 1,843</u>	<u>\$ 10,063,866</u>	<u>\$ 1,868</u>	<u>\$ 4,153</u>	<u>\$ 11,776,260</u>

¹ Notional amounts represent the sum of gross long and short derivative contracts, an indication of the volume of the Company’s derivative activity, and do not represent anticipated losses.

Certain of the Company’s FX swaps are with Cantor. See Note 14—“Related Party Transactions,” for additional information related to these transactions.

The replacement costs of contracts in a gain position were \$0.5 million and \$1.9 million, as of September 30, 2020 and December 31, 2019, respectively.

The following tables present information about the offsetting of derivative instruments (in thousands):

	September 30, 2020		Net Amounts Presented in the Statements of Financial Condition ¹
	Gross Amounts	Gross Amounts Offset	
Assets			
FX/commodities options	\$ 273	\$ (2)	\$ 271
Forwards	71	(9)	62
FX swaps	222	(24)	198
Futures	27,092	(27,092)	—
Total derivative assets	<u>\$ 27,658</u>	<u>\$ (27,127)</u>	<u>\$ 531</u>
Liabilities			
FX/commodities options	\$ 2	\$ (2)	\$ —
FX swaps	333	(24)	309
Forwards	901	(9)	892
Futures	27,734	(27,092)	642
Total derivative liabilities	<u>\$ 28,970</u>	<u>\$ (27,127)</u>	<u>\$ 1,843</u>

	December 31, 2019		
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition ¹
Assets			
FX/commodities options	\$ 26	\$ —	\$ 26
Forwards	706	(142)	564
FX swaps	1,672	(394)	1,278
Futures	2,044	(2,044)	—
Total derivative assets	\$ 4,448	\$ (2,580)	\$ 1,868
Liabilities			
FX swaps	2,638	(394)	2,244
Forwards	1,427	(142)	1,285
Futures	2,668	(2,044)	624
Total derivative liabilities	\$ 6,733	\$ (2,580)	\$ 4,153

¹ There were no additional balances in gross amounts not offset as of September 30, 2020 and December 31, 2019.

The change in fair value of derivative contracts is reported as part of “Principal transactions” in the Company’s unaudited condensed consolidated statements of operations. The change in fair value of equity options related to marketable securities is included as part of “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations.

The table below summarizes gains and (losses) on derivative contracts (in thousands):

Derivative contract	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Futures	\$ 3,478	\$ 3,720	\$ 8,966	\$ 12,529
Forwards	503	(2,351)	(649)	(4,770)
FX/commodities options	30	114	228	226
FX swaps	46	670	371	1,894
Equity options	—	—	—	318
Gains (losses)	\$ 4,057	\$ 2,153	\$ 8,916	\$ 10,197

13. Fair Value of Financial Assets and Liabilities

Fair Value Measurements on a Recurring Basis

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

Level 1 measurements—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 measurements—Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 measurements—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As required by U.S. GAAP guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under U.S. GAAP guidance (in thousands):

Assets at Fair Value at September 30, 2020					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable securities	\$ 303	\$ —	\$ —	\$ —	\$ 303
Government debt	57,805	—	—	—	57,805
Securities owned—Equities	79	—	—	—	79
FX/commodities options	273	—	—	(2)	271
Forwards	—	71	—	(9)	62
FX swaps	—	222	—	(24)	198
Futures	—	27,092	—	(27,092)	—
Corporate bonds	—	663	—	—	663
Total	<u>\$ 58,460</u>	<u>\$ 28,048</u>	<u>\$ —</u>	<u>\$ (27,127)</u>	<u>\$ 59,381</u>

Liabilities at Fair Value at September 30, 2020					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
FX/commodities options	\$ 2	\$ —	\$ —	\$ (2)	\$ —
FX swaps	—	333	—	(24)	309
Forwards	—	901	—	(9)	892
Futures	—	27,734	—	(27,092)	642
Contingent consideration	—	—	36,515	—	36,515
Total	<u>\$ 2</u>	<u>\$ 28,968</u>	<u>\$ 36,515</u>	<u>\$ (27,127)</u>	<u>\$ 38,358</u>

Assets at Fair Value at December 31, 2019					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable securities	\$ 14,228	\$ —	\$ —	\$ —	\$ 14,228
Government debt	56,761	—	—	—	56,761
Securities owned—Equities	36	—	—	—	36
FX/commodities options	26	—	—	—	26
Forwards	—	706	—	(142)	564
FX swaps	—	1,672	—	(394)	1,278
Futures	—	2,044	—	(2,044)	—
Corporate bonds	—	728	—	—	728
Total	<u>\$ 71,051</u>	<u>\$ 5,150</u>	<u>\$ —</u>	<u>\$ (2,580)</u>	<u>\$ 73,621</u>

Liabilities at Fair Value at December 31, 2019					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
FX/commodities options	\$ —	\$ —	\$ —	\$ —	\$ —
FX swaps	—	2,638	—	(394)	2,244
Forwards	—	1,427	—	(142)	1,285
Futures	—	2,668	—	(2,044)	624
Contingent consideration	—	—	42,159	—	42,159
Total	<u>\$ —</u>	<u>\$ 6,733</u>	<u>\$ 42,159</u>	<u>\$ (2,580)</u>	<u>\$ 46,312</u>

Level 3 Financial Liabilities

Changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended September 30, 2020 were as follows (in thousands):

							Unrealized (gains) losses for the period included in:	
	Opening Balance as of July 1, 2020	Total realized and unrealized (gains) losses included in Net income (loss) ¹	Unrealized (gains) losses included in Other comprehensive income (loss) ²	Purchases/ Issuances	Sales/ Settlements	Closing Balance at September 30, 2020	Net income (loss) on Level 3 Assets / Liabilities Outstanding at September 30, 2020	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at September 30, 2020
Liabilities								
Accounts payable, accrued and other liabilities:								
Contingent consideration	\$ 35,107	\$ (1,541)	\$ —	\$ —	\$ (133)	\$ 36,515	\$ (1,541)	\$ —

- 1 Realized and unrealized gains (losses) are reported in "Other expenses" and "Other income (loss)," as applicable, in the Company's unaudited condensed consolidated statements of operations.
- 2 Unrealized gains (losses) are reported in "Foreign currency translation adjustments," in the Company's unaudited condensed consolidated statements of comprehensive income (loss).

Changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended September 30, 2019 were as follows (in thousands):

	Opening Balance as of July 1, 2019	Total realized and unrealized (gains) losses included in Net income (loss)	Unrealized (gains) losses included in Other comprehensive income (loss)	Purchases/ Issuances	Sales/ Settlements	Closing Balance at September 30, 2019	Unrealized (gains) losses for the period on Level 3 Assets / Liabilities Outstanding at September 30, 2019
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration ¹	\$ 42,152	\$ (533)	\$ 7	\$ —	\$ (1,652)	\$ 41,026	\$ (533)

- 1 Realized and unrealized gains (losses) are reported in "Other expenses" and "Other income (loss)," as applicable, in the Company's unaudited condensed consolidated statements of operations.

Changes in Level 3 liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2020 were as follows (in thousands):

							Unrealized (gains) losses for the period included in:	
	Opening Balance as of January 1, 2020	Total realized and unrealized (gains) losses included in Net income (loss) ¹	Unrealized (gains) losses included in Other comprehensive income (loss) ²	Purchases/ Issuances	Sales/ Settlements	Closing Balance at September 30, 2020	Net income (loss) on Level 3 Assets / Liabilities Outstanding at September 30, 2020	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at September 30, 2020
Liabilities								
Accounts payable, accrued and other liabilities:								
Contingent consideration ¹	\$ 42,159	\$ (1,173)	\$ (67)	\$ 2,959	\$ (9,843)	\$ 36,515	\$ (1,173)	\$ (67)

- ¹ Realized and unrealized gains (losses) are reported in “Other expenses” and “Other income (loss),” as applicable, in the Company’s unaudited condensed consolidated statements of operations.
- ² Unrealized gains (losses) are reported in “Foreign currency translation adjustments,” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss).

Changes in Level 3 liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2019 were as follows (in thousands):

	Opening Balance as of January 1, 2019	Total realized and unrealized (gains) losses included in Net income (loss)	Unrealized (gains) losses included in Other comprehensive income (loss)	Purchases/ Issuances	Sales/ Settlements	Closing Balance at September 30, 2019	Unrealized (gains) losses for the period on Level 3 Assets / Liabilities Outstanding at September 30, 2019
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration ¹	\$ 45,984	\$ (4,242)	\$ 14	\$ —	\$ (9,186)	\$ 41,026	\$ (4,242)

- ¹ Realized and unrealized gains (losses) are reported in “Other expenses” and “Other income (loss),” as applicable, in the Company’s unaudited condensed consolidated statements of operations.

Quantitative Information About Level 3 Fair Value Measurements on a Recurring Basis

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurement of Level 3 liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value as of September 30, 2020		Valuation Technique	Unobservable Inputs	Range	Weighted Average
	Assets	Liabilities				
				Discount rate ¹	6.8%-10.3%	9.5%
Contingent consideration	\$ —	\$ 36,515	Present value of expected payments	Probability of meeting earnout and contingencies	39%-100%	78.9% ²

- ¹ The discount rate is based on the Company’s calculated weighted-average cost of capital.
- ² The probability of meeting the earnout targets was based on the acquirees’ projected future financial performance, including revenues.

	Fair Value as of December 31, 2019		Valuation Technique	Unobservable Inputs	Range	Weighted Average
	Assets	Liabilities				
				Discount rate	9.2%-10.3%	9.8%
Contingent consideration	\$ —	\$ 42,159	Present value of expected payments	Probability of meeting earnout and contingencies	70%-100%	90.2% ¹

- ¹ The probability of meeting the earnout targets was based on the acquirees’ projected future financial performance, including revenues.

Information About Uncertainty of Level 3 Fair Value Measurements

The significant unobservable inputs used in the fair value of the Company’s contingent consideration are the discount rate and forecasted financial information. Significant increases (decreases) in the discount rate would have resulted in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a significantly higher (lower) fair value measurement. As of September 30, 2020 and December 31, 2019, the present value of expected payments related to the Company’s contingent consideration was \$36.5 million and \$42.2 million, respectively. The undiscounted value of the payments, assuming that all contingencies are met, would be \$52.5 million and \$54.0 million, as of September 30, 2020 and December 31, 2019, respectively.

Fair Value Measurements on a Non-Recurring Basis

Pursuant to the recognition and measurement guidance for equity investments, effective January 1, 2018, equity investments carried under the measurement alternative are remeasured at fair value on a non-recurring basis to reflect observable transactions which occurred during the period. The Company applied the measurement alternative to equity securities with the fair value of \$82.4 million and \$82.5 million, which were included in “Other assets” in the Company’s unaudited condensed consolidated statements of financial condition as of September 30, 2020 and December 31, 2019, respectively. These investments are classified within Level 2 in the fair value hierarchy, because their estimated fair value is based on valuation methods using the observable transaction price at the transaction date.

14. Related Party Transactions

Service Agreements

Throughout Europe and Asia, the Company provides Cantor with administrative services, technology services and other support for which it charges Cantor based on the cost of providing such services plus a mark-up, generally 7.5%. In the U.K., the Company provides these services to Cantor through Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. Cantor’s interest in Tower Bridge is reflected as a component of “Noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of financial condition, and the portion of Tower Bridge’s income attributable to Cantor is included as part of “Net income (loss) attributable to noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of operations. In the U.S., the Company provides Cantor with technology services for which it charges Cantor based on the cost of providing such services.

The administrative services agreement provides that direct costs incurred are charged back to the service recipient. Additionally, the service recipient generally indemnifies the service provider for liabilities that it incurs arising from the provision of services other than liabilities arising from fraud or willful misconduct of the service provider. In accordance with the administrative service agreement, the Company has not recognized any liabilities related to services provided to affiliates.

For the three months ended September 30, 2020 and 2019, Cantor’s share of the net profit (loss) in Tower Bridge was \$0.9 million and \$0.2 million, respectively. For the nine months ended September 30, 2020 and 2019, Cantor’s share of the net profit (loss) in Tower Bridge was \$1.1 million and \$0.5 million, respectively. This net profit is included as part of “Net income (loss) attributable to noncontrolling interest in subsidiaries” in the Company’s unaudited condensed consolidated statements of operations.

On September 21, 2018, the Company entered into agreements to provide a guarantee and related obligation to Tower Bridge in connection with an office lease for the Company’s headquarters in London. The Company is obligated to guarantee the obligations of Tower Bridge in the event of certain defaults under the applicable lease and ancillary arrangements. In July 2018, the Audit Committee also authorized management of the Company to enter into similar guarantees or provide other forms of credit support to Tower Bridge or other affiliates of the Company from time to time in the future in similar circumstances and on similar terms and conditions.

For the three months ended September 30, 2020 and 2019, the Company recognized related party revenues of \$8.8 million and \$8.2 million, respectively, for the services provided to Cantor. For the nine months ended September 30, 2020 and 2019, the Company recognized related party revenues of \$20.9 million and \$21.2 million, respectively, for the services provided to Cantor. These revenues are included as part of “Fees from related parties” in the Company’s unaudited condensed consolidated statements of operations.

In the U.S., Cantor and its affiliates provide the Company with administrative services and other support for which Cantor charges the Company based on the cost of providing such services. In connection with the services Cantor provides, the Company and Cantor entered into an employee lease agreement whereby certain employees of Cantor are deemed leased employees of the Company. For the three months ended September 30, 2020 and 2019, the Company was charged \$17.0 million and \$16.3 million, respectively, for the services provided by Cantor and its affiliates, of which \$9.4 million and \$9.3 million, respectively, were to cover compensation to leased employees for these periods. For the nine months ended September 30, 2020 and 2019, the Company was charged \$48.2 million and \$44.1 million, respectively, for the services provided by Cantor and its affiliates, of which \$30.0 million and \$27.6 million, respectively, were to cover compensation to leased employees for these periods. The fees charged by Cantor for administrative and support services, other than those to cover the compensation costs of leased employees, are included as part of “Fees to related parties” in the Company’s unaudited condensed consolidated statements of operations. The fees charged by Cantor to cover the compensation costs of leased employees are included as part of “Compensation and employee benefits” in the Company’s unaudited condensed consolidated statements of operations.

Newmark Separation, IPO and Spin-Off

The Separation and Distribution Agreement sets forth the agreements among BGC, Cantor, Newmark and their respective subsidiaries. For additional information, see Note 1—“Organization and Basis of Presentation” to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019.

As a result of the Separation, the limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, including Cantor, whereby each holder of BGC Holdings limited partnership interests at that time held a BGC Holdings limited partnership interest and a corresponding Newmark Holdings limited partnership interest, which is equal to a BGC Holdings limited partnership interest multiplied by the Contribution Ratio, divided by the Exchange Ratio. For additional information, see Note 2—“Limited Partnership Interests in BGC Holdings and Newmark Holdings.”

In addition, CF&Co, a wholly owned subsidiary of Cantor, was an underwriter of the Newmark IPO. Pursuant to the underwriting agreement, Newmark paid CF&Co 5.5% of the gross proceeds from the sale of shares of Newmark Class A common stock sold by Cantor in connection with the Newmark IPO.

On November 30, 2018, the Company completed the Spin-Off. BGC Partners' stockholders, including Cantor and CFGM, as of the Record Date received in the Spin-Off 0.463895 of a share of Newmark Class A common stock for each share of BGC Class A common stock held as of the Record Date, and 0.463895 of a share of Newmark Class B common stock for each share of BGC Class B common stock held as of the Record Date. In the aggregate, BGC distributed 131.9 million shares of Newmark Class A common stock and 21.3 million shares of Newmark Class B common to BGC's stockholders in the Spin-Off. As Cantor and CFGM held 100% of the shares of BGC Class B common stock as of the Record Date, Cantor and CFGM were distributed 100% of the shares of Newmark Class B common stock in the Spin-Off.

Prior to and in connection with the Spin-Off, 15.1 million Newmark Holdings interests held by BGC were exchanged into 9.4 million shares of Newmark Class A common stock and 5.4 million shares of Newmark Class B common stock, and 7.0 million Newmark OpCo interests, held by BGC were exchanged into 6.9 million shares of Newmark Class A common stock. These shares of Newmark Class A and Newmark Class B common stock were distributed to the BGC stockholders in the Spin-Off. On November 30, 2018, BGC Partners also caused its subsidiary, BGC Holdings, to distribute in the BGC Holdings Distribution pro rata all of the 1.5 million exchangeable interests of Newmark Holdings held by BGC Holdings immediately prior to the effective time of the BGC Holdings Distribution Date to its limited partners entitled to receive distributions on their BGC Holdings units who were holders of record of such units as of the Record Date (including Cantor and executive officers of BGC). The Newmark Holdings interests distributed to BGC Holdings partners in the BGC Holdings Distribution are exchangeable for shares of Newmark Class A common stock, and, in the case of the 0.4 million Newmark Holdings interests received by Cantor, also into shares of Newmark Class B common stock, at the current Exchange Ratio. As of September 30, 2020, the Exchange Ratio equaled 0.9373 shares of Newmark common stock per Newmark Holdings interest (subject to adjustment).

Following the Spin-Off and the BGC Holdings Distribution, BGC Partners ceased to be a controlling stockholder of Newmark, and BGC and its subsidiaries no longer held any shares of Newmark common stock or equity interests in Newmark or its subsidiaries. Cantor continues to control Newmark and its subsidiaries following the Spin-Off and the BGC Holdings Distribution. See Note 1—"Organization and Basis of Presentation" for additional information.

Subsequent to the Spin-Off, there are remaining partners who hold limited partnership interests in BGC Holdings who are Newmark employees, and there are remaining partners who hold limited partnership interests in Newmark Holdings who are BGC employees. These limited partnership interests represent interests that were held prior to the Newmark IPO or were distributed in connection with the Separation. Following the Newmark IPO, employees of BGC and Newmark only receive limited partnership interests in BGC Holdings and Newmark Holdings, respectively. As a result of the Spin-Off, as the existing limited partnership interests in BGC Holdings held by Newmark employees and the existing limited partnership interests in Newmark Holdings held by BGC employees are exchanged/redeemed, the related capital can be contributed to and from Cantor, respectively.

Clearing Agreement with Cantor

The Company receives certain clearing services from Cantor pursuant to its clearing agreement. These clearing services are provided in exchange for payment by the Company of third-party clearing costs and allocated costs. The costs associated with these payments are included as part of "Fees to related parties" in the Company's unaudited condensed consolidated statements of operations. The costs for these services are included as part of the charges to BGC for services provided by Cantor and its affiliates as discussed in "Service Agreements" above.

Other Agreements with Cantor

The Company is authorized to enter into short-term arrangements with Cantor to cover any delivery failures in connection with U.S. Treasury securities transactions and to share equally in any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of September 30, 2020, Cantor facilitated \$2.1 million in Repurchase Agreements between the Company and Cantor. As of December 31, 2019, Cantor had not facilitated any Repurchase Agreements between the Company and Cantor.

To more effectively manage the Company's exposure to changes in FX rates, the Company and Cantor have agreed to jointly manage the exposure. As a result, the Company is authorized to divide the quarterly allocation of any profit or loss relating to FX currency hedging between the Company and Cantor. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of the Company and Cantor is utilized to determine the shares of profit or loss allocated to each for the period. During the three months ended September 30, 2020 and 2019, the Company recognized its share of FX gains of \$1.1 million and losses of \$0.5 million, respectively. During the nine months ended September 30, 2020 and 2019, the Company recognized its share of FX gains of \$0.9 million and \$0.4 million, respectively. These gains and losses are included as part of "Other expenses" in the Company's unaudited condensed consolidated statements of operations.

Pursuant to the separation agreement relating to the Company's acquisition of certain BGC businesses from Cantor in 2008, Cantor has a right, subject to certain conditions, to be the Company's customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from the Company without any cost. Any future related-party transactions or arrangements between the Company and Cantor are subject to the prior approval by the Audit Committee. During the three months ended September 30, 2020 and 2019, the Company recorded revenues from Cantor entities of \$38 thousand and \$24 thousand, respectively, related to commissions paid to the Company by Cantor. During the nine months ended

September 30, 2020 and 2019, the Company recorded revenues from Cantor entities of \$122 thousand and \$171 thousand, respectively, related to commissions paid to the Company by Cantor. These revenues are included as part of “Commissions” in the Company’s unaudited condensed consolidated statements of operations.

The Company and Cantor are authorized to utilize each other’s brokers to provide brokerage services for securities not brokered by such entity, so long as, unless otherwise agreed, such brokerage services were provided in the ordinary course and on terms no less favorable to the receiving party than such services are provided to typical third-party customers.

In August 2013, the Audit Committee authorized the Company to invest up to \$350.0 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used by the Company from time to time as a liquidity management vehicle. The notes are backed by assets of highly rated banks. The Company is entitled to invest in the program so long as the program meets investment policy guidelines, including policies related to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to the Company on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of both September 30, 2020 and December 31, 2019, the Company did not have any investments in the program.

On June 5, 2015, the Company entered into the Exchange Agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold BGC 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 BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of Cantor units owned in BGC 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 enabled the Cantor entities to acquire the same number of shares of BGC Class B common stock that they were already entitled to acquire without having to exchange its Cantor units in BGC Holdings. The Audit Committee and Board determined that it was in the best interests of the Company and its stockholders to approve the Exchange Agreement because it will help ensure that Cantor retains its units in BGC Holdings, which is the same partnership in which the Company’s partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees.

On November 23, 2018, in the Class B Issuance, 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, in each case in exchange for shares of BGC Class A common stock owned by Cantor and CFGM, respectively, on a one-to-one basis pursuant to the Exchange Agreement. Pursuant to the Exchange Agreement, no additional consideration was paid to BGC Partners by Cantor or CFGM for the Class B Issuance. Following this exchange, Cantor and its affiliates have the right to exchange under the Exchange Agreement up to an aggregate of 23,613,420 shares of BGC Class A common stock, now owned or subsequently acquired, or its Cantor units in BGC Holdings, into shares of BGC Class B common stock. As of September 30, 2020, Cantor and CFGM do not own any shares of BGC Class A common stock.

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

On March 19, 2018, the Company entered into the BGC Credit Agreement with Cantor. The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender’s discretion in an aggregate principal amount up to \$250.0 million outstanding at any time. The BGC Credit Agreement replaced the previous Credit Facility between BGC and an affiliate of Cantor. On August 6, 2018, the Company entered into an amendment to the BGC Credit Agreement, which increased the aggregate principal amount that could be loaned to the other party or any of its subsidiaries from \$250.0 million to \$400.0 million that can be outstanding at any time. The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2021, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal to the higher of BGC’s or Cantor’s short-term borrowing rate in effect at such time plus 1.00%. As of both September 30, 2020 and December 31, 2019, there were no borrowings by BGC or Cantor outstanding under this Agreement. The Company did not record any interest expense related to the Agreement for the three months ended September 30, 2020. The Company recorded interest expense of \$0.4 million for the nine months ended September 30, 2020. The Company did not record any interest income or interest expense related to the agreement for the three and nine months ended September 30, 2019.

As part of the Company’s cash management process, the Company may enter into tri-party reverse repurchase agreements and other short-term investments, some of which may be with Cantor. As of September 30, 2020 and December 31, 2019, the Company had no reverse repurchase agreements.

Receivables from and Payables to Related Broker-Dealers

Amounts due to or from Cantor and Freedom, one of the Company’s equity method investments, are for transactional revenues under a technology and services agreement with Freedom, as well as for open derivative contracts. These are included as part of “Receivables from

broker-dealers, clearing organizations, customers and related broker-dealers” or “Payables to broker-dealers, clearing organizations, customers and related broker-dealers” in the Company’s unaudited condensed consolidated statements of financial condition. As of both September 30, 2020 and December 31, 2019, the Company had receivables from Freedom of \$1.3 million. As of September 30, 2020 and December 31, 2019, the Company had \$0.2 million and \$1.3 million, respectively, in receivables from Cantor related to open derivative contracts. As of September 30, 2020 and December 31, 2019, the Company had \$0.4 million and \$2.0 million, respectively, in payables to Cantor related to open derivative contracts. As of September 30, 2020 and December 31, 2019, the Company had \$27.2 million and \$2.3 million, respectively, in payables to Cantor related to fails and pending trades.

Loans, Forgivable Loans and Other Receivables from Employees and Partners, Net

The Company has entered into various agreements with certain employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distributions that the individuals receive on some or all of their LPUs and from proceeds of the sale of the employees' shares of BGC Class A common stock, or may be forgiven over a period of time. The forgivable portion of these loans is recognized as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements.

As of September 30, 2020 and December 31, 2019, the aggregate balance of employee loans, net, was \$401.6 million and \$315.6 million, respectively, and is included as “Loans, forgivable loans and other receivables from employees and partners, net” in the Company’s unaudited condensed consolidated statements of financial condition. Compensation expense for the above-mentioned employee loans for the three months ended September 30, 2020 and 2019 was \$11.1 million and \$9.3 million, respectively. Compensation expense for the above-mentioned employee loans for the nine months ended September 30, 2020 and 2019 was \$42.7 million and \$23.3 million, respectively. The compensation expense related to these employee loans is included as part of “Compensation and employee benefits” in the Company’s unaudited condensed consolidated statements of operations.

Interest income on the above-mentioned employee loans for the three months ended September 30, 2020 and 2019 was \$1.7 million and \$1.3 million, respectively. Interest income on the above-mentioned employee loans for the nine months ended September 30, 2020 and 2019 was \$6.1 million and \$3.5 million, respectively. The interest income related to these employee loans is included as part of “Interest and dividend income” in the Company’s unaudited condensed consolidated statements of operations.

CEO Program and Other Transactions with CF&Co

As discussed in Note 7—“Stock Transactions and Unit Redemptions,” the Company has entered into the March 2018 Sales Agreement with CF&Co, as the Company’s sales agent under the CEO Program. During the three months ended September 30, 2020, the Company did not sell any shares of Class A common stock under the March 2018 Sales Agreement. During the nine months ended September 30, 2020, the Company sold 0.2 million shares under the March 2018 Sales Agreement for aggregate proceeds of \$0.7 million, at a weighted-average price of \$4.04 per share. During the three months ended September 30, 2019, the Company did not sell any shares under the March 2018 Sales Agreement. During the nine months ended September 30, 2019, the Company sold 0.9 million shares under the CEO Program with CF&Co for aggregate proceeds of \$5.3 million, at a weighted-average price of \$6.17 per share. For the three months ended September 30, 2020 and 2019, the Company was not charged for services provided by CF&Co related to the CEO Program with CF&Co. For the nine months ended September 30, 2020 and 2019, the Company was charged \$7 thousand and \$0.1 million, respectively, for services provided by CF&Co related to the CEO Program with CF&Co. The net proceeds of the shares sold are included as part of “Additional paid-in capital” in the Company’s unaudited condensed consolidated statements of financial condition.

The Company has engaged CF&Co and its affiliates to act as financial advisors in connection with one or more third-party business combination transactions as requested by the Company on behalf of its affiliates from time to time on specified terms, conditions and fees. The Company may pay finders’, investment banking or financial advisory fees to broker-dealers, including, but not limited to, CF&Co and its affiliates, from time to time in connection with certain business combination transactions, and, in some cases, the Company may issue shares of BGC Class A common stock in full or partial payment of such fees.

On October 3, 2014, management was granted approval by Board and Audit Committee to enter into stock loan transactions with CF&Co utilizing equities securities. Such stock loan transactions will bear market terms and rates. As of September 30, 2020, the Company did not have any Securities loaned transactions with CF&Co. As of December 31, 2019, the Company had Securities loaned transactions of \$13.9 million with CF&Co. The fair value of the securities loaned was \$13.9 million (see Note 9—“Collateralized Transactions”). As of December 31, 2019, the cash collateral received from CF&Co bore an annual interest rate of 2.45%. These transactions have no stated maturity date. Securities loaned transactions are included in “Securities loaned” in the Company’s unaudited condensed consolidated statements of financial condition.

On May 27, 2016, the Company issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes. In connection with this issuance of the 5.125% Senior Notes, the Company recorded \$0.5 million in underwriting fees payable to CF&Co and \$18 thousand to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes. Cantor purchased \$15.0 million of such senior notes and does not hold such notes as of September 30, 2020.

On September 27, 2019, the Company issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. In connection with this issuance of the 3.750% Senior Notes, the Company recorded \$0.2 million in underwriting fees payable to CF&Co and \$36 thousand

to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes.

On July 10, 2020, the Company issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. In connection with this issuance of the 4.375% Senior Notes, the Company recorded \$0.2 million in underwriting fees payable to CF&Co and \$36 thousand to CastleOak Securities, L.P. as of September 30, 2020. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes.

On June 11, 2020, the Company's Board of Directors and its Audit Committee authorized a debt repurchase program for the repurchase by the Company of up to \$50.0 million of Company Debt Securities. Repurchases of Company Debt Securities, if any, are expected to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption. Under the authorization, the Company may make repurchases of Company Debt Securities for cash from time to time in the open market or in privately negotiated transactions upon such terms and at such prices as management may determine. Additionally, the Company is authorized to make any such repurchases of Company Debt Securities through CF&Co (or its affiliates), in its capacity as agent or principal, or such other broker-dealers as management shall determine to utilize from time to time, and such repurchases shall be subject to brokerage commissions which are no higher than standard market commission rates. As of September 30, 2020, the Company had \$50.0 million remaining from its debt repurchase authorization.

On August 14, 2020, the Company completed the cash tender offer to purchase its 5.125% Senior Notes. As of the expiration time, \$44.0 million aggregate principal amount of the Notes (14.66%) were validly tendered. CF&Co acted as one of the dealer managers for the offer. As a result of this transaction, \$14.5 thousand in dealer management fees was payable to CF&Co as of September 30, 2020.

Under rules adopted by the CFTC, all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the NFA and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered FCM. From time to time, the Company's foreign-based brokers engage in interest rate swap transactions with U.S.-based counterparties, and, therefore, the Company is subject to the CFTC requirements. Mint Brokers has entered into guarantees on behalf of the Company, and the Company is required to indemnify Mint Brokers for the amounts, if any, paid by Mint Brokers on behalf of the Company pursuant to this arrangement. Effective April 1, 2020, these guarantees were transferred to Mint Brokers from CF&Co. During the three months ended September 30, 2020 and 2019, the Company recorded fees of \$31 thousand with respect to these guarantees. During the nine months ended September 30, 2020 and 2019, the Company recorded fees of \$94 thousand with respect to these guarantees. These fees were included in "Fees to related parties" in the Company's unaudited condensed consolidated statements of operations.

Cantor Rights to Purchase Cantor Units from BGC Holdings

Cantor has the right to purchase Cantor units from BGC Holdings upon redemption of non-exchangeable FPU's redeemed by BGC Holdings upon termination or bankruptcy of the Founding/Working Partner. In addition, pursuant to Article Eight, Section 8.08, of the Second Amended and Restated BGC Holdings Limited Partnership Agreement (previously the Sixth Amendment), where either current, terminating, or terminated partners are permitted by the Company to exchange any portion of their FPU's and Cantor consents to such exchangeability, the Company shall offer to Cantor the opportunity for Cantor to purchase the same number of Cantor units in BGC Holdings at the price that Cantor would have paid for the FPU's had the Company redeemed them. Any such Cantor units purchased by Cantor are currently exchangeable for up to 23,613,420 shares of BGC Class B common stock or, at Cantor's election or if there are no such additional shares of BGC Class B common stock, shares of BGC Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

As of September 30, 2020, there were 2,390,731 FPU's in BGC Holdings 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.

Transactions with Executive Officers and Directors

On March 2, 2020, the Company granted Stephen M. Merkel 360,065 exchange rights with respect to 360,065 non-exchangeable LPU's that were previously granted to Mr. Merkel. The resulting 360,065 exchangeable LPU's were immediately exchangeable by Mr. Merkel for an aggregate of 360,065 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. On March 20, 2020, the Company redeemed 185,300 of such 360,065 exchangeable LPU's held by Mr. Merkel at the average price of shares of BGC Class A common stock sold under BGC's CEO Program from March 10, 2020 to March 13, 2020 less 1% (approximately \$4.0024 per LPU, for an aggregate redemption price of approximately \$741,644). The transaction was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 265,568 non-exchangeable PLPU's held by Mr. Merkel, for a payment of \$1,507,285 for taxes when the LPU units are exchanged. In connection with the redemption of the 185,300 LPU's, 122,579 PLPU's were redeemed for \$661,303 for taxes. On July 30, 2020, the Company redeemed the remaining 174,765 exchangeable LPU's held by Mr. Merkel at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 174,765 LPU's on July 30, 2020, 142,989 PLPU's were redeemed for \$846,182 for taxes.

On March 2, 2020, the Company granted Shaun D. Lynn 883,348 exchange rights with respect to 883,348 non-exchangeable LPUs that were previously granted to Mr. Lynn. The resulting 883,348 exchangeable LPUs were immediately exchangeable by Mr. Lynn for an aggregate of 883,348 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 245,140 non-exchangeable PLPUs held by Mr. Lynn, for a payment of \$ 1,099,599 for taxes when the LPU units are exchanged. On July 30, 2020, the Company redeemed 797,222 exchangeable LPUs held by Mr. Lynn at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 797,222 exchangeable LPUs, 221,239 exchangeable PLPUs were redeemed for \$992,388 for taxes. In connection with the redemption, Mr. Lynn's remaining 86,126 exchangeable LPUs and 23,901 exchangeable PLPUs were redeemed for zero upon exchange in connection with his LLP status.

On March 2, 2020, the Company granted Sean A. Windeatt 519,725 exchange rights with respect to 519,725 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 519,725 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 519,725 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 97,656 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$645,779 for taxes when the LPU units are exchanged. On August 5, 2020, the Company redeemed 436,665 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 436,665 exchangeable LPUs, 96,216 exchangeable PLPUs were redeemed for \$637,866 for taxes. In connection with the redemption, 20,849 exchangeable LPUs and 1,440 exchangeable PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

Additionally, on August 5, 2020, the Company granted Mr. Windeatt 40,437 exchange rights with respect to 40,437 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 40,437 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 40,437 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 21,774 non-exchangeable PLPUs held by Mr. Windeatt. On August 5, 2020 the Company redeemed these 40,437 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of these 40,437 exchangeable LPUs, the 21,774 exchangeable PLPUs were redeemed for \$136,305 for taxes.

In addition to the foregoing, on August 6, 2020, Mr. Windeatt was granted exchange rights with respect to 43,890 non-exchangeable Newmark Holding LPUs that were previously granted to Mr. Windeatt. Additionally, Mr. Windeatt was granted the right to exchange for cash 17,068 non-exchangeable Newmark Holdings PLPUs held by Mr. Windeatt. As these Newmark Holdings LPUs and PLPUs were previously non-exchangeable, the Company took a transaction charge of \$381,961 upon grant of exchangeability. On August 6, 2020, Newmark redeemed the 40,209 Newmark Holdings exchangeable LPUs held by Mr. Windeatt for an amount equal to the closing price of Newmark's Class A Common Stock on August 6, 2020 (\$4.16) multiplied by 37,660 (the amount of shares of Newmark's Class A Common Stock the 40,209 Newmark Holdings LPUs were exchangeable into based on the Exchange Ratio at August 6, 2020). In connection with the redemption of these 40,209 exchangeable Newmark Holdings LPUs, 15,637 exchangeable Newmark Holdings PLPUs were redeemed for \$194,086 for taxes. In connection with the redemption, 3,681 exchangeable Newmark Holding LPUs and 1,431 exchangeable Newmark Holdings PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

On March 27, 2019, the Audit and Compensation Committees authorized the purchase by the Company from Mr. Merkel of up to 250,000 shares of BGC Class A common stock at the closing price on March 26, 2019. Pursuant to this authorization, 233,172 shares of BGC Class A common stock were purchased by the Company on March 27, 2019 at \$5.30 per share, the closing price on March 26, 2019.

On February 27, 2019, the Audit Committee authorized the purchase by Mr. Lutnick's retirement plan of up to \$56,038 of BGC Class A common stock at the closing price on March 4, 2019. Pursuant to this authorization, 8,980 shares of BGC Class A common stock were purchased by the plan on March 5, 2019 at \$6.24 per share, the closing price on March 4, 2019.

Transactions with the Relief Fund

During the year ended December 31, 2015, the Company committed to make charitable contributions to the Cantor Fitzgerald Relief Fund in the amount of \$40.0 million, which the Company recorded in "Other expenses" in the Company's unaudited condensed consolidated statements of operations for the year ended December 31, 2015. As of September 30, 2020 and December 31, 2019, the remaining liability associated with this commitment was \$4.5 million and \$4.0 million, respectively, which is included in "Accounts payable, accrued and other liabilities" in the Company's unaudited condensed consolidated statements of financial condition. Further, for the three and nine months ended September 30, 2020, an additional expense and associated liability to the Cantor Fitzgerald Relief Fund was recorded in the amount of \$1.1 million.

Other Transactions

The Company is authorized to enter into loans, investments or other credit support arrangements for Aqua, an alternative electronic trading platform that offers new pools of block liquidity to the global equities markets; such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On February 5, 2020, the Board and Audit Committee increased the authorized amount by an additional \$2.0 million, to \$19.2 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method. During the three months ended September 30, 2020 and 2019, the Company made \$0.5 million and \$0.4 million, respectively, in contributions to Aqua. During both the nine months ended September 30, 2020 and 2019, the Company made \$1.1 million in

contributions to Aqua. These contributions are recorded as part of “Investments” in the Company’s unaudited condensed consolidated statements of financial condition.

The Company has also entered into a subordinated loan agreement with Aqua, whereby the Company loaned Aqua the principal sum of \$980.0 thousand. The scheduled maturity date on the subordinated loan is September 1, 2021, and the current rate of interest on the loan is three month LIBOR plus 600 basis points. The loan to Aqua is recorded as part of “Receivables from related parties” in the Company’s unaudited condensed consolidated statements of financial condition.

On October 25, 2016, the Board and Audit Committee authorized the purchase of 9,000 Class B Units of Lucera, representing all of the issued and outstanding Class B Units of Lucera not already owned by the Company. On November 4, 2016, the Company completed this transaction. As a result of this transaction, the Company owns 100% of the ownership interests in Lucera.

In the purchase agreement, by which the Company acquired Cantor’s remaining interest in Lucera, Cantor agreed, subject to certain exceptions, not to solicit certain senior executives of Lucera’s business and was granted the right to be a customer of Lucera’s businesses on the best terms made available to any other customer.

During the three months ended September 30, 2020 and 2019, Lucera recognized \$0.1 million and \$0.2 million, respectively, in related party revenues from Cantor. During the nine months ended September 30, 2020 and 2019, Lucera recognized \$0.4 and \$0.5 million, respectively, in related party revenues from Cantor. These revenues are included in “Data, software and post-trade” in the Company’s unaudited condensed consolidated statements of operations.

Newmark Sublease To BGC

In May 2020, BGC U.S. OpCo entered into an arrangement to sublease excess space from RKF Retail Holdings LLC, a subsidiary of Newmark, which sublease was approved by the Audit Committee. The deal is a one-year sublease of approximately 21,000 rentable square feet in New York City. Under the terms of the sublease, BGC U.S. OpCo will pay a fixed rent amount of \$1.1 million. In connection with the sublease, BGC U.S. OpCo paid \$0.4 million and \$0.5 million, respectively, for the three and nine months ended September 30, 2020.

15. Investments

Equity Method Investments

The carrying value of the Company’s equity method investments was \$39.8 million as of September 30, 2020 and \$40.0 million as of December 31, 2019, and is included in “Investments” in the Company’s unaudited condensed consolidated statements of financial condition.

The Company recognized gains of \$1.5 million related to its equity method investments for both the three months ended September 30, 2020 and 2019. The Company recognized gains of \$3.7 million and \$3.1 million related to its equity method investments for the nine months ended September 30, 2020 and 2019, respectively. The Company’s share of the net gains or losses is reflected in “Gains (losses) on equity method investments” in the Company’s unaudited condensed consolidated statements of operations. For the three and nine months ended September 30, 2020, the Company recorded impairment charges of \$0.2 million and \$2.7 million, respectively, relating to existing equity method investments. The impairment was recorded in “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations. For the three and nine months ended September 30, 2019, the Company did not recognize any impairment charges relating to existing equity method investments.

See Note 14—“Related Party Transactions,” for information regarding related party transactions with unconsolidated entities included in the Company’s unaudited condensed consolidated financial statements.

Investments Carried Under Measurement Alternative

The Company has acquired investments for which it did not have the ability to exert significant influence over operating and financial policies of the investees. These investments are accounted for using the measurement alternative in accordance with the guidance on recognition and measurement. The carrying value of these investments was \$0.4 million as of both September 30, 2020 and December 31, 2019, and they are included in “Investments” in the Company’s unaudited condensed statements of financial condition. The Company did not recognize any gains, losses, or impairments relating to investments carried under the measurement alternative for both the three and nine months ended September 30, 2020 and 2019.

In addition, the Company owns membership shares, which are included in “Other assets” in the Company’s unaudited condensed consolidated statements of financial condition as of September 30, 2020 and December 31, 2019. These equity investments are accounted for using the measurement alternative in accordance with the guidance on recognition and measurement. The Company recognized \$1.0 million of unrealized losses to reflect observable transactions for these shares during the three months ended September 30, 2020. The Company did not recognize any unrealized gains to reflect observable transactions for these shares during the three months ended September 30, 2019. The Company recognized \$1.0 million of unrealized losses and \$20.4 million unrealized gains to reflect observable transactions for these shares during the nine months ended September 30, 2020 and 2019, respectively. The unrealized gains (losses) are reflected in “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations.

Investments in VIEs

Certain of the Company's equity method investments are considered VIEs as defined under the accounting guidance for consolidation. The Company is not considered the primary beneficiary of and therefore does not consolidate these VIEs. The Company's involvement with such entities is in the form of direct equity interests and related agreements. The Company's maximum exposure to loss with respect to the VIEs is its investment in such entities, as well as a credit facility and a subordinated loan.

The following table sets forth the Company's investment in its unconsolidated VIEs and the maximum exposure to loss with respect to such entities (in thousands):

	September 30, 2020		December 31, 2019	
	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities ¹	\$ 1,278	\$ 2,258	\$ 4,699	\$ 5,679

¹ The Company has entered into a subordinated loan agreement with Aqua, whereby the Company agreed to lend the principal sum of \$980 thousand. The Company's maximum exposure to loss with respect to its unconsolidated VIEs includes the sum of its equity investments in its unconsolidated VIEs and the \$980 thousand subordinated loan to Aqua.

Consolidated VIE

The Company is invested in a limited liability company that is focused on developing a proprietary trading technology. The limited liability company is a VIE and it was determined that the Company is the primary beneficiary of this VIE because the Company was the provider of the majority of this VIE's start-up capital and has the power to direct the activities of this VIE that most significantly impact its economic performance, primarily through its voting percentage and consent rights on the activities that would most significantly influence the entity. The consolidated VIE had total assets of \$6.9 million and \$7.4 million as of September 30, 2020 and December 31, 2019, respectively, which primarily consisted of clearing margin. There were no material restrictions on the consolidated VIE's assets. The consolidated VIE had total liabilities of \$1.7 million and \$2.1 million as of September 30, 2020 and December 31, 2019, respectively. The Company's exposure to economic loss on this VIE was \$3.7 million and \$2.8 million as of September 30, 2020 and December 31, 2019, respectively.

16. Fixed Assets, Net

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

	September 30, 2020	December 31, 2019
Computer and communications equipment	\$ 97,999	\$ 95,115
Software, including software development costs	249,514	235,230
Leasehold improvements and other fixed assets	126,556	116,231
	474,069	446,576
Less: accumulated depreciation and amortization	(255,415)	(241,735)
Fixed assets, net	\$ 218,654	\$ 204,841

Depreciation expense was \$6.3 million and \$4.8 million for the three months ended September 30, 2020 and 2019, respectively. Depreciation expense was \$18.3 million and \$15.2 million for the nine months ended September 30, 2020 and 2019, respectively. Depreciation is included as part of "Occupancy and equipment" in the Company's unaudited condensed consolidated statements of operations.

The Company has \$5.6 million of asset retirement obligations related to certain of its leasehold improvements as of September 30, 2020. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. The liability is discounted and accretion expense is recognized using the credit adjusted risk-free interest rate in effect when the liability was initially recognized.

For the three months ended September 30, 2020 and 2019, software development costs totaling \$12.8 million and \$14.5 million, respectively, were capitalized. Amortization of software development costs totaled \$7.7 million and \$7.2 million for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, software development costs totaling \$41.1 million and \$30.0 million, respectively, were capitalized. Amortization of software development costs totaled \$23.0 million and \$20.4 million for the nine months ended September 30, 2020 and 2019, respectively. Amortization of software development costs is included as part of "Occupancy and equipment" in the Company's unaudited condensed consolidated statements of operations.

Impairment charges of \$0.1 million and \$0.4 million were recorded for the three months ended September 30, 2020 and 2019, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges of \$5.1 million and \$1.3 million were recorded for the nine months ended September 30, 2020 and 2019, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges related to

capitalized software and fixed assets are reflected in “Occupancy and equipment” in the Company’s unaudited condensed consolidated statements of operations.

17. Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill were as follows (in thousands):

	Goodwill
Balance at December 31, 2019	\$ 553,745
Acquisitions	3,065
Measurement period adjustments	(55)
Cumulative translation adjustment	(3,067)
Balance at September 30, 2020	\$ 553,688

For additional information on Goodwill, See Note 4—“Acquisitions.”

Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with U.S. GAAP guidance on Goodwill and Other Intangible Assets.

Other intangible assets consisted of the following (in thousands, except weighted-average remaining life):

	September 30, 2020			Weighted-Average Remaining Life (Years)
	Gross Amount	Accumulated Amortization	Net Carrying Amount	
Definite life intangible assets:				
Customer-related	\$ 237,239	\$ 59,127	\$ 178,112	10.6
Technology	24,023	19,174	4,849	1.4
Noncompete agreements	30,122	28,956	1,166	6.2
Patents	12,289	11,995	294	—
All other	30,757	5,708	25,049	8.6
Total definite life intangible assets	334,430	124,960	209,470	10.1
Indefinite life intangible assets:				
Trade names	79,570	—	79,570	N/A
Licenses	2,299	—	2,299	N/A
Total indefinite life intangible assets	81,869	—	81,869	N/A
Total	\$ 416,299	\$ 124,960	\$ 291,339	10.1

	December 31, 2019			Weighted-Average Remaining Life (Years)
	Gross Amount	Accumulated Amortization	Net Carrying Amount	
Definite life intangible assets:				
Customer-related	\$ 250,788	\$ 57,332	\$ 193,456	11.2
Technology	24,024	16,608	7,416	2.2
Noncompete agreements	30,378	28,198	2,180	4.2
Patents	12,232	11,954	278	0.1
All other	7,552	3,195	4,357	9.4
Total definite life intangible assets	324,974	117,287	207,687	10.8
Indefinite life intangible assets:				
Trade names	93,083	—	93,083	N/A
Licenses	2,454	—	2,454	N/A
Total indefinite life intangible assets	95,537	—	95,537	N/A
Total	\$ 420,511	\$ 117,287	\$ 303,224	10.8

Intangible amortization expense was \$7.2 million and \$8.1 million for the three months ended September 30, 2020 and 2019, respectively. Intangible amortization expense was \$21.7 million and \$23.1 million for the nine months ended September 30, 2020 and 2019, respectively. Intangible amortization is included as part of “Other expenses” in the Company’s unaudited condensed consolidated statements

of operations. There were no impairment charges for the Company's indefinite life intangibles for the three and nine months ended September 30, 2020 and 2019.

The estimated future amortization expense of definite life intangible assets as of September 30, 2020 is as follows (in millions):

2020 (excluding the nine months ended September 30, 2020)	\$	6.6
2021		24.5
2022		21.6
2023		21.0
2024		21.0
2025 and thereafter		114.8
Total	\$	<u>209.5</u>

18. Notes Payable, Other and Short-Term Borrowings

Notes payable, other and short-term borrowings consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Unsecured senior revolving credit agreement	\$ —	\$ 68,948
5.125% Senior Notes	255,308	298,688
5.375% Senior Notes	446,244	445,247
3.750% Senior Notes	296,701	296,129
4.375% Senior Notes	296,886	—
Collateralized borrowings	23,351	33,675
Total Notes payable and other borrowings	<u>1,318,490</u>	<u>1,142,687</u>
Short-term borrowings	3,546	4,962
Total Notes payable, other and short-term borrowings	<u>\$ 1,322,036</u>	<u>\$ 1,147,649</u>

Unsecured Senior Revolving Credit Agreement

On November 28, 2018, the Company entered into the Revolving Credit Agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, which replaced the existing committed unsecured senior revolving credit agreement. The maturity date of the Revolving Credit Agreement was November 28, 2020, and the maximum revolving loan balance is \$350.0 million. Borrowings under this Revolving Credit Agreement bear interest at either LIBOR or a defined base rate plus additional margin. On December 11, 2019, the Company entered into an amendment to the Revolving Credit Agreement. Pursuant to the amendment, the maturity date was extended to February 26, 2021. On February 26, 2020, the Company entered into a second amendment to the Revolving Credit Agreement, pursuant to which, the maturity date was extended by two years to February 26, 2023. There was no change to the interest rate or the maximum revolving loan balance. On July 14, 2020, the Company repaid in full the \$225.0 million borrowings outstanding under the Revolving Credit Agreement. As of September 30, 2020, there were no borrowings outstanding under the Revolving Credit Agreement. The average interest rate on the outstanding borrowings was 2.19% and 2.88% for the three and nine months ended September 30, 2020, respectively. The average interest rate on the outstanding borrowings was 4.27% and 4.38% for the three and nine months ended September 30, 2019, respectively. As of December 31, 2019, there was \$68.9 million of borrowings outstanding, net of deferred financing costs of \$1.1 million, under the Agreement. The Company recorded interest expense related to the Revolving Credit Agreement of \$0.9 million and \$3.6 million for the three months ended September 30, 2020 and 2019, respectively. The Company recorded interest expense related to the Revolving Credit Agreement of \$4.7 million and \$8.8 million for the nine months ended September 30, 2020 and 2019, respectively.

Senior Notes

The Company's Senior Notes are recorded at amortized cost. The carrying amounts and estimated fair values of the Company's Senior Notes were as follows (in thousands):

	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
5.125% Senior Notes	\$ 255,308	\$ 260,154	\$ 298,688	\$ 311,100
5.375% Senior Notes	446,244	476,730	445,247	482,099
3.750% Senior Notes	296,701	300,330	296,129	300,600
4.375% Senior Notes	296,886	306,090	—	—
Total	<u>\$ 1,295,139</u>	<u>\$ 1,343,304</u>	<u>\$ 1,040,064</u>	<u>\$ 1,093,799</u>

The fair values of the Senior Notes were determined using observable market prices as these securities are traded, and based on whether they are deemed to be actively traded, the 5.125% Senior Notes, the 5.375% Senior Notes, the 3.750% Senior Notes, and the 4.375% Senior Notes are considered Level 2 within the fair value hierarchy.

5.125% Senior Notes

On May 27, 2016, the Company issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes. The 5.125% Senior Notes are general senior unsecured obligations of the Company. The 5.125% Senior Notes bear interest at a rate of 5.125% per year, payable in cash on May 27 and November 27 of each year, commencing November 27, 2016. The 5.125% Senior Notes will mature on May 27, 2021. The Company may redeem some or all of the notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the Indenture). If a “Change of Control Triggering Event” (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.125% Senior Notes was \$295.8 million, net of the discount and debt issuance costs of \$4.2 million. The issuance costs are amortized as interest expense, and the carrying value of the 5.125% Senior Notes will accrete up to the face amount over the term of the notes. On August 5, 2020, the Company commenced a cash tender offer for any and all \$300.0 million outstanding aggregate principal amount of its 5.125% Senior Notes. On August 11, 2020, the Company’s cash tender offer expired at 5:00 p.m., New York City time. As of the expiration time, \$44.0 million aggregate principal amount of the 5.125% Senior Notes were validly tendered. These notes were redeemed on the settlement date of August 14, 2020. The carrying value of the 5.125% Senior Notes as of September 30, 2020 was \$255.3 million. The Company recorded interest expense related to the 5.125% Senior Notes of \$4.6 million and \$4.1 million for the three months ended September 30, 2020 and 2019, respectively. The Company recorded interest expense related to the 5.125% Senior Notes of \$12.8 million and \$12.1 million for the nine months ended September 30, 2020 and 2019, respectively.

5.375% Senior Notes

On July 24, 2018, the Company issued an aggregate of \$450.0 million principal amount of 5.375% Senior Notes. The 5.375% Senior Notes are general senior unsecured obligations of the Company. The 5.375% Senior Notes bear interest at a rate of 5.375% per year, payable in cash on January 24 and July 24 of each year, commencing January 24, 2019. The 5.375% Senior Notes will mature on July 24, 2023. The Company may redeem some or all of the 5.375% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the Indenture related to the 5.375% Senior Notes). If a “Change of Control Triggering Event” (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.375% Senior Notes was \$444.2 million, net of the discount and debt issuance costs of \$5.8 million. The issuance costs are amortized as interest expense, and the carrying value of the 5.375% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 5.375% Senior Notes as of September 30, 2020 was \$446.2 million. The Company recorded interest expense related to the 5.375% Senior Notes of \$6.4 million for each of the three months ended September 30, 2020 and 2019. The Company recorded interest expense related to the 5.375% Senior Notes of \$19.1 million for each of the nine months ended September 30, 2020 and 2019.

3.750% Senior Notes

On September 27, 2019, the Company issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. The 3.750% Senior Notes are general unsecured obligations of the Company. The 3.750% Senior Notes bear interest at a rate of 3.750% per year, payable in cash on April 1 and October 1 of each year, commencing April 1, 2020. The 3.750% Senior Notes will mature on October 1, 2024. The Company may redeem some or all of the 3.750% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the Indenture). If a “Change of Control Triggering Event” (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 3.750% Senior Notes was \$296.1 million, net of discount and debt issuance costs of \$3.9 million. The issuance costs will be amortized as interest expense, and the carrying value of the 3.750% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 3.750% Senior Notes was \$296.7 million as of September 30, 2020. The Company recorded interest expense related to the 3.750% Senior Notes of \$3.0 million and \$9.1 million for the three and nine months ended September 30, 2020, respectively. The Company recorded interest expense related to the 3.750% Senior Notes of \$0.1 million for both the three and nine months ended September 30, 2019.

4.375% Senior Notes

On July 10, 2020, the Company issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. The 4.375% Senior Notes are general unsecured obligations of the Company. The 4.375% Senior Notes bear interest at a rate of 4.375% per year, payable in cash on June 15 and December 15 of each year, commencing December 15, 2020. The 4.375% Senior Notes will mature on December 15, 2025. The Company may redeem some or all of the 4.375% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices. If a “Change of Control Triggering Event” occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 4.375% Senior Notes was \$296.8 million, net of discount and debt issuance costs of \$3.2 million. The issuance costs will be amortized as interest expense, and the carrying value of the 4.375% Senior Notes will accrete

up to the face amount over the term of the notes. The carrying value of the 4.375% Senior Notes was \$296.9 million as of September 30, 2020. The Company recorded interest expense related to the 4.375% Senior Notes of \$3.1 million for both the three and nine months ended September 30, 2020. The Company did not record interest expense related to the 4.375% Senior Notes for the three and nine months ended September 30, 2019.

Collateralized Borrowings

On March 13, 2015, the Company entered into a \$28.2 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurred interest at a fixed rate of 3.70% per year and matured on March 13, 2019; therefore, there were no borrowings outstanding as of September 30, 2020 or December 31, 2019. The Company did not record any interest expense related to this arrangement for the three and nine months ended September 30, 2020. The Company did not record any interest expense related to this arrangement for the three months ended September 30, 2019. The Company recorded interest expense related to this arrangement of \$30 thousand for the nine months ended September 30, 2019.

On May 31, 2017, the Company entered into a \$29.9 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.44% per year and matures on May 31, 2021. As of September 30, 2020 and December 31, 2019, the Company had \$5.9 million and \$11.7 million, respectively, outstanding related to this arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$1.0 million. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2020, respectively. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2019, respectively.

On April 8, 2019, the Company entered into a \$15.0 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.77% and matures on April 8, 2023. As of September 30, 2020 and December 31, 2019, the Company had \$10.6 million and \$13.2 million, respectively, outstanding related to this arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$2.4 million. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2020, respectively. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2019.

On April 19, 2019, the Company entered into a \$10.0 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.89% and matures on April 19, 2023. As of September 30, 2020 and December 31, 2019, the Company had \$6.9 million and \$8.8 million, respectively, outstanding related to this arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$3.3 million. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2020, respectively. The Company recorded interest expense related to this arrangement of \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2019.

Short-Term Borrowings

On August 22, 2017, the Company entered into a committed unsecured loan agreement with Itau Unibanco S.A. The agreement provides for short-term loans of up to \$3.5 million (BRL 20.0 million). The maturity date of the agreement is February 19, 2021. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 3.30%. As of September 30, 2020 and December 31, 2019, there were \$3.5 million (BRL 20.0 million) and \$5.0 million (BRL 20.0 million), respectively, of borrowings outstanding under the agreement. As of September 30, 2020, the interest rate was 5.30%. The Company recorded interest expense related to the agreement of \$0.1 million for each of the three months ended September 30, 2020 and 2019. The Company recorded interest expense related to the agreement of \$0.2 million and \$0.4 million for the nine months ended September 30, 2020 and 2019, respectively.

On August 23, 2017, the Company entered into a committed unsecured credit agreement with Itau Unibanco S.A. The agreement provides for an intra-day overdraft credit line up to \$8.9 million (BRL 50.0 million). The maturity date of the agreement is December 9, 2020. This agreement bears a fee of 1.48% per year. As of September 30, 2020 and December 31, 2019, there were no borrowings outstanding under this agreement. The Company recorded bank fees related to the agreement of \$34 thousand and \$31 thousand for the three months ended September 30, 2020 and 2019, respectively. The Company recorded bank fees related to the agreement of \$0.1 million for each of the nine months ended September 30, 2020 and 2019.

19. Compensation

The Compensation Committee may grant various equity-based awards, including RSUs, restricted stock, stock options, LPU's and shares of BGC Class A common stock. Upon vesting of RSUs, issuance of restricted stock, exercise of stock options and redemption/exchange of LPU's, the Company generally issues new shares of BGC Class A common stock.

On June 22, 2016, at the annual meeting of stockholders, the stockholders approved the Equity Plan to increase from 350 million to 400 million the aggregate number of shares of BGC Class A common stock that may be delivered or cash-settled pursuant to awards granted during the life of the Equity Plan. As of September 30, 2020, the limit on the aggregate number of shares authorized to be delivered allowed for the grant of future awards relating to 128.2 million shares.

The Company incurred compensation expense related to Class A common stock, LPUs and RSUs held by BGC employees as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Issuance of common stock and grants of exchangeability	\$ 3,554	\$ 24,245	\$ 28,950	\$ 53,368
Allocations of net income ¹	8,213	10,273	12,152	19,599
LPU amortization	18,455	4,213	54,288	17,947
RSU amortization	2,785	1,599	7,640	5,309
Equity-based compensation and allocations of net income to limited partnership units and FPU's	<u>\$ 33,007</u>	<u>\$ 40,330</u>	<u>\$ 103,030</u>	<u>\$ 96,223</u>

- 1 Certain LPUs generally receive quarterly allocations of net income, including the Preferred Distribution, and are generally contingent upon services being provided by the unit holders.

Limited Partnership Units

A summary of the activity associated with LPUs held by BGC employees is as follows (in thousands):

	<u>BGC LPUs</u>	<u>Newmark LPUs²</u>
Balance at December 31, 2019	102,407	14,607
Granted	41,937	—
Redeemed/exchanged units	(7,106)	(650)
Forfeited units	(381)	(105)
Balance at September 30, 2020	<u>136,857</u>	<u>13,852</u>

The LPUs table above includes both regular and Preferred Units. The Preferred Units are not entitled to participate in partnership distributions other than with respect to the Preferred Distribution (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for further information on Preferred Units). A summary of the BGC Holdings and Newmark Holdings LPUs held by BGC employees is as follows (in thousands):

	<u>BGC LPUs</u>	<u>Newmark LPUs</u>
Regular Units	93,257	9,885
Preferred Units	43,600	3,967
Balance at September 30, 2020	<u>136,857</u>	<u>13,852</u>

Issuance of Common Stock and Grants of Exchangeability

Compensation expense related to the issuance of BGC or Newmark Class A common stock and grants of exchangeability on BGC Holdings and Newmark Holdings LPUs held by BGC employees is as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Issuance of common stock and grants of exchangeability	<u>\$ 3,554</u>	<u>\$ 24,245</u>	<u>\$ 28,950</u>	<u>\$ 53,368</u>

BGC LPUs held by BGC employees may become exchangeable or redeemed for BGC Class A common stock on a one-for-one basis, and Newmark LPUs held by BGC employees may become exchangeable or redeemed for a number of shares of Newmark Class A common stock equal to the number of limited partnership interests multiplied by the then-current Exchange Ratio. As of September 30, 2020, the Exchange Ratio was 0.9373.

A summary of the LPUs redeemed in connection with the issuance of BGC Class A common stock or Newmark Class A common stock (at the then-current Exchange Ratio) or granted exchangeability for BGC Class A common stock or Newmark Class A common stock (at the then-current Exchange Ratio) held by BGC employees is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
BGC Holdings LPUs	614	4,694	5,087	10,515
Newmark Holdings LPUs	104	128	395	470
Total	718	4,822	5,482	10,985

As of September 30, 2020 and December 31, 2019, the number of share-equivalent BGC LPUs exchangeable for shares of BGC Class A common stock at the discretion of the unit holder held by BGC employees was 2.2 million and 3.1 million, respectively. As of September 30, 2020 and December 31, 2019, the number of Newmark LPUs exchangeable into shares of Newmark Class A common stock at the discretion of the unit holder held by BGC employees (at the then-current Exchange Ratio) was 0.6 million and 0.8 million, respectively.

LPU Amortization

Compensation expense related to the amortization of LPUs held by BGC employees is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stated vesting schedule	\$ 18,461	\$ 4,330	\$ 53,197	\$ 18,522
Post-termination payout	(6)	(117)	1,091	(575)
LPU amortization	\$ 18,455	\$ 4,213	\$ 54,288	\$ 17,947

There are certain LPUs that have a stated vesting schedule and do not receive quarterly allocations of net income. These LPUs generally vest between two and five years from the date of grant. The fair value is determined on the date of grant based on the market value of an equivalent share of BGC or Newmark Class A common stock (adjusted if appropriate based upon the award's eligibility to receive quarterly allocations of net income), and is recognized as compensation expense, net of the effect of estimated forfeitures, ratably over the vesting period.

A summary of the outstanding LPUs held by BGC employees with a stated vesting schedule that do not receive quarterly allocations of net income is as follows (in thousands):

	September 30, 2020	December 31, 2019
BGC Holdings LPUs	43,684	30,699
Newmark Holdings LPUs	438	1,171
Aggregate estimated grant date fair value – BGC and Newmark Holdings LPUs	\$ 205,360	\$ 138,324

As of September 30, 2020, there was approximately \$88.3 million of total unrecognized compensation expense related to unvested BGC and Newmark LPUs held by BGC employees with a stated vesting schedule that do not receive quarterly allocations of net income that is expected to be recognized over 1.94 years.

Compensation expense related to LPUs held by BGC employees with a post-termination pay-out amount, such as REUs, and/or a stated vesting schedule is recognized over the stated service period. These LPUs generally vest between two and five years from the date of grant. As of September 30, 2020, there were 1.3 million outstanding BGC LPUs with a post-termination payout, with a notional value of approximately \$12.7 million and an aggregate estimated fair value of \$7.3 million, and 0.1 million outstanding Newmark LPUs with a post-termination payout, with a notional value of approximately \$0.9 million and an aggregate estimated fair value of \$0.3 million. As of December 31, 2019, there were 1.2 million outstanding BGC LPUs with a post-termination payout, with a notional value of approximately \$15.3 million and an aggregate estimated fair value of \$10.0 million, and 0.1 million outstanding Newmark LPUs with a post-termination payout, with a notional value of approximately \$1.0 million and an aggregate estimated fair value of \$0.2 million.

Restricted Stock Units

Compensation expense related to RSUs held by BGC employees is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
RSU amortization	\$ 2,785	\$ 1,599	\$ 7,640	\$ 5,309

A summary of the activity associated with RSUs held by BGC employees and directors is as follows (RSUs and dollars in thousands):

	RSUs	Weighted-Average Grant Date Fair Value	Fair Value Amount	Weighted-Average Remaining Contractual Term (Years)
Balance at December 31, 2019	4,478	\$ 5.25	\$ 23,516	2.50
Granted	5,578	3.40	18,967	
Delivered	(1,344)	5.83	(7,836)	
Forfeited	(458)	4.31	(1,979)	
Balance at September 30, 2020	8,254	\$ 3.96	\$ 32,668	2.60

The fair value of RSUs held by BGC employees and directors is determined on the date of grant based on the market value of Class A common stock adjusted as appropriate based upon the award's ineligibility to receive dividends. The compensation expense is recognized ratably over the vesting period, taking into effect estimated forfeitures. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and director RSUs. Each RSU is settled in one share of Class A common stock upon completion of the vesting period.

For the RSUs that vested during the three months ended September 30, 2020 and 2019, the Company withheld shares of Class A common stock valued at \$69 thousand and \$36 thousand to pay taxes due at the time of vesting. For the RSUs that vested during the nine months ended September 30, 2020 and 2019, the Company withheld shares of Class A common stock valued at \$1.8 million and \$0.5 million to pay taxes due at the time of vesting. As of September 30, 2020, there was approximately \$28.5 million of total unrecognized compensation expense related to unvested RSUs held by BGC employees and directors that is expected to be recognized over a weighted-average period of 2.60 years.

Acquisitions

In connection with certain of its acquisitions, the Company has granted certain LPUs and RSUs. As of September 30, 2020 and December 31, 2019, the aggregate estimated fair value of these acquisition-related LPUs and RSUs was \$8.7 million and \$10.7 million, respectively. The liability for such acquisition-related LPUs and RSUs is included in "Accounts payable, accrued and other liabilities" on the Company's unaudited condensed consolidated statements of financial condition.

Restricted Stock

BGC employees hold shares of BGC and Newmark restricted stock. Such restricted shares are generally saleable by partners in five to ten years. Partners who agree to extend the length of their employment agreements and/or other contractual modifications sought by the Company are expected to be able to sell their restricted shares over a shorter time period. Transferability of the restricted shares of stock is not subject to continued employment or service with the Company or any affiliate or subsidiary of the Company; however, transferability is subject to compliance with BGC and its affiliates' customary noncompete obligations.

During the three and nine months ended September 30, 2020, no BGC or Newmark restricted shares held by BGC employees were forfeited in connection with this provision, respectively. During the three and nine months ended September 30, 2019, 22 thousand BGC or Newmark restricted shares held by BGC employees were forfeited in connection with this provision. During the three months ended September 30, 2020 and 2019, the Company released the restrictions with respect to 0.1 million and 0.1 million of such BGC shares held by BGC employees, respectively. During the nine months ended September 30, 2020 and 2019, the Company released the restrictions with respect to 0.5 million and 0.6 million of such BGC shares held by BGC employees, respectively. As of September 30, 2020 and December 31, 2019, there were 5.3 million and 6.4 million of such restricted BGC shares held by BGC employees outstanding, respectively. Additionally, during the three months ended September 30, 2020 and 2019, Newmark released the restrictions with respect to 55 thousand and 42 thousand, respectively, of restricted Newmark shares held by BGC employees. Additionally, during the nine months ended September 30, 2020 and 2019, Newmark released the restrictions with respect to 0.2 million and 0.3 million, respectively, of restricted Newmark shares held by BGC employees.

Deferred Compensation

The Company maintains a deferred cash award program, which provides for the grant of deferred cash incentive compensation to eligible employees. The Company may pay certain bonuses in the form of deferred cash compensation awards, which generally vest over a future service period.

The total compensation expense recognized in relation to the deferred cash compensation awards for the three months ended September 30, 2020 and 2019 was \$0.1 million and \$0.6 million, respectively. The total compensation expense recognized in relation to the deferred cash compensation awards for the nine months ended September 30, 2020 and 2019 was \$0.5 million and \$1.2 million, respectively. As of September 30, 2020 and December 31, 2019, the total liability for the deferred cash compensation awards was \$3.7 million and \$3.5 million, respectively, which is included in "Accrued compensation" on the Company's unaudited condensed consolidated statements of

financial condition. As of September 30, 2020, total unrecognized compensation cost related to deferred cash compensation, prior to the consideration of forfeitures, was approximately \$0.7 million and is expected to be recognized over a weighted-average period of 1.50 years.

20. Commitments, Contingencies and Guarantees

Contingencies

In the ordinary course of business, various legal actions are brought and are pending against the Company and its subsidiaries in the U.S. and internationally. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in reviews, examinations, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's businesses, operations, reporting or other matters, which may result in regulatory, civil and criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief. The following generally does not include matters that the Company has pending against other parties which, if successful, would result in awards in favor of the Company or its subsidiaries.

Employment, Competitor-Related and Other Litigation

From time to time, the Company and its subsidiaries are involved in litigation, claims and arbitrations in the U.S. and internationally, relating to, inter alia, various employment matters, including with respect to termination of employment, hiring of employees currently or previously employed by competitors, terms and conditions of employment and other matters. In light of the competitive nature of the brokerage industry, litigation, claims and arbitration between competitors regarding employee hiring are not uncommon. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's businesses. Any such actions may result in regulatory, civil or criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief.

Legal reserves are established in accordance with U.S. GAAP guidance on Accounting for Contingencies, when a material legal liability is both probable and reasonably estimable. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. The outcome of such items cannot be determined with certainty. The Company is unable to estimate a possible loss or range of loss in connection with specific matters beyond its current accruals and any other amounts disclosed. Management believes that, based on currently available information, the final outcome of these current pending matters will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Letter of Credit Agreements

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which it transacts, that are used in lieu of margin and deposits with those clearing organizations. As of September 30, 2020 and December 31, 2019, the Company was contingently liable for \$1.0 million and \$2.3 million, respectively, under these letters of credit.

Risk and Uncertainties

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

Insurance

The Company is self-insured for health care claims, up to a stop-loss amount for eligible participating employees and qualified dependents in the U.S., subject to deductibles and limitations. The Company's liability for claims incurred but not reported is determined based on an estimate of the ultimate aggregate liability for claims incurred. The estimate is calculated from actual claim rates and adjusted periodically as necessary. The Company has accrued \$1.8 million in health care claims as of both September 30, 2020 and December 31, 2019. The Company does not expect health care claims to have a material impact on its financial condition, results of operations, or cash flows.

Guarantees

The Company provides guarantees to securities clearinghouses and exchanges which meet the definition of a guarantee under FASB interpretations. Under these standard securities clearinghouse and exchange membership agreements, members are required to guarantee, collectively, the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearinghouse or exchange, all other members would be required to meet the shortfall. In the opinion of management, the Company's liability under these agreements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential of being required to make payments under these arrangements is remote. Accordingly, no contingent liability has been recorded in the Company's unaudited condensed consolidated statements of financial condition for these agreements.

Indemnifications

In connection with the sale of eSpeed, the Company has indemnified Nasdaq for amounts over a defined threshold against damages arising from breaches of representations, warranties and covenants. In addition, in connection with the acquisition of GFI, the Company has indemnified the directors and officers of GFI. As of September 30, 2020, no contingent liability has been recorded in the Company's unaudited condensed consolidated statements of financial condition for these indemnifications, as the potential for being required to make payments under these indemnifications is remote.

21. Income Taxes

The Company's unaudited condensed consolidated financial statements include U.S. federal, state and local income taxes on the Company's allocable share of the U.S. results of operations, as well as taxes payable to jurisdictions outside the U.S. In addition, certain of the Company's entities are taxed as U.S. partnerships and are subject to the UBT in New York City. Therefore, the tax liability or benefit related to the partnership income or loss, except for UBT, rests with the partners (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for discussion of partnership interests), rather than the partnership entity.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the unaudited condensed consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized.

Pursuant to U.S. GAAP guidance, Accounting for Uncertainty in Income Taxes, the Company provides for uncertain tax positions as a component of income tax expense based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities.

As of September 30, 2020 and December 31, 2019, the Company's unrecognized tax benefits, excluding related interest and penalties, were \$10.9 million and \$10.5 million, respectively, all of which, if recognized, would affect the effective tax rate. The Company is currently open to examination by tax authorities in U.S. federal, state and local jurisdictions and certain non-U.S. jurisdictions for tax years beginning 2008, 2009 and 2012, respectively. The Company is currently under examination by tax authorities in the U.S. Federal and certain state and local jurisdictions. The Company does not believe that the amounts of unrecognized tax benefits will materially change over the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits in "Provision (benefit) for income taxes" in the Company's unaudited condensed consolidated statements of operations. As of both September 30, 2020 and December 31, 2019, the Company had accrued \$2.3 million for income tax-related interest and penalties.

22. Regulatory Requirements

Many of the Company's businesses are subject to regulatory restrictions and minimum capital requirements. These regulatory restrictions and capital requirements may restrict the Company's ability to withdraw capital from its subsidiaries.

Certain U.S. subsidiaries of the Company are registered as U.S. broker-dealers or FCMs subject to Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants' assets be kept in relatively liquid form. As of September 30, 2020, the Company's U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain U.K. and European subsidiaries of the Company are regulated by the FCA and must maintain financial resources (as defined by the FCA) in excess of the total financial resources requirement of the FCA. As of September 30, 2020, the U.K. and European subsidiaries had financial resources in excess of their requirements.

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

In addition, the Company's 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.

The regulatory requirements referred to above may restrict the Company's ability to withdraw capital from its regulated subsidiaries. As of September 30, 2020, the Company's regulated subsidiaries held \$682.2 million of net assets. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$385.2 million.

23. Segment, Geographic and Product Information

Segment Information

The Company currently operates its business in one reportable segment, by providing brokerage services to the financial markets, integrated Voice, Hybrid and Fully Electronic brokerage in a broad range of products, including fixed income (rates and credit), FX, equity derivatives and cash equities, insurance, energy and commodities, and futures. It also provides a wide range of services, including trade

execution, brokerage, clearing, trade compression, post-trade, information, consulting, and other back-office services to a broad range of financial and non-financial institutions.

Geographic Information

The Company offers products and services in the U.S., U.K., Asia (including Australia), Other Europe, MEA, France, and Other Americas. Information regarding revenues is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
U.S.	\$ 113,548	\$ 134,230	\$ 402,903	\$ 426,221
U.K.	192,271	212,121	657,367	666,374
Asia	75,892	84,730	240,080	258,594
Other Europe/MEA	36,275	53,374	149,420	157,566
France	23,905	21,724	84,126	64,343
Other Americas	13,148	14,958	43,398	43,977
Total revenues	<u>\$ 455,039</u>	<u>\$ 521,137</u>	<u>\$ 1,577,294</u>	<u>\$ 1,617,075</u>

Information regarding long-lived assets (defined as loans, forgivable loans and other receivables from employees and partners, net; fixed assets, net; ROU assets; certain other investments; goodwill; other intangible assets, net of accumulated amortization; and rent and other deposits) in the geographic areas is as follows (in thousands):

	September 30, 2020	December 31, 2019
Long-lived assets:		
U.S.	\$ 773,718	\$ 766,315
U.K.	645,284	595,571
Asia	128,275	122,564
Other Europe/MEA	59,065	38,994
France	27,845	21,877
Other Americas	16,652	19,595
Total long-lived assets	<u>\$ 1,650,839</u>	<u>\$ 1,564,916</u>

Product Information

The Company's business is based on the products and services provided and reflect the manner in which financial information is evaluated by management.

The Company specializes in the brokerage of a broad range of products, including fixed income (rates and credit), FX, equity derivatives and cash equities, insurance, energy and commodities, and futures. It also provides a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post-trade, information, consulting, and other back-office services to a broad range of financial and non-financial institutions.

Product information regarding revenues is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Rates	\$ 119,325	\$ 156,765	\$ 419,599	\$ 465,335
Credit	68,053	72,382	261,022	236,275
FX	73,281	86,492	242,040	289,949
Energy and commodities	65,871	73,012	220,935	217,241
Insurance	43,269	39,692	133,888	112,513
Equities derivatives and cash equities	47,410	56,958	190,984	191,806
Total brokerage revenues	<u>\$ 417,209</u>	<u>\$ 485,301</u>	<u>\$ 1,468,468</u>	<u>\$ 1,513,119</u>
All other revenues	37,830	35,836	108,826	103,956
Total revenues	<u>\$ 455,039</u>	<u>\$ 521,137</u>	<u>\$ 1,577,294</u>	<u>\$ 1,617,075</u>

24. Revenues from Contracts with Customers

The following table presents the Company's total revenues separated between revenues from contracts with customers and other sources of revenues (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues from contracts with customers:				
Commissions	\$ 352,027	\$ 409,765	\$ 1,190,522	\$ 1,262,921
Data, software, and post-trade	21,523	18,364	61,060	55,015
Fees from related parties	8,814	8,208	20,897	21,224
Other revenues	4,077	4,162	11,427	9,462
Total revenues from contracts with customers	386,441	440,499	1,283,906	1,348,622
Other sources of revenues:				
Principal transactions	65,182	75,536	277,946	250,198
Interest and dividend income	2,418	3,976	13,115	15,454
Other revenues	998	1,126	2,327	2,801
Total revenues	\$ 455,039	\$ 521,137	\$ 1,577,294	\$ 1,617,075

As discussed in Note 1—“Organization and Basis of Presentation”, the Company adopted the new revenue recognition standard as of January 1, 2018. There was no significant impact to the Company's unaudited condensed consolidated financial statements for the periods presented as a result of applying the new revenue recognition standard.

Refer to Note 3—“Summary of Significant Accounting Policies” in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019 for detailed information on the recognition of the Company's revenues from contracts with customers.

Disaggregation of Revenue

Refer to Note 23—“Segment, Geographic and Product Information,” for a further discussion on the allocation of revenues to geographic regions.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

The Company had receivables related to revenues from contracts with customers of \$689.0 million and \$778.4 million at September 30, 2020 and December 31, 2019, respectively. The Company had no impairments related to these receivables during the three and nine months ended September 30, 2020 and 2019.

The Company's deferred revenue primarily relates to customers paying in advance or billed in advance where the performance obligation has not yet been satisfied. Deferred revenue at September 30, 2020 and December 31, 2019 was \$15.2 million and \$12.9 million, respectively. During the three months ended September 30, 2020 and 2019, the Company recognized revenue of \$7.1 million and \$7.3 million, respectively, that was recorded as deferred revenue at the beginning of the period. During the nine months ended September 30, 2020 and 2019, the Company recognized revenue of \$8.0 million and \$8.8 million, respectively that was recorded as deferred revenue at the beginning of the period.

Contract Costs

The Company capitalizes costs to fulfill contracts associated with different lines of its business where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized at the point in time that the related revenue is recognized.

At both September 30, 2020 and December 31, 2019, there were \$1.4 million of capitalized costs recognized to fulfill a contract.

25. Leases

The Company, acting as a lessee, has operating leases primarily relating to office space, data centers and office equipment. The leases have remaining lease terms of 0.2 year to 18.9 years, some of which include options to extend the leases in 1 to 10 year increments for up to 10 years. Renewal periods are included in the lease term only when renewal is reasonably certain, which is a high threshold and requires management to apply judgment to determine the appropriate lease term. Certain leases also include periods covered by an option to terminate

the lease if the Company is reasonably certain not to exercise the termination option. The Company measures its lease payments by including fixed rental payments and, where relevant, variable rental payments tied to an index, such as the Consumer Price Index. Payments for leases in place before the date of adoption of ASC 842, *Leases* were determined based on previous leases guidance. The Company recognizes lease expense for its operating leases on a straight-line basis over the lease term, and variable lease expense not included in the lease payment measurement is recognized as incurred. All leases were classified as operating leases as of September 30, 2020.

Pursuant to the accounting policy election, leases with an initial term of twelve months or less are not recognized on the balance sheet. The short-term lease expense over the period reasonably reflects the Company's short-term lease commitments.

ASC 842, *Leases* requires the Company to make certain assumptions and judgments in applying the guidance, including determining whether an arrangement includes a lease, determining the term of a lease when the contract has renewal or cancellation provisions, and determining the discount rate.

The Company determines whether an arrangement is a lease or includes a lease at the contract inception by evaluating whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Company has the right to obtain substantially all of the economic benefits from, and can direct the use of, the identified asset for a period of time, the Company accounts for the identified asset as a lease. The Company has elected the practical expedient to not separate lease and non-lease components for all leases other than real estate leases. The primary non-lease component that is combined with a lease component represents operating expenses, such as utilities, maintenance or management fees.

As the rate implicit in the lease is not usually available, the Company used an incremental borrowing rate based on the information available at the adoption date of the new *Leases* standard in determining the present value of lease payments for existing leases. The Company has elected to use a portfolio approach for the incremental borrowing rate, applying corporate bond rates to the leases. The Company calculated the appropriate rates with reference to the lease term and lease currency. The Company uses information available at the lease commencement date to determine the discount rate for any new leases.

The Company subleases certain real estate to its affiliates and to third parties. The value of these commitments is not material to the Company's unaudited condensed consolidated financial statements.

As of September 30, 2020 the Company did not have any leases that have not yet commenced but that create significant rights and obligations.

Supplemental information related to the Company's operating leases is as follows (in thousands):

	Classification in Unaudited Condensed Consolidated Statements of Financial Condition	September 30, 2020	December 31, 2019
Assets			
Operating lease ROU assets	Other assets	\$ 157,756	\$ 169,065
Liabilities			
Operating lease liabilities	Accounts payable, accrued and other liabilities	\$ 179,719	\$ 187,398
		September 30, 2020	December 31, 2019
Weighted-average remaining lease term			
Operating leases (years)		6.7	7.3
Weighted-average discount rate			
Operating leases		4.9%	4.9%

The components of lease expense are as follows (in thousands):

	Classification in Unaudited Condensed Consolidated Statements of Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Operating lease cost	Occupancy and equipment	\$ 10,515	\$ 11,876	\$ 31,179	\$ 36,013

Short-term lease expense is not material.

The following table shows the Company's maturity analysis of its operating lease liabilities (in thousands):

	September 30, 2020
2020 (excluding the nine months ended September 30, 2020)	\$ 8,036
2021	32,861
2022	29,621
2023	24,210
2024	19,655
Thereafter	122,737
Total	\$ 237,120
Interest	(57,401)
Total	\$ 179,719

The following table shows cash flow information related to lease liabilities (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cash paid for obligations included in the measurement of lease liabilities	\$ 8,913	\$ 11,033	\$ 28,937	\$ 33,937

26. Current Expected Credit Losses (CECL)

The CECL reserve reflects management's current estimate of potential credit losses related to the receivable balances included in the Company's unaudited condensed consolidated statements of financial condition. See Note 3—"Summary of Significant Accounting Policies" for further discussion of the CECL reserve methodology.

As described in Note 1—"Organization and Basis of Presentation," upon adoption of the new CECL guidance on January 1, 2020, the Company recognized an initial CECL reserve of approximately \$1.9 million, of which, \$1.1 million was in "Loans, forgivable loans and other receivables from employees and partners, net," and \$0.8 million was in "Accrued commissions and other receivables, net," against its receivables portfolio with a corresponding charge to "Retained deficit" on the Company's unaudited condensed consolidated statements of changes in equity.

As required, any subsequent changes to the CECL reserve are recognized in “Net income (loss) available to common stockholders” in the Company’s unaudited condensed consolidated statements of operations. During the three and nine months ended September 30, 2020, the Company recorded a decrease of approximately \$0.4 million and an increase of approximately \$0.9 million in the CECL reserve against the receivables portfolio, respectively, bringing the Company’s total CECL reserve to approximately \$2.9 million as of September 30, 2020. This total CECL reserve is comprised of \$1.8 million for “Loans, forgivable loans and other receivables from employees and partners, net” and \$1.1 million for “Accrued commissions and other receivables, net.” For the three and nine months ended September 30, 2020, there was a decrease of \$0.7 million and an increase of \$0.6 million, respectively, in the CECL reserve pertaining to “Loans, forgivable loans and other receivables from employees and partners, net” as a result of employee terminations, bringing the CECL reserve recorded pertaining to “Loans, forgivable loans and other receivables from employees and partners, net” to \$1.8 million as of September 30, 2020. For each of the three and nine months ended September 30, 2020, there was an increase of \$0.3 million in the CECL reserve against “Accrued commissions and other receivables, net,” which reflected the updated macroeconomic assumptions resulting from the COVID-19 pandemic, and the downward credit rating migration of certain receivables in the portfolio, bringing the CECL reserve recorded pertaining to “Accrued commissions and other receivables, net” to \$1.1 million as of September 30, 2020.

27. Subsequent Events

Third Quarter 2020 Dividend

On October 27, 2020, the Company’s Board of Directors declared a quarterly cash dividend of \$0.01 per share for the third quarter of 2020, payable on December 1, 2020 to BGC Class A and Class B common stockholders of record as of November 17, 2020.

Appointment of Vice Chairman and Transition of President

Effective October 1, 2020, Shaun Lynn was appointed Vice Chairman of the Company, transitioning from his role of President. Mr. Lynn continues to work for the Company on matters including strategy and corporate development.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of BGC Partners' financial condition and results of operations should be read together with BGC Partners, Inc.'s unaudited condensed consolidated financial statements and notes to those statements, as well as the cautionary statements relating to forward-looking statements included in this report. When used herein, the terms "BGC Partners," "BGC," the "Company," "we," "us" and "our" refer to BGC Partners, Inc., including consolidated subsidiaries.

This discussion summarizes the significant factors affecting our results of operations and financial condition as of and during the three and nine months ended September 30, 2020 and 2019. This discussion is provided to increase the understanding of, and should be read in conjunction with, our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this report.

OVERVIEW AND BUSINESS ENVIRONMENT

We are a leading global brokerage and financial technology company servicing the global financial markets.

Through brands including BGC®, GFI®, Sunrise™, Besso™, Ed Broking®, Poten & Partners™ and RP Martin™, among others, our businesses specialize in the brokerage of a broad range of products, including fixed income such as government bonds, corporate bonds, and other debt instruments, as well as related interest rate derivatives and credit derivatives. We also broker products across FX, equity derivatives and cash equities, energy and commodities, shipping, insurance, and futures and options. Our businesses also provide a wide variety of services, including trade execution, brokerage services, clearing, compression and other post-trade services, information, and other back-office services to a broad assortment of financial and non-financial institutions. Our integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use Voice, Hybrid, or in many markets, Fully Electronic brokerage services in connection with transactions executed either OTC or through an exchange. Through our Fenics® group of electronic brands, we offer a number of market infrastructure and connectivity services, Fully Electronic marketplaces, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution. The full suite of Fenics® offerings include Fully Electronic brokerage, market data and related information services, compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions. Fenics® brands operate under the names Fenics®, BGC Trader™, CreditMatch®, Fenics MD™, BGC Market Data™, kACE2®, EMBonds®, Capitalab®, Swaptioniser®, CBID® and Lucera®.

We previously offered real estate services through our publicly traded subsidiary, Newmark (NASDAQ: NMRK). On November 30, 2018, we completed the Spin-Off of Newmark.

BGC, BGC Partners, BGC Trader, GFI, GFI Ginga, CreditMatch, Fenics, Fenics.com, Sunrise Brokers, Besso, Ed Broking, Poten & Partners, RP 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, and investment firms. We have dozens of offices globally in major markets including New York and London, as well as in Bahrain, Beijing, Bermuda, Bogotá, Brisbane, Buenos Aires, Chicago, Copenhagen, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, Houston, Istanbul, Johannesburg, Madrid, Melbourne, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo and Toronto.

As of September 30, 2020, we had over 2,800 brokers, salespeople, managers and other front-office personnel across our businesses.

Newmark IPO, Separation and Spin-Off

On November 30, 2018, we completed the Spin-Off of the shares of Newmark Class A and Class B common stock held by us to our stockholders as of the close of business on the Record Date through a special pro-rata stock dividend pursuant to which shares of Newmark Class A common stock held by BGC were distributed to holders of BGC Class A common stock and shares of Newmark Class B common stock held by BGC were distributed to holders of BGC Class B common stock (which holders of BGC Class B common stock were Cantor and another entity controlled by our CEO, Howard W. Lutnick). Following the Spin-Off, BGC no longer holds any interest in Newmark. See Note 1—"Organization and Basis of Presentation" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019, for further information regarding the transactions related to the Newmark IPO, Separation and Spin-Off.

GFI Merger

On January 12, 2016, we completed our acquisition of GFI, a leading intermediary and provider of trading technologies and support services to the global OTC and listed markets, via the GFI Merger. GFI serves institutional clients in operating electronic and hybrid markets for cash and derivative products across multiple asset classes.

Nasdaq Transaction

On June 28, 2013, we completed the sale 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. See “Nasdaq Transaction” under “Overview and Business Environment” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019 for further information.

Fully Electronic (Fenics) and Hybrid Execution

For the purposes of this document and subsequent SEC filings, all of our Fully Electronic businesses are referred to as Fenics. The Fenics business includes our group of electronic brands offering a number of Fully Electronic marketplaces, market infrastructure and connectivity services, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution. In addition, our Fenics offerings include market data and related information services, compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions.

Historically, technology-based product growth has led to higher margins and greater profits over time for exchanges and wholesale financial intermediaries alike, even if overall Company revenues remain consistent. This is largely because automated and electronic trading efficiency allows the same number of employees to manage a greater volume of trades as the marginal cost of incremental trading activity falls. Over time, the conversion of exchange-traded and OTC markets to Fully Electronic trading has also led, on average, to an increase in volumes which offset lower commissions, and thus often to similar or higher overall revenues. We have been a pioneer in creating and encouraging Hybrid and Fully Electronic execution, and we continually work with our customers to expand such trading across more asset classes and geographies.

Outside of U.S. Treasuries and spot FX, the banks and financial firms that dominate the OTC markets had, until recent years, generally been hesitant in adopting electronically traded products. However, banks, broker-dealers, and other professional trading firms are now much more active in Hybrid and Fully Electronically traded markets across various OTC products, including credit derivative indices, FX derivatives, non-U.S. sovereign bonds, corporate bonds, and interest rate derivatives. These electronic markets have grown as a percentage of overall industry volumes for the past few years as firms like BGC have invested in the kinds of technology favored by our customers. Regulation in Asia, Europe and the U.S. regarding banking, capital markets, and OTC derivatives has accelerated the adoption of Fully Electronic execution, and we expect this demand to continue. We also believe that new clients, beyond our large bank customer base, will primarily transact electronically across our Fenics platforms.

The combination of wider adoption of Hybrid and Fully Electronic execution and our competitive advantage in terms of technology and experience has contributed to our strong gains in electronically traded products. We continue to invest in Hybrid and Fully Electronic technology broadly across our product categories, not only expanding existing product offerings, but also launching new platforms with market leading protocols and functionality, which we believe will be game changing in the sector. Fenics has exhibited strong growth over the past several years, and we believe that this growth has outpaced the wholesale brokerage industry as a whole. We expect this trend to accelerate as we convert more of our Voice and Hybrid execution into Fully Electronic execution across our Fenics platforms.

We expect to benefit from the secular trend towards electronic trading, increased demand for market data, and the need for increased connectivity, automation and post-trade services. We continue to onboard new customers as the opportunities created by electronic and algorithmic trading continue to transform our industry. We continue to roll out our next-gen Fenics brokerage platforms across more products and geographies with the goal of seamlessly integrating Voice liquidity with customer electronic orders either by a graphical user interface, application programming interface, or web-based interface, and we expect to have continued success converting Voice/Hybrid desks over time as we roll out these platforms across more products and geographies.

We have continued to invest in our newer Fenics stand-alone Fully Electronic offerings, which currently include:

- Fenics GO, our electronic trading platform, which provides live, real-time and tradeable two-way electronic liquidity for exchange-listed futures and options, such as Eurex EURO STOXX 50 Index Options, NIKKEI 225, and related Delta One strategies. In July of this year, Fenics GO added Susquehanna International Securities (SIG), which joined DRW, Lighthouse, Citadel Securities, IMC, Maven Securities, and Optiver as electronic liquidity providers. Our Fenics GO fully electronic options trading platform more than tripled its volumes since the first quarter of 2020. In its short time since going live, we estimate that, as of September 30, 2020, Fenics GO commanded over 6% and 13% market share in EURO STOXX 50 and NIKKEI 225 front-month block-sized options, respectively. Fenics GO's market share is based on estimated Euro Stoxx 50 and Nikkei 225 IDB block-sized transactions for “front-month” option volume, which refers to the nearest expiration date for an options contract (within 32 days of expiration);
- Fenics UST, which generated notional volume growth of more than 86% for the nine months ended September 30, 2020. This compares with an increase of 4% for overall primary dealer U.S. Treasury volumes. Primary dealer volumes are based on data from the Securities Industry and Financial Markets Association. Fenics UST is now the second largest CLOB platform for U.S. Treasuries. CLOB market share is based on BGC's estimates and data from Greenwich Associates for the U.S. Treasury volumes of Fenics UST, CME BrokerTec, Nasdaq Fixed Income, and Tradeweb's Dealerweb platform. Including these CLOB platforms as well as the volumes of platforms using other fully electronic U.S. Treasury trading protocols, Fenics UST increased its market share from 4.3% to 5.8% year-on-year in September 2020, per Greenwich Associates. Fenics UST is estimated to have saved our clients approximately \$115 million from January 2019 through September 2020 by offering the tightest spreads in the market. As a result of our continued technological innovations and strong client support, we expect both volumes and market share to continue to outperform the overall market;
- Our expanded Fenics FX platforms, including MidFX, Spot, FX Options, and non-deliverable and FX forwards;
- Lucera, which is our software-defined network, offering the trading community direct connectivity to each other. Lucera has a fully built, scalable infrastructure that provides clients electronic trading connectivity with their counterparties within two

days, as opposed to months, and at a significantly lower cost. Lucera Connect is quickly becoming the industry standard for the FX market;

- Capitalab's interest rate and equity options compression, FX matching and initial margin optimization services; and
- Algomi, acquired in March 2020, which is a dealer-to-client credit marketplace for banks streaming to buy-side clients, and provides the buy-side aggregated access to broad bank liquidity. This subscription SaaS improves their workflow and liquidity through data aggregation, pre-trade information analysis, and execution facilitation. We are integrating this business with our existing Lucera SaaS connectivity subscription service in order to provide both data and execution capabilities directly between banks/dealers and their buy-side customers.

Collectively, our newer Fenics offerings, such as those listed above, are not yet fully up to scale, and are not yet generating significant revenues. As we expand our product offerings, optimize our commercial agreements, and add new clients across our electronic platforms, we continue to expect profitability in our newer Fenics stand-alone businesses, which includes Fenics UST, Fenics GO, and Lucera, to improve by \$40 million and collectively break-even next year. Over time, we expect these new products and services to become profitable, high-margin businesses as their scale and revenues increase, all else equal.

During the second quarter of 2020, we introduced Fenics Integrated, which seamlessly integrates hybrid liquidity with customer electronic orders either by GUI and/or API. Desks are categorized as "Fenics Integrated" if they utilize sufficient levels of technology such that significant amounts of their transactions can be or are executed without broker intervention and have expected pre-tax margins of at least 25%. Fenics brokerage revenues include revenues from Fenics Integrated from the second quarter of 2020 onward. We believe that Fenics Integrated will enhance profit margins by further incentivizing our brokers and clients to automate execution and create superior real-time information and improve the robustness and value of Fenics Market Data, which will accelerate our growth rate.

Net revenues in our Fully Electronic businesses across brokerage, data, software, and post-trade increased 19.0% to \$79.5 million and 8.4% to \$233.5 million for the three and nine months ended September 30, 2020, respectively, compared to the prior year periods. Within our Fenics business, total revenues from our high-margin data, software, and post-trade business, which is predominately comprised of recurring revenue, were up 17.2% and 11.0% for the three and nine months ended September 30, 2020, respectively, over the prior year periods, primarily driven by Lucera's Connect platform winning new SaaS client contracts and the acquisition of Algomi. Going forward, we expect Fenics to become an even more valuable part of BGC as it continues to grow. We continue to analyze how to optimally configure our Voice/Hybrid and Fully Electronic businesses.

Possible Corporation Conversion

The Company continues to explore a possible conversion into a simpler corporate structure. An important factor will be any significant change in taxation policy in any of the major jurisdictions in which the Company operates and its stakeholders reside, particularly the United States whose tax policies are likely to be affected by the outcome of the elections on November 3, 2020. This quarter, the Company will continue to work with regulators, lenders, and rating agencies regarding any possible conversion. BGC's board committees will review potential transaction arrangements.

Cost Reduction Program

The Company is continuing to examine how best to operate our business with the goal of reducing expenses. During the first quarter of 2020, we implemented a \$35.0 million cost reduction program to reduce our compensation-related cost base and streamline our operations, which resulted in \$2.5 million and \$32.0 million of U.S. GAAP compensation charges recorded in the three and nine months ended September 30, 2020, respectively. U.S. GAAP items recorded may include:

- Certain severance charges incurred in connection with headcount reductions as part of a broad cost reduction program; and
- Certain compensation and non-compensation-related charges incurred as part of a broad cost reduction program. Such U.S. GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives.

Financial Services Industry

The financial services industry has grown historically due to several factors. One factor was the increasing use of derivatives to manage risk or to take advantage of the anticipated direction of a market by allowing users to protect gains and/or guard against losses in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rates, equity ownership, changes in the value of FX, credit defaults by corporate and sovereign debtors, and changes in the prices of commodity products. Over this same timeframe, demand from financial institutions, financial services intermediaries and large corporations have increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for financial intermediaries.

Another key factor in the historical growth of the financial services industry has been the increase in the number of new financial products. As market participants and their customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other financial instruments have been developed. Most of these new securities and derivatives were not immediately ready for more liquid and standardized electronic markets, and generally increased the need for trading and required broker-assisted execution.

Due largely to the impacts of the global financial crises of 2008-2009, our businesses had faced more challenging market conditions from 2009 until the second half of 2016. Accommodative monetary policies were enacted by several major central banks, including the Federal Reserve, Bank of England, Bank of Japan and the European Central Bank, in response to the global financial crises. These policies resulted in historically low levels of volatility and interest rates across many of the financial markets in which we operate. The global credit markets also faced structural issues, such as increased bank capital requirements under Basel III. Consequently, these factors contributed to lower trading volumes in our rates and credit asset classes across most geographies in which we operated.

From mid-2016 until the first quarter of 2020, the overall financial services industry benefited from sustained economic growth, a lower unemployment rate in most major economies, higher consumer spending, the modification or repeal of certain U.S. regulations, and higher overall corporate profitability. In addition, the secular trend towards digitalization and electrification within the industry contributed to higher overall volumes and transaction count in Fully Electronic execution. From the second quarter of 2020 onward, concerns about the future trade relationship between the U.K. and the EU after Brexit, a slowdown in global growth driven by the outbreak of COVID-19, and an increase in trade protectionism are tempered by expectations of monetary and fiscal stimulus.

COVID-19

Impact of COVID-19 on Employees

As a global intermediary to financial markets, BGC has been considered an essential business in many of its various global locations where key employees are thus able to operate out of its primary offices around the world. The Company has nonetheless taken proactive measures intended to protect its employees and clients during this global pandemic. These policies and practices seek to protect the health, safety and welfare of the Company's workforce while enabling employees to maintain a high level of performance. Certain of these items are summarized below:

- The Company activated its Business Continuity Plan in the first quarter of 2020. While a majority of the front office personnel are working in a firm office currently, a majority of BGC staff members continue to work from home, or other remote locations and disaster recovery venues. In all cases, the Company has mandated appropriate social distancing measures.
- The Company provides ongoing informational COVID-19 related messages and notices.
- Where applicable, BGC is applying more frequent and vigorous cleaning and sanitation measures and providing personal protective equipment (PPE).
- Internal and external meetings are generally conducted virtually or via phone calls.
- Non-essential business travel, has been restricted since the beginning of March this year, particularly to areas most affected by the pandemic.
- BGC has deferred and is continuing to defer corporate events and participation in industry conferences.
- BGC is deploying clinical staff internally to support its employees and requiring self-quarantine.
- The Company's medical plans have waived applicable member cost sharing for all diagnostic testing related to COVID-19.
- BGC continues to pay medical, dental, vision, and life insurance contributions for furloughed employees.
- The Company has reminded employees about its Employee Assistance Program and the ways it can assist them during this challenging time. There is a zero co-pay for Teladoc mental health visits.
- BGC provides paid leave in accordance with its policies and applicable COVID-19-related laws and regulations.

We continue to take significant steps to protect our employees. Even as re-opening continues for some workers and in some locations, changes in state work orders and virus spread may impact work arrangements of our employees, vendors and clients for the foreseeable future. While we have taken significant precautions to protect employees who work in our offices, no assurance can be given that measures will contain the spread of the virus.

Impact of COVID-19 on the Company's Results

Revenues

Voice/Hybrid and/or Fully Electronic Brokerage

Our revenues were adversely impacted in the third quarter of 2020 as a result of COVID-19 and its impact on the macroeconomic environment, including interest rates, FX, and oil prices. We had lower year-on-year secondary trading volumes in certain markets on our rates, FX, credit, and equity derivatives and cash equities businesses, while historically low prices across energy and commodities reduced demand for underlying product hedges. In addition, BGC and our clients faced continued dislocations due to COVID-19.

In the third quarter of 2020, Fenics net revenues increased 19% driven by double-digit growth in electronic brokerage and data, software, and post-trade. Our insurance brokerage business benefitted from favorable pricing trends and improved productivity from previously hired brokers and salespeople.

Certain key items are summarized below:

- Revenues across rates, credit, FX, equity derivatives and cash equities, energy, and commodities are generally correlated with corresponding industry volumes.
- The elevated levels of government and corporate debt issuance currently underway are expected to benefit BGC's rates and credit businesses in the long-term.
- Conversely, additional quantitative easing measures taken by central banks around the world have lowered and may continue to lower market volumes.
- Uniformly low or negative interest rates and quantitative easing measures in many major economies have negatively impacted and may continue to negatively impact global rates and FX volumes.
- An extended period of historically low oil prices and demand for commodities has led and may continue to lead to lower demand for hedging and increased risk aversion, which has lowered and may continue to lower market volumes across energy and commodities.

Although we have been challenged by the pandemic, we believe that the massive issuance of global debt in the world will eventually be a tailwind driving our voice business for the long term.

Overall Fenics

- BGC's Fenics business continued to demonstrate strength and resilience, outperforming a challenging macro trading backdrop in the third quarter of 2020.
- Fenics has benefitted and is expected to continue to benefit from secular trend towards electronic execution and opportunities created by algorithmic trading and automation.
- BGC's clients have indicated that the dislocations caused by COVID-19 has resulted in an even greater demand for the Company's electronic execution. The driver of this demand is the best-in-class market liquidity that only integrated global firms like BGC can provide.
- This benefit may be tempered by temporary shifts by traders toward Voice execution in certain markets during periods of extreme market turbulence.
- The pace of adoption of certain financial technology offerings may slow in the short-term due to physical dislocations experienced by BGC's employees and clients as a result of the pandemic. The Company's medium-to longer-term overall strategy with respect to Fenics is not expected to be impacted.
- BGC's data, software, and post-trade businesses are predominantly comprised of recurring revenues.

Insurance Brokerage

- The insurance brokerage industry typically generates significant amounts of predictable revenues at specific times of the year as different categories of clients sign or renew policies.
- Although certain clients may be facing financial hardship or dislocation due to the pandemic, the insurance brokerage industry has generally performed well during past economic downturns.
- BGC expects certain insurance market participants to have an even greater demand for the types of policies it brokers.
- BGC's insurance brokerage business generated organic growth in the third quarter of 2020 as previously hired brokers and salespeople ramped up production and the business benefitted from favorable pricing trends.

Expenses

BGC's compensation expenses declined in the third quarter of 2020 primarily due to the impact of lower revenues on variable compensation, as well as our cost reduction program. BGC's non-compensation expenses declined largely due to lower other expenses and selling and promotion expenses, the latter of which tend to move in line with commission revenues. Selling and promotion expenses were much lower due to a continued focus on tighter cost management as well as the impact of the pandemic.

BGC has recorded or may potentially record amounts for certain expenses that are higher than they otherwise would have been due to the overall impact of the pandemic. Some of these items include:

- Non-cash impairment charges with respect to assets;
- Non-cash mark-to-market adjustments for non-marketable investments;
- Certain severance charges incurred in connection with headcount reductions as part of a broad cost reduction program;
- Certain compensation and non-compensation-related charges incurred as part of a broad cost reduction program. Such U.S. GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives;
- Expenses relating to setting up and maintaining remote and/or back-up locations; and
- Communication expenses related to additional voice and data connections.

Some of the above items may be partially offset by certain tax benefits. It is difficult to predict the amounts of any these items or when they might be recorded because they may depend on the duration, severity, and overall impact of the pandemic.

Capital and Liquidity

With the outbreak of COVID-19, we reduced our dividend and focused on strengthening our balance sheet. Effective with the first quarter dividend, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company's balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. On October 27, 2020, our Board declared a \$0.01 dividend for the third quarter. Additionally, BGC Holdings reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after-tax basis depends upon stockholders' and partners' domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Early next year we expect to announce our updated capital return policy. Previously, we were deeply dividend-centric; going forward, we plan to consider both share buybacks and dividends.

The balance sheet as of September 30, 2020 reflects the issuance of \$300.0 million of the 4.375% Senior Notes, the \$68.9 million net payoff of the Revolving Credit Agreement and the \$44.0 million cash tender offer on the 5.125% Senior Notes, ordinary movements in working capital, cash paid with respect to annual employee bonuses, taxes, and our continued investment in stand-alone Fenics products and our insurance brokerage businesses. We continue to manage our business with a focus on its investment grade ratings.

Brexit

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 U.K. subsequently formally left the EU on January 31, 2020, but its relationship with the bloc will remain in a transition period until December 31, 2020. During this period, the U.K. will, with some exceptions, remain subject to EU law. It will also maintain access to the EU's single market.

The U.K. and EU are currently negotiating a trade deal which, if concluded, should determine the new bilateral trade relationship going forward. In case no new trade deal (or one incorporating financial services) is in place by the end of the transition period, absent mitigating legislative measures, this could hinder current levels of mutual market access. While other trade deals are being considered, for example between the U.K. and the U.S., these may also prove challenging to negotiate and may not replace or compensate for a reduction, if any, in U.K. and EU trade at least in the short term. Further, the terms of a U.K. and EU trade deal may adversely impact the negotiation and terms of such other deals and vice versa.

Given the current uncertainty around the future trade relationship, 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. 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. At other times, increased volatility has led to many market participants curtailing trading activity. Furthermore, any future trade deal might lead to a fragmented regulatory environment, which could disrupt our operations, increase the costs of our operations, and result in a loss of existing levels of cross-border market access. 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. As part of our Brexit strategy, ownership of BGC Madrid, Copenhagen and Frankfurt & GFI Paris, Madrid and Dublin branches were transferred to Aurel BGC SAS in July 2020. Regardless of these and other mitigating measures, our European headquarters and largest operations are in London, and these and other risks and uncertainties could have a material adverse effect on our customers, counterparties, businesses, prospects, financial condition and results of operations.

Regulation

Regulators in the U.S. have finalized most of the new rules across a range of financial marketplaces, including OTC derivatives, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Many of these rules became effective in prior years, while ongoing phase-ins are anticipated over coming years. We believe that certain parts of the Dodd-Frank Act rules may be modified or repealed, which could be a net positive for our business and its largest customers. 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.

In addition to regulations in the U.S., legislators and regulators in Europe have crafted similar rules; MiFID II, which made sweeping changes to market infrastructure, European Market Infrastructure Regulation, which focused specifically on derivatives, and Capital Requirements Directive IV for prudential standards. Over the past years, European policymakers have launched various reviews of post-crisis legislation, leading to legislative updates such as EMIR Regulatory Fitness and Performance and CRD V. Furthermore, they introduced a new prudential regime tailored specifically to investment firms such as our firm – the Investment Firm Review. As all these rules take effect, they will continue to alter the environment in which we operate. We note that various internal and external factors have made the EU more rigid in its approach to non-EU countries which could impact the ease with which the global financial system is connected.

In 2019, a new European Commission took office which may over the course of its five-year mandate or introduce new legislative proposals for the Financial Services Sector and change the Brexit landscape for EU and UK financial firms alike. 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.

BGC Derivative Markets and GFI Swaps Exchange, 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 were finalized with implementation periods in 2016 and beyond. We also own ELX, which became a dormant contract market on July 1, 2017. 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 of voice and auction-based execution methodologies, we expect our Hybrid and Fully Electronic trading capability to perform strongly in such an environment.

In November 2018, the CFTC issued proposed rules that would significantly revise CFTC Rule Part 37, which relates to SEFs. The proposed rules would significantly affect the trading of swaps and the facilities offering swaps trading by allowing for trading through “any means of interstate commerce” rather than the two (central limit order book and request for quote) 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, our SEFs will need to make numerous changes to facilitate trading under a new regulatory framework. A new CFTC Chairman was sworn in on July 15, 2019, and this change in leadership could impact these proposals.

On June 25, 2020, the CFTC approved a final rule prohibiting post-trade name give-up for swaps executed, prearranged or prenegotiated anonymously on or pursuant to the rules of a SEF and intended to be cleared. The rule provides exemptions for package transactions that include a component transaction that is not a swap that is intended to be cleared. The rule went into effect on November 1, 2020 for swaps subject to the trade execution requirement under the Commodity Exchange Act Section 2(h)(8) and July 5, 2021 for swaps not subject to the trade execution requirement, but intended to be cleared.

See “Regulation” included in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2019 for additional information related to our regulatory environment.

Industry Consolidation

In recent years, there has been significant consolidation among the interdealer-brokers and wholesale brokers with which we compete. We expect to continue to compete with the electronic markets, post-trade and information businesses of NEX, that are part of CME now, through the various offerings on our Fenics platform. We will also continue to compete with TP ICAP and Tradition across various Voice/Hybrid brokerage marketplaces as well as via Fenics. There has also been significant consolidation among smaller non-public wholesale brokers, including our acquisitions of RP Martin, Heat Energy Group, Remate Lince and Sunrise Brokers Group. We view the recent consolidation in the industry favorably, as we expect it to provide additional operating leverage to our businesses in the future.

Growth Drivers

As a wholesale intermediary in the financial services industry, our businesses are driven primarily by secondary trading volumes in the markets in which we broker, the size and productivity of our front-office headcount including brokers, salespeople, managers and other front-office personnel, regulatory issues, and the percentage of our revenues we are able to generate by Fully Electronic means. BGC’s revenues tend to have low correlation in the short and medium-term with global bank and broker-dealer sales and trading revenues, which reflect bid-ask spreads and mark-to-market movements, as well as industry volumes in both the primary and secondary markets.

Below is a brief analysis of the market and industry volumes for some of our products, including our overall Hybrid and Fully Electronic execution activities.

Overall Market Volumes and Volatility

Volume is driven by a number of factors, including the level of issuance for financial instruments, price volatility of financial instruments, macro-economic conditions, creation and adoption of new products, regulatory environment, and the introduction and adoption of new trading technologies. Historically, increased price volatility has often increased the demand for hedging instruments, including many of the cash and derivative products that we broker.

Rates volumes in particular are influenced by market volumes and, in certain instances, volatility. Historically low and negative interest rates across the globe have significantly reduced the overall trading appetite for rates products. As a result of central bank policies and actions, as well as continued expectations of low inflation rates, many sovereign bonds continue to trade at or close to negative yields, especially in real terms. In addition, also weighing on yields and rates volumes are global central bank quantitative easing programs. The programs depress rates volumes because they entail central banks buying government securities or other securities in the open market in an effort to promote increased lending and liquidity and bring down long-term interest rates. When central banks hold these instruments, they tend not to trade or hedge, thus lowering rates volumes across cash and derivatives markets industry-wide. Following the market dislocation and ongoing pandemic, major central banks such as the U.S. Federal Reserve, ECB, Bank of Japan, Bank of England, and Swiss National Bank have restarted or may restart quantitative easing programs, and continue to maintain historically low interest rates, keep key short-term interest rates low, or a combination of both. The overall dollar value of balance sheets of the G-4 (the U.S., Eurozone, Japan, and U.K.) is expected to go up and remain high as a percentage of G-4 GDP over the medium-to-long-term.

Additional factors have weighed down market volumes in the products we broker. For example, the Basel III accord, implemented in late 2010 by the G-20 central banks, is a global regulatory framework on bank capital adequacy, stress testing and market liquidity risk that was developed with the intention of making banks more stable in the wake of the financial crisis by increasing bank liquidity and reducing bank leverage. The accord, which is expected to be fully phased in as of January 1, 2022, has already required most large banks in G-20 nations to hold approximately three times as much Tier 1 capital as was required under the previous set of rules. These capital rules have made it more expensive for banks to hold non-sovereign debt assets on their balance sheets, and as a result, analysts say that banks have reduced their proprietary trading activity in corporate and asset-backed fixed income securities as well as in various other OTC cash and derivative instruments. We believe that this has further reduced overall market exposure and industry volumes in many of the products we broker, particularly in credit.

During the three months ended September 30, 2020, industry volumes were generally lower year-over-year across rates, FX, credit derivatives and our equities businesses, while historically low prices across energy and commodities reduced demand for underlying product hedges. BGC's brokerage revenues, excluding insurance, were down by 16.1% year-on-year in the quarter. Below is an expanded discussion of the volume and growth drivers of our various brokerage product categories.

Rates Volumes and Volatility

Our rates business is influenced by a number of factors, including global sovereign issuances, secondary trading and the hedging of these sovereign debt instruments. The amount of global sovereign debt outstanding remains high by historical standards, however the level of secondary trading and related hedging activity was lower during the third quarter of 2020. In addition, according to Bloomberg and the Federal Reserve Bank of New York, the average daily volume of various U.S. Treasuries, excluding Treasury bills, among primary dealers was 28% lower in the third quarter of 2020 as compared to a year earlier. Additionally, interest rate derivative volumes were down 27% and 51% at ICE and the CME, respectively, all according to company press releases. In comparison, our overall rates revenues were down 23.9% as compared to a year earlier to \$119.3 million.

Our rates revenues, like the revenues for most of our products, are not fully dependent on market volumes and, therefore, do not always fluctuate consistently with industry metrics. This is largely because our Voice, Hybrid, and Fully Electronic rates desks often have volume discounts built into their price structure, which results in our rates revenues being less volatile than the overall industry volumes.

Overall, analysts and economists expect the absolute level of sovereign debt outstanding to remain at elevated levels for the foreseeable future as governments finance their future deficits and roll over their sizable existing debt. Meanwhile, economists expect that the effects of various forms of quantitative easing previously and currently being undertaken by the various major central banks will continue to negatively impact financial market volumes. As a result, we expect long-term tailwinds in our rates business from continuing high levels of government debt, but continued near-term headwinds due to the current low interest rate environment and continued accommodative monetary policies globally.

FX Volumes and Volatility

Global FX volumes were generally lower during the third quarter of 2020. Volumes for CME FX futures and options and Refinitiv (formerly the Financial & Risk business of Thomson Reuters) and CME EBS spot FX were down 3%, 8%, and 20%, respectively, during the quarter. In comparison, our overall FX revenues decreased by 15.3% to \$73.3 million.

Insurance

Our overall insurance brokerage business includes Ed Broking and Besso, as well as our newly established aviation and space insurance brokerage business, whose producers are not yet generating meaningful revenue. Therefore, these newer insurance businesses are not yet up to scale. The pre-tax loss relating to our insurance brokerage business was \$8.2 million and \$1.6 million for the three months ended September 30, 2020 and 2019, respectively. The pre-tax loss relating to our insurance brokerage business was \$24.0 million and \$8.3 million for the nine months ended September 30, 2020 and 2019, respectively. We expect approximately 20% top-line growth next quarter, to over \$50.0 million, as previous front office hires and newly launched business lines increase productivity. Furthermore, our insurance brokerage group has reached a size and scale where we expect it to become more profitable each quarter and improve our bottom line in 2021 compared to 2020.

Equity derivatives and cash equities

Global equity volumes were mixed during the third quarter of 2020. Research from Raymond James indicated that the average daily volumes of U.S. cash equities and U.S. options were up 44% and 51%, respectively, as compared to a year earlier, while average daily volume of European cash equities shares were down 8% (in notional value). Over the same timeframe, Eurex average daily volumes of equity derivatives were down 33% while Euronext equity derivative index volumes declined by 22%. BGC's equity business primarily consists of equity derivatives, which is why we have renamed this revenue line item Equity derivatives and cash equities. Our overall revenues from equity derivatives and cash equities decreased by 16.8% to \$47.4 million.

Credit Volumes

The cash portion of our credit business is impacted by the level of global corporate bond issuance, while both the cash and credit derivatives parts of our business is impacted by corporate issuance. Global credit derivative market turnover has declined over the last few years due to the introduction of rules and regulations around the clearing of credit derivatives in the U.S. and elsewhere, along with non-uniform regulation across different geographies. In addition, many of our large bank customers continue to reduce their inventory of bonds and other credit products in order to comply with Basel III and other international financial regulations. During the third quarter of 2020, primary dealer average daily volume for corporate bonds (excluding commercial paper) was up by 9% according to Bloomberg and the Federal Reserve Bank of New York. Total notional traded credit derivatives as reported by the International Swaps and Derivatives Association — a reflection of the OTC derivatives market — were down by 23%, from a year earlier. In comparison, our overall credit revenues decreased by 6.0% to \$68.1 million.

Energy and Commodities

Energy and commodities volumes were generally lower during the third quarter of 2020 compared with the year earlier. CME and ICE energy futures and options volumes were down 25% and 8%, respectively. Historically low prices across energy and commodities reduced demand for underlying product hedges. In comparison, BGC's energy and commodities revenues decreased by 9.8% to \$65.9 million.

Summary of Results of Operations

During the three and nine months ended September 30, 2020, our revenues decreased \$66.1 million, or 12.7%, to \$455.0 million and decreased \$39.8 million, or 2.5%, to \$1,577.3 million, respectively, compared to the same periods in 2019. These results were largely due to our brokerage revenues, which were down by \$68.1 million, or 14.0%, to \$417.2 million and down \$44.7 million, or 3.0%, to \$1,468.5 million, respectively, for the three and nine months ended September 30, 2020 compared to the same periods in 2019. In addition, our revenues decreased \$64.0 million, or 12.3%, during the three months ended September 30, 2020 as compared to the three months ended June 30, 2020, driven by a decrease in brokerage revenues of \$64.9 million, or 13.5%, during the three months ended September 30, 2020 as compared to the three months ended June 30, 2020. Our revenues were adversely impacted in the third quarter of 2020 as a result of COVID-19 and its impact on the macroeconomic environment, including interest rates, FX, and oil prices. We had lower year-on-year secondary trading volumes in certain markets on our rates, FX, credit, and equity derivatives and cash equities businesses, while historically low prices across energy and commodities reduced demand for underlying product hedges. In addition, BGC and our clients faced continued dislocations due to COVID-19. Further, our data, software, and post-trade revenues increased by 17.2% to \$21.5 million and 11.0% to \$61.1 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, which was driven by recurring revenue streams.

For the three months ended September 30, 2020, income from operations before income taxes increased by \$20.0 million, or 228.2%, to \$28.7 million compared to the same period in 2019, primarily due to a decrease of \$83.4 million, or 16.2%, in our expenses more than offsetting the decline in revenues. This was led by a \$34.3 million decrease in Compensation and employee benefits primarily driven by the impact of lower commissionable revenues on variable compensation as well as the cost reduction program the Company implemented in the first quarter of 2020 to reduce its cost base to improve margins. Further, there was a \$7.3 million decrease in Equity-based compensation and allocations of net income to limited partnership units and FPU's, a \$24.3 million decrease in Other expenses primarily driven by a decrease in legal settlements, and a decrease of \$14.4 million in Selling and promotion expenses driven by significantly lower travel and entertainment expenses due to a continued focus on tighter cost management as well as the impact of the pandemic, as compared to the same period in the prior year.

For the nine months ended September 30, 2020, income from operations before income taxes decreased by \$55.9 million, or 34.4%, to \$106.6 million compared to the same period in 2019, primarily due to a \$41.4 million decrease in Other income (losses), net driven by a \$18.4 million gain on the divestiture of CSC Commodities and gains of \$20.4 million related to fair value adjustments on investments during the 2019 period, and a \$15.8 million increase in Compensation and employee benefits, primarily driven by \$32.0 million of charges taken in the 2020 period associated with our cost reduction program, partially offset by the impact of lower commissionable revenues on variable compensation. Further, there was a \$6.8 million increase in Equity-based compensation and allocations of net income to limited partnership units and FPU's. These reductions to income from operations before income taxes for the nine months ended September 30, 2020, compared to the prior year period, were partially offset by a decrease of \$29.4 million in Other expenses primarily due to legal settlement charges taken in the 2019 period, and a decrease of \$28.9 million in Selling and promotion expenses primarily due to a continued focus on tighter cost management as well as the impact of the pandemic.

For the three months ended September 30, 2020, income from operations before income taxes decreased by \$19.5 million, or 40.4%, to \$28.7 million compared to the three months ended June 30, 2020. This was principally a result of a \$64.9 million decrease in brokerage revenues as our revenues were adversely impacted in the third quarter of 2020 as a result of COVID-19 and its impact on the macroeconomic environment, including interest rates, FX, and oil prices. We had lower year-on-year secondary trading volumes in certain markets on our rates, FX, credit, and equity derivatives and cash equities businesses, while historically low prices across energy and commodities reduced demand for underlying product hedges. These reductions were partially offset by a \$39.2 million decrease in Compensation and employee benefits, which was primarily driven by the impact of lower commission revenues on variable compensation, which reflected lower industry volumes and the continued dislocations faced by us and our clients due to COVID-19, as well as our initiative in reducing the Company's cost base to improve margins which was in effect prior to the pandemic.

REGULATORY ENVIRONMENT

See "Regulation" in Part I, Item 1 of our Annual Report on Form 10-K for additional information related to our regulatory environment.

LIQUIDITY

See "Liquidity and Capital Resources" herein for information related to our liquidity and capital resources.

HIRING AND ACQUISITIONS

Key drivers of our revenue are front-office producer headcount and average revenue per producer. We believe that our strong technology platform and unique compensation structure have enabled us to use both acquisitions and recruiting to profitably increase our front-office staff at a faster rate than our largest competitors since our formation in 2004.

We have invested significantly through acquisitions, technology spending and the hiring of new brokers, salespeople, managers and other front-office personnel. The business climate for these acquisitions has been competitive, and it is expected that these conditions will persist for the foreseeable future. We have been able to attract businesses and brokers, salespeople, managers and other front-office personnel to our platform as we believe they recognize that we have the scale, technology, experience and expertise to succeed.

We have made significant investments in our insurance brokerage business, including meaningful increases in front-office employees. Our average revenue per front-office employee has historically declined year-over-year for the period immediately following significant headcount increases, and the additional brokers and salespeople generally achieve significantly higher productivity levels in their second or third year with the Company. Excluding our insurance brokerage business, as of September 30, 2020, our front-office headcount was 2,351 brokers, salespeople, managers and other front-office personnel, down 8.1% from 2,559 a year ago. Compared to the prior year period, average revenue per front-office employee for the three and nine months ended September 30, 2020, decreased by 8.8% to approximately \$166 thousand and decreased 0.7% to approximately \$567 thousand, respectively. On a stand-alone basis, our total insurance brokerage headcount increased by 21.8% to 464 from 381 a year ago.

The laws and regulations passed or proposed on both sides of the Atlantic concerning OTC trading seem likely to favor increased use of technology by all market participants, and are likely to accelerate the adoption of both Hybrid and Fully Electronic execution. We believe these developments will favor the larger inter-dealer brokers over smaller, non-public local competitors, as the smaller players generally do not have the financial resources to invest the necessary amounts in technology. We believe this will lead to further consolidation across the wholesale financial brokerage industry, and thus allow us to grow profitably.

Since 2018, our acquisitions have included Poten & Partners, Ed Broking, Ginga Petroleum, Algomi and several smaller acquisitions.

On November 15, 2018, we acquired Poten & Partners, a leading ship brokerage, consulting and business intelligence firm specializing in LNG, tanker and LPG markets. Founded over 80 years ago and with 170 employees worldwide, Poten & Partners provides its clients with valuable insight into the international oil, gas and shipping markets.

On January 31, 2019, we completed the acquisition of Ed Broking, an independent Lloyd's of London insurance broker with a strong reputation across accident and health, aerospace, cargo, energy, financial and political risks, marine, professional and executive risks, property and casualty, specialty and reinsurance. Ed Broking has become part of the Company's overall insurance brokerage business.

On March 12, 2019, we completed the acquisition of Ginga Petroleum. Ginga Petroleum provides a comprehensive range of broking services for physical and derivative energy products, including naphtha, liquefied petroleum gas, fuel oil, biofuels, middle distillates, petrochemicals and gasoline.

On March 6, 2020, we completed the acquisition of Algomi, a software company that provides technology to bond market participants to improve their workflow and liquidity by data aggregation, pre-trade information analysis and execution facilitation.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2020, we had income (loss) from operations before income taxes of \$28.7 million compared to \$8.7 million in the year earlier period. This increase was largely a result of a decrease in both compensation and non-compensation expenses in the three months ended September 30, 2020. Total revenues for the three months ended September 30, 2020, decreased \$66.1 million, or 12.7%, to \$455.0 million. We have made excellent progress this quarter with respect to our investments in Fenics and insurance brokerage. Our Fenics brokerage revenues grew by double digits for the second consecutive quarter. Fenics UST and Fenics GO, two of our newer fully electronic offerings, reached record levels of market share, and our insurance brokerage group is positioned to turn profitable in the near-term. We believe the macro trends of accelerated adoption of electronic trading, record levels of global debt issuance, and a hardening insurance market will drive positive fundamentals for our businesses.

Brokerage revenues for the three months ended September 30, 2020 decreased by \$68.1 million, or 14.0% from the same period in 2019. Our insurance brokerage business generated a 9.0% growth, driven by new hires in aviation and reinsurance. BGC's insurance brokerage business benefitted from favorable pricing trends and improved productivity from previously hired brokers and salespeople. In addition, our rates, FX, credit and equity derivatives and cash equities businesses were adversely impacted by lower year-on-year secondary trading volumes in certain markets, while historically low prices across energy and commodities reduced demand for underlying product hedges. In addition, BGC and our clients faced continued dislocations due to COVID-19. Net revenues in our Fully Electronic businesses across brokerage, data, software, and post-trade increased 19.0% to \$79.5 million for the three months ended September 30, 2020, compared to the prior year period. Within our Fenics business, total revenues from our high-margin data, software, and post-trade business, which is predominantly comprised of recurring revenue, were up 17.2% over the prior year period. During the second quarter of 2020, we introduced Fenics Integrated, which seamlessly integrates hybrid liquidity with customer electronic orders. We believe that Fenics Integrated will enhance profit margins by further incentivizing the Company's brokers and clients to automate execution. We believe that Fenics Integrated will create superior real-time information, improving the robustness and value of Fenics Market Data, which will accelerate our growth. As we expand our product offerings, optimize our commercial agreements, and add new clients across our electronic platforms, we continue to expect profitability in our newer Fenics stand-alone businesses, which includes Fenics UST, Fenics GO, and Lucera.

Total expenses for the three months ended September 30, 2020 decreased \$83.4 million to \$432.6 million compared to the prior year period, primarily due to a \$41.6 million decrease in total compensation expenses due to the impact of lower commissionable revenues on variable compensation as well as the cost reduction program which the Company implemented in the first quarter of 2020 to reduce its cost base to improve margins. The \$41.8 million decrease in non-compensation expenses was primarily driven by lower selling and promotion expenses due to a continued focus on tighter cost management as well as the impact of COVID-19, a decrease in other expenses due to certain legal settlements in the prior year, as well as a decrease in commissions and floor brokerage expenses, which tend to move in line with commissionable revenue. This was partially offset by an increase in interest expense, driven by the \$300 million 3.750% Senior Notes, which were issued in September 2019, and the \$300 million 4.375% Senior Notes, which were issued in July 2020, less lower interest expense on BGC's revolving credit facility, which was repaid in full during the third quarter of 2020.

On October 27, 2020, our Board declared a \$0.01 dividend for the third quarter. Effective with the first quarter dividend, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company's balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. Additionally, BGC Holdings reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after-tax basis depends upon stockholders' and partners' domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Early next year we expect to announce our capital return policy, focused on increasing our dividend and detailing our share repurchase plan. Previously, we were deeply dividend-centric; going forward, we plan to consider both share buybacks and dividends.

RESULTS OF OPERATIONS

The following table sets forth our unaudited condensed consolidated statements of operations data expressed as a percentage of total revenues for the periods indicated (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Revenues:								
Commissions	\$ 352,027	77.4%	\$ 409,765	78.6%	\$ 1,190,522	75.5%	\$ 1,262,921	78.1%
Principal transactions	65,182	14.3	75,536	14.5	277,946	17.6	250,198	15.5
Total brokerage revenues	417,209	91.7	485,301	93.1	1,468,468	93.1	1,513,119	93.6
Fees from related parties	8,814	1.9	8,208	1.6	20,897	1.3	21,224	1.3
Data, software and post-trade	21,523	4.7	18,364	3.5	61,060	3.9	55,015	3.4
Interest and dividend income	2,418	0.5	3,976	0.8	13,115	0.8	15,454	1.0
Other revenues	5,075	1.2	5,288	1.0	13,754	0.9	12,263	0.7
Total revenues	455,039	100.0	521,137	100.0	1,577,294	100.0	1,617,075	100.0
Expenses:								
Compensation and employee benefits	244,240	53.6	278,544	53.4	872,426	55.3	856,615	53.0
Equity-based compensation and allocations of net income to limited partnership units and FPU's (1)	33,007	7.3	40,330	7.8	103,030	6.5	96,223	5.9
Total compensation and employee benefits	277,247	60.9	318,874	61.2	975,456	61.8	952,838	58.9
Occupancy and equipment	45,224	9.9	44,709	8.6	143,545	9.1	135,820	8.4
Fees to related parties	7,610	1.7	7,123	1.4	18,239	1.2	16,507	1.0
Professional and consulting fees	15,637	3.4	21,262	4.1	55,398	3.5	64,614	4.0
Communications	30,088	6.6	29,882	5.7	91,133	5.8	90,267	5.6
Selling and promotion	5,943	1.3	20,320	3.9	31,276	2.0	60,213	3.7
Commissions and floor brokerage	12,933	2.8	15,831	3.0	45,730	2.9	47,240	2.9
Interest expense	19,488	4.3	15,258	2.9	54,279	3.4	43,441	2.7
Other expenses	18,458	4.2	42,757	8.2	59,145	3.8	88,537	5.5
Total expenses	432,628	95.1	516,016	99.0	1,474,201	93.5	1,499,477	92.7
Other income (losses), net:								
Gains (losses) on divestitures and sale of investments	(9)	—	—	—	(9)	—	18,435	1.1
Gains (losses) on equity method investments	1,527	0.3	1,530	0.3	3,669	0.2	3,051	0.2
Other income (loss)	4,779	1.1	2,095	0.4	(107)	—	23,491	1.5
Total other income (losses), net	6,297	1.4	3,625	0.7	3,553	0.2	44,977	2.8
Income (loss) from operations before income taxes	28,708	6.3	8,746	1.7	106,646	6.7	162,575	10.1
Provision (benefit) for income taxes	3,778	0.8	6,186	1.2	21,125	1.3	51,076	3.2
Consolidated net income (loss)	24,930	5.5	2,560	0.5	85,521	5.4	111,499	6.9
Less: Net income (loss) operations attributable to noncontrolling interest in subsidiaries	5,549	1.2	6,089	1.2	23,727	1.5	39,549	2.4
Net income (loss) available to common stockholders	\$ 19,381	4.3%	\$ (3,529)	(0.7)%	\$ 61,794	3.9%	\$ 71,950	4.5%

(1) The components of Equity-based compensation and allocations of net income to limited partnership units and FPU's are as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Issuance of common stock and grants of exchangeability	\$ 3,554	0.8%	\$ 24,245	4.7%	\$ 28,950	1.8%	\$ 53,368	3.3%
Allocations of net income	8,213	1.8	10,273	2.0	12,152	0.8	19,599	1.2
LPU amortization	18,455	4.1	4,213	0.8	54,288	3.4	17,947	1.1
RSU amortization	2,785	0.6	1,599	0.3	7,640	0.5	5,309	0.3
Equity-based compensation and allocations of net income to limited partnership units and FPU's	\$ 33,007	7.3%	\$ 40,330	7.8%	\$ 103,030	6.5%	\$ 96,223	5.9%

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenues

Brokerage Revenues

Total brokerage revenues decreased by \$68.1 million, or 14.0%, to \$417.2 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Commission revenues decreased by \$57.7 million, or 14.1%, to \$352.0 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Principal transactions revenues decreased by \$10.4 million, or 13.7%, to \$65.2 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

The decrease in total brokerage revenues was primarily driven by decreases in revenues from rates, FX, equity derivatives and cash equities, energy and commodities, and credit, partially offset by an increase in revenues from insurance.

Our brokerage revenues from rates decreased by \$37.4 million, or 23.9%, to \$119.3 million for the three months ended September 30, 2020. The decrease in rates revenues was primarily driven by lower industry volumes in certain markets due to quantitative easing undertaken by several major central banks and uniformly lower global interest rates during the quarter.

Our FX revenues decreased by \$13.2 million, or 15.3%, to \$73.3 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This decrease was primarily driven by lower industry volumes due to quantitative easing undertaken by several major central banks and uniformly lower global interest rates.

Our brokerage revenues from equity derivatives and cash equities decreased by \$9.5 million, or 16.8%, to \$47.4 million for the three months ended September 30, 2020. This decrease was mainly driven by lower trading volumes.

Our brokerage revenues from energy and commodities decreased by \$7.1 million, or 9.8%, to \$65.9 million for the three months ended September 30, 2020. This decrease was primarily driven by historically low prices across energy and commodities, which reduced demand for underlying product hedges.

Our credit revenues decreased by \$4.3 million, or 6.0%, to \$68.1 million for the three months ended September 30, 2020. This decrease was mainly due to lower secondary trading volumes.

Our brokerage revenues from insurance increased by \$3.6 million, or 9.0% to \$43.3 million for the three months ended September 30, 2020. This increase was primarily due to organic growth, as previously hired brokers and salespeople ramped up production and benefited from favorable pricing trends for insurance renewals.

Fees from Related Parties

Fees from related parties increased by \$0.6 million, or 7.4%, to \$8.8 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

Data, Software and Post-Trade

Data, software and post-trade revenues increased by \$3.2 million, or 17.2%, to \$21.5 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This increase was primarily driven by Lucera's Connect platform winning new SaaS client contracts and the acquisition of Algomi.

Interest and Dividend Income

Interest and dividend income decreased by \$1.6 million, or 39.2%, to \$2.4 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This decrease was primarily due to lower interest earned on deposits.

Other Revenues

Other revenues decreased by \$0.2 million, or 4.0%, to \$5.1 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense decreased by \$34.3 million, or 12.3%, to \$244.2 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The main driver of this decrease was the impact of lower brokerage revenues on variable compensation, as well as savings resulting from a cost reduction program that commenced in the first quarter of 2020.

Equity-Based Compensation and Allocations of Net Income to Limited Partnership Units and FPU's

Equity-based compensation and allocations of net income to limited partnership units and FPU's decreased by \$7.3 million, or 18.2%, to \$33.0 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This was primarily driven by a decrease in grants of exchangeability and issuance of Class A common stock.

Occupancy and Equipment

Occupancy and equipment expense increased by \$0.5 million, or 1.2%, to \$45.2 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This increase was primarily driven by an increase in software licenses and maintenance costs, partially offset by lower rent expense related to the build-out phase of BGC's new U.K. – based headquarters in the prior year period.

Fees to Related Parties

Fees to related parties increased by \$0.5 million, or 6.8%, to \$7.6 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Fees to related parties are allocations paid to Cantor for administrative and support services (such as accounting, occupancy, and legal).

Professional and Consulting Fees

Professional and consulting fees decreased by \$5.6 million, or 26.5%, to \$15.6 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The decrease was primarily driven by a decrease in consulting and legal fees in the three months ended September 30, 2020.

Communications

Communications expense increased by \$0.2 million, or 0.7%, to \$30.1 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. As a percentage of total revenues, communications expense slightly increased from the prior year period.

Selling and Promotion

Selling and promotion expense decreased by \$14.4 million, or 70.8%, to \$5.9 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This decrease was a result of a reduction in travel and entertainment expenses due to a continued focus on tighter cost management as well as the impact of the pandemic.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased by \$2.9 million, or 18.3%, to \$12.9 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This line item tends to move in line with brokerage revenues as lower volumes result in decreased commissions and floor brokerage costs.

Interest Expense

Interest expense increased by \$4.2 million, or 27.7%, to \$19.5 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This increase was primarily driven by interest expense related to the 3.750% Senior Notes issued in September 2019 and interest expense on the 4.375% Senior Notes issued in July 2020, partially offset by lower interest expense related to the borrowings on BGC's credit facility.

Other Expenses

Other expenses decreased by \$24.3 million, or 56.8%, to \$18.5 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, which was primarily due to a decrease in legal settlements.

Other Income (Losses), net

Gains (Losses) on Divestitures and Sale of Investments

We had a loss of \$9 thousand on divestitures during the three months ended September 30, 2020. For the three months ended September 30, 2019, we had no gains or losses from divestitures or the sale of investments.

Gains (Losses) on Equity Method Investments

Gains (losses) on equity method investments slightly decreased by 0.2%, to a gain of \$1.5 million, for the three months ended September 30, 2020 as compared to a gain of \$1.5 million for the three months ended September 30, 2019. Gains (losses) on equity method investments represent our pro-rata share of the net gains or losses on investments over which we have significant influence, but which we do not control.

Other Income (Loss)

Other income (loss) increased by \$2.7 million, to \$4.8 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This was primarily driven by an increase in other recoveries and partially offset by a decrease related to fair value adjustments on investments held, in addition to a decrease on the mark-to-market on marketable securities.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes decreased by \$2.4 million, or 38.9%, to \$3.8 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. This decrease was primarily driven by the change in the geographical and business mix of earnings, which can impact on our consolidated effective tax rate from period-to-period.

Net Income (Loss) Attributable to Noncontrolling Interest in Subsidiaries

Net income (loss) attributable to noncontrolling interest in subsidiaries decreased by \$0.5 million, or 8.9%, to \$5.5 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenues

Brokerage Revenues

Total brokerage revenues decreased by \$44.7 million, or 3.0%, to \$1,468.5 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. Commission revenues decreased by \$72.4 million, or 5.7%, to \$1,190.5 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. Principal transactions revenues increased by \$27.7 million, or 11.1%, to \$277.9 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019.

The decrease in total brokerage revenues was primarily driven by decreases in FX, rates, and equity derivatives and cash equities, partially offset by an increase in revenues from credit, insurance, and energy and commodities.

Our FX revenues decreased by \$47.9 million, or 16.5%, to \$242.0 million for the nine months ended September 30, 2020. This decrease was primarily driven by lower industry volumes due to quantitative easing undertaken by several major central banks and uniformly lower global interest rates.

Our rates revenues decreased by \$45.7 million, or 9.8%, to \$419.6 million for the nine months ended September 30, 2020. The decrease in rates revenues was primarily driven by lower industry volumes due to quantitative easing undertaken by several major central banks and uniformly lower global interest rates.

Our brokerage revenues from equity derivatives and cash equities decreased by \$0.8 million, or 0.4%, to \$191.0 million for the nine months ended September 30, 2020.

Our credit revenues increased by \$24.7 million, or 10.5%, to \$261.0 million for the nine months ended September 30, 2020. This increase was mainly due to organic growth and higher global volumes.

Our brokerage revenues from insurance increased by \$21.4 million, or 19.0%, to \$133.9 million for the nine months ended September 30, 2020. This increase was primarily due to organic growth, as the insurance brokerage business benefitted as previously hired brokers and salespeople ramped up production and benefited from favorable pricing trends for insurance renewals.

Our brokerage revenues from energy and commodities increased by \$3.7 million, or 1.7%, to \$220.9 million for the nine months ended September 30, 2020. This increase was primarily driven by organic growth.

Fees from Related Parties

Fees from related parties decreased by \$0.3 million, or 1.5%, to \$20.9 million for the nine months ended September 30, 2020 as compared to the prior year.

Data, Software and Post-Trade

Data, software and post-trade revenues increased by \$6.0 million, or 11.0%, to \$61.1 million for the nine months ended September 30, 2020 as compared to the same period in prior year. This increase was primarily driven by the acquisition of Algomi and new business contracts.

Interest and Dividend Income

Interest and dividend income decreased by \$2.3 million, or 15.1%, to \$13.1 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This decrease was primarily due to lower interest earned on deposits.

Other Revenues

Other revenues increased by \$1.5 million, or 12.2% to \$13.8 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This was primarily driven by an increase in consulting income for Poten & Partners.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased by \$15.8 million, or 1.8%, to \$872.4 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The main drivers of this increase were costs associated with the implementation of a cost reduction program designed to reduce future expenses and streamline operations, as well as the impact of acquisitions and hires.

Equity-Based Compensation and Allocations of Net Income to Limited Partnership Units and FPU's

Equity-based compensation and allocations of net income to limited partnership units and FPU's increased by \$6.8 million, or 7.1%, to \$103.0 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This was primarily driven by an increase in equity award amortization.

Occupancy and Equipment

Occupancy and equipment expense increased by \$7.7 million, or 5.7%, to \$143.5 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This increase was primarily driven by higher fixed asset impairments, software license costs and amortization expense on developed software. This was partially offset by a decrease in rent expense related to the build-out phase of BGC's new U.K. – based headquarters in the prior year period.

Fees to Related Parties

Fees to related parties increased by \$1.7 million, or 10.5%, to \$18.2 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. Fees to related parties are allocations paid to Cantor for administrative and support services.

Professional and Consulting Fees

Professional and consulting fees decreased by \$9.2 million, or 14.3%, to \$55.4 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This decrease was primarily driven by a decrease in legal and consulting fees.

Communications

Communications expense increased by \$0.9 million, or 1.0%, to \$91.1 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. As a percentage of total revenues, communications expense remained relatively unchanged from the prior year period.

Selling and Promotion

Selling and promotion expense decreased by \$28.9 million, or 48.1%, to \$31.3 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This decrease was primarily a result of a reduction in travel and entertainment expenses due to a continued focus on tighter cost management as well as the impact of the pandemic.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased by \$1.5 million, or 3.2%, to \$45.7 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. Commissions and floor brokerage expense tends to move in line with brokerage revenues.

Interest Expense

Interest expense increased by \$10.8 million, or 24.9%, to \$54.3 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This increase was primarily driven by interest expense related to the 3.750% Senior Notes issued in September 2019, interest expense on the 4.375% Senior Notes issued in July 2020, partially offset by lower interest expense related to the borrowings on BGC's credit facility.

Other Expenses

Other expenses decreased by \$29.4 million, or 33.2%, to \$59.1 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, which was primarily related to a decrease in settlements, and partially offset by an increase in other provisions.

Other Income (Losses), net

Gains (Losses) on Divestitures and Sale of Investments

For the nine months ended September 30, 2020, we had a loss of \$9 thousand on divestitures. For the nine months ended September 30, 2019, we had a gain of \$18.4 million as a result of the sale of CSC Commodities.

Gains (Losses) on Equity Method Investments

Gains (losses) on equity method investments increased by \$0.6 million, to a gain of \$3.7 million, for the nine months ended September 30, 2020 as compared to a gain of \$3.1 million for the nine months ended September 30, 2019. Gains (losses) on equity method investments represent our pro rata share of the net gains or losses on investments over which we have significant influence but which we do not control.

Other Income (Loss)

Other income (loss) decreased by \$23.6 million, or 100.5%, to a loss of \$0.1 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This was primarily driven by a decrease related to fair value adjustments on investments carried under the measurement alternative. There was also a decrease related to the mark-to-market and/or hedging on the Nasdaq shares, and a decrease due to losses related to mark-to-market movements. This was partially offset by increases in other recoveries and acquisition-related fair value adjustments of contingent consideration.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes decreased by \$30.0 million, or 58.6%, to \$21.1 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. This decrease was primarily driven by lower pre-tax earnings as well as a change in the geographical and business mix of earnings. In general, our consolidated effective tax rate can vary from period-to-period depending on, among other factors, the geographic and business mix of our earnings.

Net Income (Loss) Attributable to Noncontrolling Interest in Subsidiaries

Net income (loss) attributable to noncontrolling interest in subsidiaries decreased by \$15.8 million, or 40.0%, to \$23.7 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, which was primarily driven by a decrease in earnings.

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth our unaudited quarterly results of operations for the indicated periods (in thousands). Results of any period are not necessarily indicative of results for a full year and may, in certain periods, be affected by seasonal fluctuations in our business. Certain reclassifications have been made to prior period amounts to conform to the current period's presentation.

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018 ¹
Revenues:								
Commissions	\$ 352,027	\$ 382,640	\$ 455,855	\$ 382,897	\$ 409,765	\$ 422,974	\$ 430,182	\$ 372,370
Principal transactions	65,182	99,453	113,311	71,725	75,536	90,432	84,230	62,787
Fees from related parties	8,814	6,562	5,521	8,218	8,208	7,221	5,795	5,022
Data, software and post-trade	21,523	20,139	19,398	18,151	18,364	18,741	17,910	18,169
Interest and dividend income	2,418	6,536	4,161	2,865	3,976	7,813	3,665	3,919
Other revenues	5,075	3,758	4,921	3,300	5,288	4,006	2,969	4,084
Total revenues	455,039	519,088	603,167	487,156	521,137	551,187	544,751	466,351
Expenses:								
Compensation and employee benefits	244,240	283,437	344,749	271,296	278,544	290,071	288,000	249,951
Equity-based compensation and allocations of net income to limited partnership units and FPU's	33,007	27,819	42,204	69,389	40,330	43,752	12,141	85,178
Total compensation and employee benefits	277,247	311,256	386,953	340,685	318,874	333,823	300,141	335,129
Occupancy and equipment	45,224	47,247	51,074	48,987	44,709	45,109	46,002	38,934
Fees to related parties	7,610	5,194	5,435	2,858	7,123	6,457	2,927	4,586
Professional and consulting fees	15,637	19,805	19,956	27,553	21,262	23,347	20,005	23,865
Communications	30,088	30,524	30,521	29,715	29,882	29,974	30,411	26,808
Selling and promotion	5,943	6,634	18,699	21,432	20,320	21,491	18,402	19,112
Commissions and floor brokerage	12,933	13,520	19,277	16,377	15,831	16,791	14,618	17,549
Interest expense	19,488	17,457	17,334	15,636	15,258	14,985	13,198	11,615
Other expenses	18,458	21,499	19,188	18,886	42,757	21,765	24,015	17,541
Total expenses	432,628	473,136	568,437	522,129	516,016	513,742	469,719	495,139
Other income (losses), net:								
Gain (loss) on divestiture and sale of investments	(9)	—	—	(14)	—	(1,619)	20,054	—
Gains (losses) on equity method investments	1,527	1,119	1,023	1,064	1,530	738	783	2,415
Other income (loss)	4,779	1,129	(6,015)	9,462	2,095	194	21,202	2,453
Total other income (losses), net	6,297	2,248	(4,992)	10,512	3,625	(687)	42,039	4,868
Income (loss) from operations before income taxes	28,708	48,200	29,738	(24,461)	8,746	36,758	117,071	(23,920)
Provision (benefit) for income taxes	3,778	8,641	8,706	2,095	6,186	14,993	29,897	16,980
Consolidated net income (loss) from continuing operations	24,930	39,559	21,032	(26,556)	2,560	21,765	87,174	(40,900)
Consolidated net income (loss) from discontinued operations, net of tax	—	—	—	—	—	—	—	11,041
Consolidated net income (loss)	24,930	39,559	21,032	(26,556)	2,560	21,765	87,174	(29,859)
Less: Net income (loss) from continuing operations attributable to noncontrolling interest in subsidiaries	5,549	11,460	6,718	(10,313)	6,089	8,154	25,306	(18,995)
Less: Net income (loss) from discontinued operations attributable to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	5,879
Net income (loss) available to common stockholders	<u>\$ 19,381</u>	<u>\$ 28,099</u>	<u>\$ 14,314</u>	<u>\$ (16,243)</u>	<u>\$ (3,529)</u>	<u>\$ 13,611</u>	<u>\$ 61,868</u>	<u>\$ (16,743)</u>

¹ Financial results have been retrospectively adjusted as a result of the Spin-Off to reflect Newmark through November 30, 2018 as discontinued operations.

The table below details our brokerage revenues by product category for the indicated periods (in thousands):

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Brokerage revenue by product:								
Rates	\$ 119,325	\$ 133,034	\$ 167,240	\$ 129,549	\$ 156,765	\$ 152,959	\$ 155,611	\$ 128,874
FX	73,281	74,393	94,366	80,369	86,492	101,899	101,558	94,706
Credit	68,053	95,780	97,189	70,438	72,382	78,166	85,727	67,484
Energy and commodities	65,871	71,326	83,738	71,456	73,012	73,887	70,342	54,048
Insurance	43,269	45,783	44,836	43,277	39,692	41,417	31,404	15,155
Equity derivatives and cash equities	47,410	61,777	81,797	59,533	56,958	65,078	69,770	74,890
Total brokerage revenues	\$ 417,209	\$ 482,093	\$ 569,166	\$ 454,622	\$ 485,301	\$ 513,406	\$ 514,412	\$ 435,157
Brokerage revenue by product (percentage):								
Rates	28.6%	27.6%	29.4%	28.5%	32.3%	29.8%	30.2%	29.6%
FX	17.6	15.4	16.6	17.7	17.8	19.8	19.7	21.8
Credit	16.3	19.9	17.1	15.5	14.9	15.2	16.7	15.5
Energy and commodities	15.8	14.8	14.6	15.7	15.0	14.4	13.7	12.4
Insurance	10.4	9.5	7.9	9.5	8.2	8.1	6.1	3.5
Equity derivatives and cash equities	11.3	12.8	14.4	13.1	11.8	12.7	13.6	17.2
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Brokerage revenue by type:								
Voice/Hybrid	\$ 359,194	\$ 423,697	\$ 513,101	\$ 410,332	\$ 436,841	\$ 460,359	\$ 455,582	\$ 389,203
Fully Electronic	58,015	58,396	56,065	44,290	48,460	53,047	58,830	45,954
Total brokerage revenues	\$ 417,209	\$ 482,093	\$ 569,166	\$ 454,622	\$ 485,301	\$ 513,406	\$ 514,412	\$ 435,157
Brokerage revenue by type (percentage):								
Voice/Hybrid	86.1%	87.9%	90.1%	90.3%	90.0%	89.7%	88.6%	89.4%
Fully Electronic	13.9	12.1	9.9	9.7	10.0	10.3	11.4	10.6
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet

Our balance sheet and business model are not capital intensive. Our assets consist largely of cash and cash equivalents, collateralized and uncollateralized short-dated receivables and less liquid assets needed to support our business. Longer-term capital (equity and notes payable) is held to support the less liquid assets and potential capital investment opportunities. Total assets as of September 30, 2020 were \$4.6 billion, an increase of 17.3% as compared to December 31, 2019. The increase in total assets was driven primarily by increases in Receivables from broker-dealers, clearing organizations, customers and related broker-dealers as well as Cash and cash equivalents. We maintain a significant portion of our assets in Cash and cash equivalents and Securities owned, with our liquidity (which we define as Cash and cash equivalents, Reverse repurchase agreements, Marketable securities and Securities owned, less Securities loaned and Repurchase Agreements) as of September 30, 2020 of \$549.1 million. See “Liquidity Analysis” below for a further discussion of our liquidity. Our Securities owned were \$58.5 million as of September 30, 2020 and December 31, 2019. Our Marketable securities decreased to \$0.3 million as of September 30, 2020, compared to \$14.2 million as of December 31, 2019. We had Repurchase agreements of \$2.1 million as of September 30, 2020, compared to no Repurchase agreements as of December 31, 2019. Further, we did not have any Reverse repurchase agreements as of both September 30, 2020 and December 31, 2019. We also had no Securities loaned as of September 30, 2020, compared to \$13.9 million as of December 31, 2019.

As part of our cash management process, we may enter into tri-party reverse repurchase agreements and other short-term investments, some of which may be with Cantor. As of September 30, 2020 and December 31, 2019, there were no reverse repurchase agreements outstanding.

Additionally, in August 2013, the Audit Committee authorized us to invest up to \$350 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used from time to time as a liquidity management vehicle. The notes are backed by assets of highly rated banks. We are entitled to invest in the program so long as the program meets investment policy guidelines, including policies relating to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to us on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of September 30, 2020 and December 31, 2019, we had no investments in the program.

Funding

Our funding base consists of longer-term capital (equity and notes payable), collateralized financings, 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 have limited need for short-term unsecured funding in our regulated entities for their brokerage business. 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. Capital expenditures tend to be cash neutral and approximately in line with depreciation. Current cash and cash equivalent balances exceed our potential normal course contingent liquidity needs. We believe that cash and cash equivalents in and available to our largest regulated entities, inclusive of financing provided by clearing banks and cash segregated under regulatory requirements, is adequate for potential cash demands of normal operations, such as margin or fail financing. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends paid pursuant to our dividend policy. However, we continually evaluate opportunities for us to maximize our growth and further enhance our strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

- increase the regulatory net capital necessary to support operations;
- support continued growth in our businesses;
- effect acquisitions, strategic alliances, joint ventures and other transactions;
- develop new or enhanced products, services and markets; and
- respond to competitive pressures.

Acquisitions and financial reporting obligations related thereto may impact our ability to access longer term capital markets funding on a timely basis and may necessitate greater short-term borrowings in the interim. This may impact our credit rating or the interest rates on our debt. We may need to access short-term capital sources to meet business needs from time to time, including, but not limited to, conducting operations; hiring or retaining brokers, salespeople, managers and other front-office personnel; financing acquisitions; and providing liquidity, including in situations where we may not be able to access the capital markets in a timely manner when desired by us. Accordingly, we cannot guarantee that we will be able to obtain additional financing when needed on terms that are acceptable to us, if at all.

As described earlier in this document, on November 30, 2018, we completed the Spin-Off of Newmark. As set forth in the Separation and Distribution Agreement, Newmark assumed certain BGC indebtedness and repaid such indebtedness.

As discussed above, our liquidity was \$549.1 million as of September 30, 2020. Our liquidity remains strong and the steps taken during the first quarter of 2020 were intended to prevent unwarranted financial stress during this extraordinary COVID-19 period. Our decision to reduce our dividend and draw down additional funds on the Revolving Credit Agreement, in the first quarter of 2020, was a result of preparing for the unknown in the current extraordinary macroeconomic/social environment and was not taken to meet an external demand for liquidity, but rather to strengthen our balance sheet. We continue to operate soundly without stress and do not have any Company-specific financial issues. The reduction of the dividend was an internally driven, precautionary step to ensure the financial security of the company in uncertain times. We have no meaningful debt maturities due until May 2021. Further, as of the third quarter of 2020 we have fully repaid the \$225.0 million borrowings then-outstanding under the Revolving Credit Agreement.

Notes Payable, Other and Short-term Borrowings

Unsecured Senior Revolving Credit Agreement

On November 28, 2018, we entered into the Revolving Credit Agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, which replaced the existing committed unsecured senior revolving credit agreement. The maturity date of the Revolving Credit Agreement was November 28, 2020 and the maximum revolving loan balance is \$350.0 million. Borrowings under this agreement bear interest at either LIBOR or a defined base rate plus additional margin. On December 11, 2019, we entered into an amendment to the new unsecured Revolving Credit Agreement. Pursuant to the amendment, the maturity date was extended to February 26, 2021. On February 26, 2020, the Company entered into a second amendment to the unsecured revolving credit agreement, pursuant to which, the maturity date was extended by two years to February 26, 2023. The size of the Revolving Credit Agreement, along with the interest rate on the borrowings therefrom, remained unchanged. On July 14, 2020, the Company repaid in full the \$225.0 million borrowings outstanding under the Revolving Credit Agreement. As of September 30, 2020, there were no borrowings outstanding under the new unsecured Revolving Credit Agreement. As of December 31, 2019, there was \$68.9 million of borrowings outstanding, net of deferred financing costs of \$1.1 million, under the new unsecured Revolving Credit Agreement. The average interest rate on the outstanding borrowings was 2.19% and 2.88% for the three and nine months ended September 30, 2020. We may draw down on the Revolving Credit Agreement to provide flexibility in the normal course to meet ongoing operational cash needs, including as necessary to manage through the current extraordinary macroeconomic/business environment as a result of the COVID-19 pandemic. Our liquidity remains strong, and was \$549.1 million as of September 30, 2020, as discussed below.

5.125% Senior Notes

On May 27, 2016, we issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes. The 5.125% Senior Notes are general senior unsecured obligations of the Company. The 5.125% Senior Notes bear interest at a rate of 5.125% per year, payable in cash on May 27 and November 27 of each year, commencing November 27, 2016. The 5.125% Senior Notes will mature on May 27, 2021. The Company may redeem some or all of the notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the Indenture). If a “Change of Control Triggering Event” (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of its notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. Cantor purchased \$15.0 million of such senior notes and does not hold such notes as of September 30, 2020. The initial carrying value of the 5.125% Senior Notes was \$295.8 million, net of the discount and debt issuance costs of \$4.2 million, of which \$0.5 million were underwriting fees payable to CF&Co and \$18 thousand were underwriting fees payable to CastleOak Securities, L.P. The carrying value of the 5.125% Senior Notes as of September 30, 2020 was \$255.3 million.

On August 16, 2016, we filed a Registration Statement on Form S-4 which was declared effective by the SEC on September 13, 2016. On September 15, 2016, BGC launched an exchange offer in which holders of the 5.125% Senior Notes, issued in a private placement on May 27, 2016, could exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on October 12, 2016, at which point the initial 5.125% Senior Notes were exchanged for new registered notes with substantially identical terms.

Tender Offer for 5.125% Senior Notes

On August 5, 2020, the Company commenced a cash tender offer for any and all \$300.0 million outstanding aggregate principal amount of its 5.125% Senior Notes. On August 11, 2020, the Company’s cash tender offer expired at 5:00 p.m., New York City time. As of the expiration time, \$44.0 million aggregate principal amount of the 5.125% Senior Notes were validly tendered. These notes were redeemed on the settlement date of August 14, 2020. The Company retained CF&Co as one of the dealer managers for the tender offer.

5.375% Senior Notes

On July 24, 2018, we issued an aggregate of \$450.0 million principal amount of 5.375% Senior Notes. The 5.375% Senior Notes are general senior unsecured obligations of the Company. The 5.375% Senior Notes bear interest at a rate of 5.375% per year, payable in cash on January 24 and July 24 of each year, commencing January 24, 2019. The 5.375% Senior Notes will mature on July 24, 2023. We may redeem some or all of the 5.375% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the indenture related to the 5.375% Senior Notes). If a “Change of Control Triggering Event” (as defined in the indenture related to the 5.375% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.375% Senior Notes was \$444.2 million, net of the discount and debt issuance costs of \$5.8 million, of which \$0.3 million were underwriting fees paid to CF&Co and \$41 thousand were underwriting fees paid to CastleOak Securities, L.P. We also paid CF&Co an advisory fee of \$0.2 million in connection with the issuance. The issuance costs are amortized as interest expense and the carrying value of the 5.375% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 5.375% Senior Notes as of September 30, 2020 was \$446.2 million.

On July 31, 2018, we filed a Registration Statement on Form S-4 which was declared effective by the SEC on August 10, 2018. On August 10, 2018, BGC launched an exchange offer in which holders of the 5.375% Senior Notes, issued in a private placement on July 24, 2018, could exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on September 17, 2018, at which point the initial 5.375% Senior Notes were exchanged for new registered notes with substantially identical terms.

3.750% Senior Notes

On September 27, 2019, we issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. The 3.750% Senior Notes are general unsecured obligations of the Company. The 3.750% Senior Notes bear interest at a rate of 3.750% per annum, payable in cash on each April 1 and October 1, commencing April 1, 2020. The 3.750% Senior Notes will mature on October 1, 2024. We may redeem some or all of the 3.750% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the indenture related to the 3.750% Senior Notes). If a “Change of Control Triggering Event” (as defined in the indenture related to the 3.750% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 3.750% Senior Notes was \$296.1 million, net of discount and debt issuance costs of \$3.9 million, of which \$0.2 million were underwriting fees payable to CF&Co and \$36 thousand were underwriting fees payable to CastleOak Securities, L.P. The issuance costs will be amortized as interest expense and the carrying value of the 3.750% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 3.750% Senior Notes was \$296.7 million as of September 30, 2020.

On October 11, 2019, we filed a Registration Statement on Form S-4, which was declared effective by the SEC on October 24, 2019. On October 28, 2019, BGC launched an exchange offer in which holders of the 3.750% Senior Notes, issued in a private placement on September 27, 2019, may exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on December 9, 2019, at which point the initial 3.750% Senior Notes were exchanged for new registered notes with substantially identical terms.

4.375% Senior Notes

On July 10, 2020, we issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. The 4.375% Senior Notes are general unsecured obligations of the Company. The 4.375% Senior Notes bear interest at a rate of 4.375% per year, payable in cash on June 15 and December 15, commencing December 15, 2020. The 4.375% Senior Notes will mature on December 15, 2025. We may redeem some or all of the notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the indenture related to the 4.375% Senior Notes). If a “Change of Control Triggering Event” (as defined in the indenture related to the 4.375% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 4.375% Senior Notes was \$296.8 million, net of discount and debt issuance costs of \$3.2 million, of which \$0.2 million were underwriting fees payable to CF&Co and \$36 thousand were underwriting fees payable to CastleOak Securities, L.P. BGC intends to use the net proceeds to repurchase, redeem and/or repay at maturity all \$300 million outstanding aggregate principal amount of its 5.125% Senior Notes, including to pay any applicable redemption premium. The carrying value of the 4.375% Senior Notes was \$296.9 million as of September 30, 2020.

On August 28, 2020, we filed a Registration Statement on Form S-4, which was declared effective by the SEC on September 8, 2020. On September 9, 2020, BGC launched an exchange offer in which holders of the 4.375% Senior Notes, issued in a private placement on July 10, 2020, may exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on October 14, 2020, at which point the initial 4.375% Senior Notes were exchanged for new registered notes with substantially identical terms.

Collateralized Borrowings

On March 13, 2015, we entered into a secured loan arrangement of \$28.2 million under which it pledged certain fixed assets as security for a loan. This arrangement incurred interest at a fixed rate of 3.70% per year and matured on March 13, 2019, therefore there were no borrowings outstanding as of December 31, 2019 or September 30, 2020.

On May 31, 2017, we entered into a secured loan arrangement of \$29.9 million under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.44% per year and matures on May 31, 2021. As of September 30, 2020 and December 31, 2019, we had \$5.9 million and \$11.7 million, respectively, outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$1.0 million. The book value of the fixed assets pledged as of December 31, 2019 was \$2.3 million.

On April 8, 2019, we entered into a secured loan arrangement of \$15.0 million, under which we pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.77% and matures on April 8, 2023. As of September 30, 2020, we had \$10.6 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$2.4 million. As of December 31, 2019, we had \$13.2 million outstanding related to this secured loan arrangement. The net book value of the fixed assets pledged as of December 31, 2019, was \$8.1 million. Also, on April 19, 2019, we entered into a secured loan arrangement of \$10.0 million, under which we pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.89% and matures on April 19, 2023. As of September 30, 2020, we had \$6.9 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of September 30, 2020 was \$3.3 million. As of December 31, 2019, we had \$8.8 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of December 31, 2019, was \$5.7 million.

Weighted-average Interest Rate

For the three months ended September 30, 2020 and 2019, the weighted-average interest rate of our total Notes payable and other borrowings, which include our Unsecured Senior Revolving Credit Agreement, Senior Notes, and Collateralized Borrowings, was 4.71% and 4.78%, respectively. For the nine months ended September 30, 2020 and 2019, the weighted-average interest rate of our total Notes payable and other borrowings, was 4.71% and 4.79%, respectively.

Short-term Borrowings

On August 22, 2017, we entered into a committed unsecured loan agreement with Itau Unibanco S.A. The credit agreement provides for short-term loans of up to \$3.5 million (BRL 20.0 million). The maturity date of the agreement is February 19, 2021. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 3.30%. As of September 30, 2020, there were \$3.5 million (BRL 20.0 million) of borrowings outstanding under the facility. As of December 31, 2019, there were \$5.0 million (BRL 20.0 million) of borrowings outstanding under the facility. As of September 30, 2020, the interest rate was 5.30%.

On August 23, 2017, we entered into a committed unsecured credit agreement with Itau Unibanco S.A. The credit agreement provides for an intra-day overdraft credit line up to \$8.9 million (BRL 50.0 million). The maturity date of the agreement is December 9, 2020. This agreement bears a fee of 1.48% per year. As of September 30, 2020 and December 31, 2019, there were no borrowings outstanding under this agreement.

BGC Credit Agreement with Cantor

On March 19, 2018, we entered into the BGC Credit Agreement with Cantor. The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender's discretion in an aggregate principal amount up to \$250.0 million outstanding at any time. The BGC Credit Agreement replaced the previous credit facility between BGC and an affiliate of Cantor, and was approved by the Audit Committee of BGC. On August 6, 2018, the Company entered into an amendment to the BGC Credit Agreement, which increased the aggregate principal amount that can be loaned to the other party or any of its subsidiaries from \$250.0 million to \$400.0 million that can be outstanding at any time. The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2021, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal to the higher of BGC's or Cantor's short-term borrowing rate in effect at such time plus 1.00%. As of September 30, 2020, there were no borrowings by BGC or Cantor outstanding under this Agreement.

CREDIT RATINGS

As of September 30, 2020, our public long-term credit ratings and associated outlooks are as follows:

	Rating	Outlook
Fitch Ratings Inc.	BBB-	Stable
Standard & Poor's	BBB-	Stable
Japan Credit Rating Agency, Ltd.	BBB+	Stable
Kroll Bond Rating Agency	BBB	Stable

Credit ratings and associated outlooks are influenced by a number of factors, including but not limited to: operating 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 and the firm's competitive position 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 warrant such a change. Any reduction in our credit ratings and/or the associated outlooks could adversely affect the availability of debt financing on terms acceptable to us, as well as the cost and other terms upon which we are able to obtain any such financing. In addition, credit ratings and associated outlooks may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions. In connection with certain agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

LIQUIDITY ANALYSIS

We consider our liquidity to be comprised of the sum of Cash and cash equivalents, Reverse repurchase agreements, Marketable securities, and Securities owned, less Securities loaned and Repurchase agreements. The discussion below describes the key components of our liquidity analysis, including earnings, dividends and distributions, net investing and funding activities, including repurchases and redemptions of BGC Class A common stock and partnership units, security settlements, changes in securities held and marketable securities, and changes in our working capital.

We consider the following in analyzing changes in our liquidity.

Our liquidity analysis includes a comparison of our Consolidated net income (loss) adjusted for certain non-cash items (e.g., Equity-based compensation) as presented on the cash flow statement. Dividends and distributions are payments made to our holders of common shares and limited partnership interests and are related to earnings from prior periods. These timing differences will impact our cash flows in a given period.

Our investing and funding activities represent a combination of our capital raising activities, including short-term borrowings and repayments, issuances of shares under our CEO Program (net), BGC Class A common stock repurchases and partnership unit redemptions, purchases and sales of securities, dispositions, and other investments (e.g., acquisitions, forgivable loans to new brokers and capital expenditures—all net of depreciation and amortization).

Our securities settlement activities primarily represent deposits with clearing organizations. In addition, when advantageous, we may elect to facilitate the settlement of matched principal transactions by funding failed trades, which results in a temporary secured use of cash and is economically beneficial to us.

Other changes in working capital represent changes primarily in receivables and payables and accrued liabilities that impact our liquidity.

Changes in Reverse repurchase agreements, Securities owned, and Marketable securities may result from additional cash investments or sales, which will be offset by a corresponding change in Cash and cash equivalents and, accordingly, will not result in a change in our liquidity. Conversely, changes in the market value of such securities are reflected in our earnings or other comprehensive income (loss) and will result in changes in our liquidity.

At December 31, 2019, the Company completed the calculation of the one-time transition tax on the deemed repatriation of foreign subsidiaries' earnings pursuant to the Tax Act and previously recorded a net cumulative tax expense of \$25.0 million, net of foreign tax credits. An installment election can be made to pay the taxes over eight years with 40% paid in equal installments over the first five years and the remaining 60% to be paid in installments of 15%, 20% and 25% in years six, seven and eight, respectively. The cumulative remaining balance as of September 30, 2020 is \$15.8 million.

As of September 30, 2020, the Company had \$492.3 million of Cash and cash equivalents, and included in this amount was \$340.9 million of Cash and cash equivalents held by foreign subsidiaries.

Discussion of the nine months ended September 30, 2020

The table below presents our Liquidity Analysis:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<i>(in thousands)</i>		
Cash and cash equivalents	\$ 492,303	\$ 415,379
Securities owned	58,547	57,525
Marketable securities ¹	303	326
Repurchase agreements	(2,089)	—
Total	\$ 549,064	\$ 473,230

¹ As of December 31, 2019, \$13.9 million of Marketable securities on our balance sheet had been lent in a Securities loaned transaction and, therefore, are not included in this Liquidity Analysis.

The \$75.8 million increase in our liquidity position from \$473.2 million as of December 31, 2019 to \$549.1 million as of September 30, 2020, was primarily related to the issuance of \$300.0 million of the 4.375% Senior Notes, the \$68.9 million net payoff of the Revolving Credit Agreement and the \$44.0 million cash tender offer on the 5.125% Senior Notes. This was partially offset by ordinary movements in working capital (including settlement of payables to related parties), cash paid with respect to annual employee bonuses and associated tax and compensation expenses, cost reduction charges, tax payments, acquisitions and our continued investment in new revenue generating hires.

Discussion of the nine months ended September 30, 2019

The table below presents our Liquidity Analysis:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<i>(in thousands)</i>		
Cash and cash equivalents	\$ 413,951	\$ 336,535
Securities owned	60,398	58,408
Marketable securities ¹	220	16,924
Repurchase agreements	(1,895)	(986)
Total	\$ 472,674	\$ 410,881

¹ As of September 30, 2019 and December 31, 2018, \$13.0 million and \$15.1 million, respectively, of Marketable securities on our balance sheet had been lent in a Securities loaned transaction and therefore are not included in this Liquidity Analysis.

The \$61.8 million increase in our liquidity position from \$410.9 million as of December 31, 2018 to \$472.7 million as of September 30, 2019 was primarily related to the issuance of \$300.0 million of the 3.750% Senior Notes, increased collateralized and other net borrowings of \$55.0 million. This was partially offset by the financing of acquisitions, ordinary movements in working capital, and our continued investment in new revenue generating hires.

CLEARING CAPITAL

In November 2008, we entered into a clearing capital agreement with Cantor to clear U.S. Treasury and U.S. government agency securities transactions on our behalf. In June 2020, this clearing capital agreement was amended to cover Cantor providing clearing services in all eligible financial products to us and not just U.S. Treasury and U.S. government agency securities. Pursuant to the terms of this

agreement, so long as Cantor is providing clearing services to us, Cantor shall be entitled to request from us cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement or Cantor will post cash or other property on our behalf for a commercially reasonable charge. Cantor had not requested any cash or other property from us as collateral as of September 30, 2020.

REGULATORY REQUIREMENTS

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in civil and criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief.

In addition, self-regulatory organizations, such as the FINRA and the NFA, along with statutory bodies such as the FCA, the SEC, and the CFTC require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

The final phase of Basel III (unofficially called “Basel IV”) is a global prudential regulatory standard designed to make banks more resilient and increase confidence in the banking system. Its wide scope includes reviewing market, credit and operational risk along with targeted changes to leverage ratios. Basel IV includes updates to the calculation of bank capital requirements with the aim of making outcomes more comparable across banks globally. Most of the requirements are expected to be implemented by national and regional authorities by around 2023, with certain delays announced by regulators recently due to COVID-19. The adoption of these proposed rules could restrict the ability of our large bank and broker-dealer customers to operate 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.

The FCA is the relevant statutory regulator in the U.K. 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.

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. 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, GFI Group Pte Ltd and Ginga Global Markets 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, BGC is a member of clearing houses such as The London Metal Exchange, which may impose 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.

These subsidiaries may also be prohibited from repaying the borrowings of their parents or affiliates, paying cash dividends, making loans to their parent or affiliates or otherwise entering into transactions, in each case, that result in a significant reduction in their regulatory capital position without prior notification or approval from their principal regulator. See Note 22—“Regulatory Requirements” to our unaudited condensed consolidated financial statements for further details on our regulatory requirements.

As of September 30, 2020, \$682.2 million of net assets were held by regulated subsidiaries. As of September 30, 2020, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$385.2 million.

In April 2013, the Board and Audit Committee authorized management to enter into indemnification agreements with Cantor and its affiliates with respect to the provision of any guarantees provided by Cantor and its affiliates from time to time as required by regulators. These services may be provided from time to time at a reasonable and customary fee.

BGC Derivative Markets and GFI Swaps Exchange, 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 also own ELX, which became a dormant contract market on July 1, 2017.

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 European regulated venues in accordance with EU or U.K. legislation and licensed by the FCA or EU-based national supervisors. These venues are also operated for non-derivative instruments for these clients. MiFID II was published by the European Securities and Markets Authority in September 2015, and implemented in January 2018 and introduced important infrastructural changes.

MiFID II requires a significant part of the market in these instruments to trade on trading venues subject to transparency regimes, not only in pre- and post-trade prices, but also in fee structures and access. In addition, it has impacted a number of key areas, including corporate governance, transaction reporting, pre- and post-trade transparency, 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 EU member states should have very similar regulatory regimes in relation to the matters addressed to MiFID. MiFID II has also introduced a new regulated execution venue category known as an OTF that captures much of the Voice-and Hybrid-oriented trading in EU. Much of our existing EU derivatives and fixed income execution business now take place on OTFs. Further to its decision to leave the EU, the U.K. has implemented MiFID II's requirements into its own domestic legislation. Brexit may impact future market structures and MiFID II rulemaking and implementation due to potential changes in mutual passporting between the U.K. and EU member states.

In addition, the GDPR came into effect in the EU on May 25, 2018 and creates new compliance obligations in relation to personal data. The GDPR may affect our practices, and will increase financial penalties for non-compliance significantly.

On September 30, 2020, the SEC announced a settlement with BGC regarding alleged negligent disclosure violations related to one of BGC's non-GAAP financial measures for periods beginning with the first quarter of 2015 through the first quarter of 2016. All of the relevant disclosures related to those periods and pre-dated the SEC staff's May 2016 detailed compliance and disclosure guidance with respect to non-GAAP presentations. BGC revised its non-GAAP presentation beginning with the second quarter of 2016 as a result of the SEC's guidance, and the SEC has made no allegations with regard to any periods following the first quarter of 2016. In connection with the SEC settlement, BGC was ordered to cease and desist from any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Section 13(a) of the Exchange Act and Rule 13a-11 thereunder, and Rule 100(b) of Regulation G, and agreed to pay a civil penalty of \$1.4 million without admitting or denying the SEC's allegations.

See "Regulation" in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2019 for additional information related to our regulatory environment.

EQUITY

Class A Common Stock

Changes in shares of BGC Class A common stock outstanding were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Shares outstanding at beginning of period	313,323	297,871	307,915	291,475
Share issuances:				
Redemptions/exchanges of limited partnership interests ¹	1,747	4,002	5,821	9,702
Vesting of RSUs	115	62	915	383
Acquisitions	42	349	327	848
Other issuances of BGC Class A common stock	90	53	339	162
Treasury stock repurchases	(2)	—	(2)	(233)
Forfeitures of restricted BGC Class A common stock	—	(22)	—	(22)
Shares outstanding at end of period	315,315	302,315	315,315	302,315

¹ Included in redemptions/exchanges of limited partnership interests for the three months ended September 30, 2020 and 2019 are 0.5 million shares of BGC Class A common stock granted in connection with the cancellation of 0.4 million LPUs, and 2.8 million shares of BGC Class A common stock granted in connection with the cancellation of 3.2 million LPUs, respectively. Included in redemptions/exchanges of limited partnership interests for the nine months ended September 30, 2020 and 2019 are 2.6 million shares of BGC Class A common stock granted in connection with the cancellation of 2.5 million LPUs, and 5.2 million shares of BGC Class A common stock granted in connection with the cancellation of 5.8 million LPUs, respectively. Because LPUs are included in the Company's fully diluted share count, if dilutive, redemptions/exchanges in connection with the issuance of BGC Class A common stock would not impact the fully diluted number of shares outstanding.

Class B Common Stock

The Company did not issue any shares of BGC Class B common stock during the three and nine months ended September 30, 2020 and 2019. As of September 30, 2020 and December 31, 2019, there were 45,884,380 shares of BGC Class B common stock outstanding.

Unit Redemptions and Share Repurchase Program

The Board and Audit Committee have authorized repurchases of BGC Class A common stock and redemptions of limited partnership interests or other equity interests in our subsidiaries. On August 1, 2018, the Board and Audit Committee increased the Company's share repurchase and unit redemption authorization to \$300.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of September 30, 2020, the Company had \$251.2 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units.

The table below represents the units redeemed and/or shares repurchased for cash and does not include units redeemed/cancelled in connection with the grant of shares of BGC Class A common stock nor the limited partnership interests exchanged for shares of BGC Class A common stock. The unit redemptions and share repurchases of BGC Class A common stock during the three and nine months ended September 30, 2020 were as follows (in thousands, except for weighted-average price data):

Period	Total Number of Units Redeemed or Shares Repurchased	Weighted-Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Program
Redemptions^{1,2}			
January 1, 2020—March 31, 2020	235	\$ 4.30	
April 1, 2020—June 30, 2020	103	3.05	
July 1, 2020—September 30, 2020	1,481	2.80	
Total Redemptions	1,819	\$ 3.01	
Repurchases^{3,4}			
January 1, 2020—March 31, 2020	—	\$ —	
April 1, 2020—June 30, 2020	—	—	
July 1, 2020—July 31, 2020	2	2.58	
August 1, 2020—September 30, 2020	—	—	
Total Repurchases	2	2.58	
Total Redemptions and Repurchases	1,821	\$ 3.01	\$ 251,206

¹ During the three months ended September 30, 2020, the Company redeemed 1.5 million LPUs at an aggregate redemption price of \$4.1 million for a weighted-average price of \$2.81 per unit. During the three months ended September 30, 2020, the Company redeemed 27 thousand FPU's at an aggregate redemption price of \$73 thousand for a weighted-average price of \$2.74 per unit. During the three months ended September 30, 2019, the Company redeemed 36 thousand LPUs at an aggregate redemption price of \$188 thousand for a weighted-average price of \$5.19 per unit and 37 thousand FPU's at an aggregate redemption price of \$196 thousand for a weighted-average price of \$5.28 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 0.5 million and 2.8 million shares of BGC Class A common stock during the three months ended September 30, 2020 and 2019, respectively, nor the limited partnership interests exchanged for 1.3 million and 1.2 million shares of BGC Class A common stock during the three months ended September 30, 2020 and 2019, respectively.

² During the nine months ended September 30, 2020, the Company redeemed 1.8 million LPUs at an aggregate redemption price of \$5.4 million for a weighted-average price of \$3.02 per unit. During the nine months ended September 30, 2020, the Company redeemed 28 thousand FPU's at an aggregate redemption price of \$77 thousand for a weighted-average price of \$2.75 per unit. During the nine months ended September 30, 2019, the Company redeemed 1.3 million LPUs at an aggregate redemption price of \$7.9 million for a weighted-average price of \$5.94 per unit and 42 thousand FPU's at an aggregate redemption price of \$226 thousand for a weighted-average price of \$5.35 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 2.6 million and 5.2 million shares of BGC Class A common stock during the nine months ended September 30, 2020 and 2019, respectively, nor the limited partnership interests exchanged for 3.1 million and 3.6 million shares of BGC Class A common stock during the nine months ended September 30, 2020 and 2019, respectively.

³ During the three and nine months ended September 30, 2020, the Company repurchased 2 thousand shares of BGC Class A common stock at an aggregate price of \$6 thousand for a weighted-average price of \$2.58 per share.

⁴ The Company did not repurchase any shares of BGC Class A common stock during the three months ended September 30, 2019. During the nine months ended September 30, 2019, the Company repurchased 0.2 million shares of BGC Class A common stock at an aggregate price of \$1.2 million for a weighted-average price of \$5.30 per share.

The weighted-average share count, including securities that were anti-dilutive for our earnings per share calculation was as follows (in thousands):

	Three Months Ended September 30, 2020
Common stock outstanding ¹	363,244
Partnership units ²	184,642
RSUs (Treasury stock method)	219
Other	1,139
Total ³	549,244

¹ Common stock consisted of shares of BGC Class A common stock, shares of BGC Class B common stock and contingent shares of our Class A common stock for which all necessary conditions have been satisfied except for the passage of time. For the quarter ended September 30, 2020, the weighted-average number of shares of BGC Class A common stock was 317.4 million and shares of BGC Class B common stock was 45.9 million.

² Partnership units collectively include FPU's, LPU's, including contingent units of BGC Holdings for which all necessary conditions have been satisfied except for the passage of time, and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings," to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information).

³ For the three months ended September 30, 2020, 2.7 million potentially dilutive securities were not included in the computation of fully diluted EPS because their effect would have been anti-dilutive. Also as of September 30, 2020, 28.4 million shares of contingent BGC Class A common stock, N units, RSUs, and LPU's were excluded from fully diluted EPS computations because the conditions for issuance had not been met by the end of the period. The contingent BGC Class A common stock is recorded as a liability and included in "Accounts payable, accrued and other liabilities" in our unaudited condensed consolidated statement of financial condition as of September 30, 2020.

The fully diluted period-end spot share count was as follows (in thousands):

	As of September 30, 2020
Common stock outstanding	361,199
Partnership units	182,191
RSUs (Treasury stock method)	219
Other	4,466
Total	548,075

On June 5, 2015, we entered into the Exchange Agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold BGC 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 BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of Cantor units owned in BGC Holdings, are already included in our fully diluted share count and will not increase Cantor's current maximum potential voting power in the common equity. The Exchange Agreement enabled the Cantor entities to acquire the same number of shares of BGC Class B common stock that they were already entitled to acquire without having to exchange its Cantor units in BGC Holdings. The Audit Committee and Board have determined that it was in the best interests of us and our stockholders to approve the Exchange Agreement because it will help ensure that Cantor retains its Cantor units in BGC Holdings, which is the same partnership in which our partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees. On November 23, 2018, in the Class B Issuance, BGC issued 10,323,366 shares of BGC Class B common stock to Cantor and 712,907 shares of BGC Class B common stock to CFGM, an affiliate of Cantor, in each case in exchange for shares of BGC Class A common stock from Cantor and CFGM, respectively, on a one-to-one basis pursuant to the Exchange Agreement. Pursuant to the Exchange Agreement, no additional consideration was paid to BGC by Cantor or CFGM for the Class B Issuance. Following this exchange, Cantor and its affiliates only have the right to exchange under the Exchange Agreement up to an aggregate of 23,613,420 shares of BGC Class A common stock, now owned or subsequently acquired, or its Cantor units in BGC Holdings, into shares of BGC Class B common stock. As of September 30, 2020, Cantor and CFGM do not own any shares of BGC Class A common stock.

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

On November 4, 2015, partners of BGC Holdings created five new classes of non-distributing partnership units (collectively with the NPSUs, “N Units”). These new 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 BGC Class A common stock. The Eleventh Amendment was approved by the Audit Committee and by the Board.

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. Such N Units are not included in the fully diluted share count.

On December 14, 2016, partners of BGC Holdings amended certain terms and conditions of the partnership’s N Units in order to provide flexibility to the Company and the Partnership in using such N Units in connection with compensation arrangements and practices. The amendment provides for a minimum \$5 million gross revenue requirement in a given quarter as a condition for an N Unit to be replaced by another type of partnership unit in accordance with the Partnership Agreement and the grant documentation. The amendment was approved by the Audit Committee.

On December 13, 2017, the Amended and Restated BGC Holdings Partnership Agreement was amended and restated a second time 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 interests outstanding immediately prior to the Separation between such Legacy BGC Holdings Unit and the fraction of a Newmark Holdings LPU issued in the Separation in respect of such Legacy BGC Holdings Unit, based on the relative value of BGC and Newmark as of after the Newmark IPO;
- an adjustment of the exchange mechanism between the Newmark IPO and the Distribution so that one exchangeable BGC Holdings unit together with a number of exchangeable Newmark Holdings units equal to 0.4545 divided by the Newmark Holdings Exchange Ratio as of such time, must be exchanged in order to receive one share of BGC Class A common stock; and
- a right of the employer of a partner (whether it be Newmark or BGC) to determine whether to grant exchangeability with respect to Legacy BGC Holdings Units or Legacy Newmark 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.

Registration Statements

We currently have in place an effective equity shelf registration statement on Form S-3 filed on March 9, 2018 with respect to the issuance and sale of up to an aggregate of \$300.0 million of shares of BGC Class A common stock from time to time on a delayed or continuous basis. On March 9, 2018, we entered into the March 2018 Sales Agreement, pursuant to which we may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock under the CEO Program. Proceeds from shares of BGC Class A common stock sold under this CEO Program Sales Agreement may be used for redemptions of limited partnership interests in BGC Holdings, as well as for general corporate purposes, including acquisitions and the repayment of debt. CF&Co is a wholly owned subsidiary of Cantor and an affiliate of us. Under this Sales Agreement, we have agreed to pay CF&Co up to 2% of the gross proceeds from the sale of shares. For additional information on the Company’s CEO Program sales agreements, see Note 14—“Related Party Transactions” to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As of September 30, 2020, we have issued and sold 17.6 million shares of BGC Class A common stock (or \$210.6 million) under the March 2018 Sales Agreement. We intend to use the net proceeds of any shares of BGC Class A common stock sold for general corporate purposes for potential acquisitions, redemptions of LPUs and FPU’s in BGC Holdings and repurchases of shares of BGC Class A common stock from partners, executive officers and other employees of ours or our subsidiaries and of Cantor and its affiliates. Certain of such partners will be expected to use the proceeds from such sales to repay outstanding loans issued by, or credit enhanced by, Cantor, or BGC Holdings. In addition to general corporate purposes, these sales along with our share repurchase authorization are designed as a planning device in order to facilitate the redemption process. Going forward, we may redeem units and reduce our fully diluted share count under our repurchase authorization or later sell shares of BGC Class A common stock under the March 2018 Sales Agreement.

Further, we have an effective registration statement on Form S-4 filed on September 3, 2010, with respect to the offer and sale of up to 20 million shares of BGC Class A common stock from time to time in connection with business combination transactions, including acquisitions of other businesses, assets, properties or securities. As of September 30, 2020, we have issued an aggregate of 14.2 million shares of BGC Class A common stock under this Form S-4 registration statement. Additionally, on September 13, 2019, we filed a registration statement on Form S-4, with respect to the offer and sale of up to 20 million shares of Class A common stock from time to time in connection with business combination transactions, including acquisitions of other businesses, assets, properties or securities. As of September 30, 2020, we have not issued any shares of BGC Class A common stock under this Form S-4 registration statement. We also have an effective shelf registration statement on Form S-3 pursuant to which we can offer and sell up to 10 million shares of BGC Class A

common stock under the BGC Partners, Inc. Dividend Reinvestment and Stock Purchase Plan. As of September 30, 2020, we have issued 0.7 million shares of BGC Class A common stock under the Dividend Reinvestment and Stock Purchase Plan.

The Compensation Committee may grant stock options, stock appreciation rights, deferred stock such as RSUs, bonus stock, performance awards, dividend equivalents and other equity-based awards, including to provide exchange rights for shares of BGC Class A common stock upon exchange of LPUs. On June 22, 2016, at our Annual Meeting of Stockholders, our stockholders approved our Equity Plan to increase from 350 million to 400 million the aggregate number of shares of BGC Class A common stock that may be delivered or cash-settled pursuant to awards granted during the life of the Equity Plan. As of September 30, 2020, the limit on the aggregate number of shares authorized to be delivered allowed for the grant of future awards relating to 128.2 million shares of BGC Class A common stock.

On October 20, 2020, we filed a registration statement on Form S-3, which was declared effective on October 28, 2020, pursuant to which CF&Co may make offers and sales of our 5.125% Senior Notes, 5.375% Senior Notes, 3.750% Senior Notes and 4.375% Senior Notes in connection with ongoing market-making transactions which may occur from time to time. Such market-making transactions in these securities may occur in the open market or may be privately negotiated at prevailing market prices at a time of resale or at related or negotiated prices. Neither CF&Co, nor any other of our affiliates, has any obligation to make a market in our securities, and CF&Co or any such other affiliate may discontinue market-making activities at any time without notice.

CONTINGENT PAYMENTS RELATED TO ACQUISITIONS

Since 2016, the Company has completed acquisitions whose purchase price included an aggregate of approximately 2.2 million shares of the Company's Class A common stock (with an acquisition date fair value of approximately \$9.2 million), 0.1 million LPUs (with an acquisition date fair value of approximately \$0.2 million), 0.2 million RSUs (with an acquisition date fair value of approximately \$1.2 million) and \$37.5 million in cash that may be issued contingent on certain targets being met through 2023.

As of September 30, 2020, the Company has issued 0.4 million shares of BGC Class A common stock, 0.3 million of RSUs and paid \$19.2 million in cash related to such contingent payments.

As of September 30, 2020, 2.9 million shares of BGC Class A common stock, 1.2 million RSUs and \$22.8 million in cash remain to be issued if the targets are met, net of forfeitures and other adjustments.

DERIVATIVE SUIT

On October 5, 2018, Roofers Local 149 Pension Fund filed a putative derivative complaint in the Delaware Chancery Court, captioned *Roofers Local 149 Pension Fund vs. Howard Lutnick, et al.* (Case No. 2018-0722), alleging breaches of fiduciary duty against (i) the members of the Board, (ii) Howard Lutnick, CFGM, and Cantor as controlling stockholders of BGC, and (iii) Howard Lutnick as an officer of BGC. The complaint challenges the transactions by which BGC (i) completed the Berkeley Point acquisition from CCRE for \$875 million and (ii) committed to invest \$100 million for a 27% interest in Real Estate, L.P. (collectively, the "Transaction"). Among other things, the complaint alleges that (i) the price BGC paid in connection with the Transaction was unfair, (ii) the process leading up to the Transaction was unfair, and (iii) the members of the special committee of the Board were not independent. It seeks to recover for the Company unquantified damages, disgorgement of any payments received by defendants, and attorneys' fees.

A month later, on November 5, 2018, the same plaintiffs' firm filed an identical putative derivative complaint against the same defendants seeking the same relief on behalf of a second client, Northern California Pipe Trades Trust Funds. The cases have been consolidated into a single action, captioned *In re BGC Partners, Inc. Derivative Litigation* (Consolidated C.A. No. 2018-0722-AGB), and the complaint filed by Roofers Local 149 Pension Fund on October 5, 2018 was designated as the operative complaint.

In response to motions to dismiss filed by all defendants in December 2018, Plaintiffs filed a motion for leave to amend the operative complaint in February 2019, requesting that the Court allow them to supplement their allegations, which the Court granted. The amended complaint alleges the same purported breaches of fiduciary duty as the operative complaint, raises no new claims, and seeks identical relief, but includes additional allegations, including alleged reasons for plaintiffs' failure to make a demand on the Board, which was the basis of defendants' motion to dismiss. On March 19, 2019, all defendants filed motions to dismiss the amended complaints, again on demand grounds. On September 30, 2019, the Court denied defendants' motions to dismiss, permitting the case to move forward into discovery. In its ruling, the Court determined that the amended complaint sufficiently pled that plaintiffs were not required to make demand on the Board in order to file a derivative suit, but did not make findings of fact with respect to the underlying merits of plaintiffs' allegations concerning the Transaction.

The Company continues to believe that the allegations pled against the defendants in the amended complaint are without merit and intends to defend against them vigorously as the case moves forward. However, as in any litigated matter, the outcome cannot be determined with certainty.

PURCHASE OF LIMITED PARTNERSHIP INTERESTS

Cantor has the right to purchase limited partnership interests (Cantor units) from BGC Holdings upon redemption of non-exchangeable FPU's redeemed by BGC Holdings upon termination or bankruptcy of the Founding/Working Partner. In addition, pursuant to Article Eight, Section 8.08, of the Second Amended and Restated BGC Holdings Limited Partnership Agreement (previously the sixth amendment) and Article Eight, Section 8.08, of the Newmark Holdings Limited Partnership Agreement, where either current, terminating, or terminated

partners are permitted by the Company to exchange any portion of their FPU's and Cantor consents to such exchangeability, the Company shall offer to Cantor the opportunity for Cantor to purchase the same number of new exchangeable limited partnership interests (Cantor units) in BGC Holdings at the price that Cantor would have paid for the FPU's had the Company redeemed them. Any such Cantor units purchased by Cantor are currently exchangeable for up to 23,613,420 shares of BGC Class B common stock or, at Cantor's election or if there are no such additional shares of BGC Class B common stock, shares of BGC Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

As of September 30, 2020, there were 2,390,731 FPU's in BGC Holdings remaining, which the partnerships had the right to redeem or exchange and with respect to which Cantor had the right to purchase an equivalent number of Cantor units.

JOINT SERVICES AGREEMENT WITH CANTOR

In February 2019, the Audit Committee authorized us to enter into a short-term services agreement with Cantor pursuant to which Cantor would be responsible for clearing, settling and processing certain transactions executed on behalf of customers in exchange for a 33% revenue share based on net transaction revenue and the payment by BGC of the fully allocated cost of certain salespersons related thereto. In May 2020, the Audit Committee authorized us to extend the initial term of the short-term services agreement for an additional nine months.

GUARANTEE AGREEMENT FROM MINT BROKERS

Under rules adopted by the CFTC, all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the NFA and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered Futures Commission Merchant. Our European-based brokers engage from time to time in interest rate swap transactions with U.S.-based counterparties, and therefore we are subject to the CFTC requirements. Mint Brokers has entered into guarantees on our behalf (and on behalf of GFI), and we are required to indemnify Mint Brokers for the amounts, if any, paid by Mint Brokers on our behalf pursuant to this arrangement. Effective April 1, 2020, these guarantees were transferred to Mint Brokers from CF&Co. During the three and nine months ended September 30, 2020, the Company recorded expenses of \$31 thousand and \$94 thousand with respect to these guarantees.

NEWMARK SUBLEASE TO BGC

In May 2020, BGC U.S. OpCo entered into an arrangement to sublease excess space from RKF Retail Holdings LLC, a subsidiary of Newmark, which sublease was approved by the Audit Committee. The deal is a one-year sublease of approximately 21,000 rentable square feet in New York City. Under the terms of the sublease, BGC U.S. OpCo will pay a fixed rent amount of \$1.1 million. In connection with the sublease, BGC U.S. OpCo paid \$0.4 million and \$0.5 million, respectively, for the three and nine months ended September 30, 2020.

DEBT REPURCHASE PROGRAM

On June 11, 2020, the Company's Board of Directors and its Audit Committee authorized a debt repurchase program for the repurchase by the Company of up to \$50.0 million of Company Debt Securities. Repurchases of Company Debt Securities, if any, are expected to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption.

Under the authorization, the Company may make repurchases of Company Debt Securities for cash from time to time in the open market or in privately negotiated transactions upon such terms and at such prices as management may determine. Additionally, the Company is authorized to make any such repurchases of Company Debt Securities through CF&Co (or its affiliates), in its capacity as agent or principal, or such other broker-dealers as management shall determine to utilize from time to time, and such repurchases shall be subject to brokerage commissions which are no higher than standard market commission rates.

As of September 30, 2020, the Company had \$50.0 million remaining from its debt repurchase authorization.

EQUITY METHOD INVESTMENTS

The Company was authorized to enter into loans, investments or other credit support arrangements for Aqua (see Note 14— "Related Party Transactions," to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q); such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On February 5, 2020, the Company's Board and Audit Committee increased the authorized amount by an additional \$2.0 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor.

UNIT REDEMPTIONS AND EXCHANGES—EXECUTIVE OFFICERS

On March 2, 2020, the Company granted Stephen M. Merkel 360,065 exchange rights with respect to 360,065 non-exchangeable LPU's that were previously granted to Mr. Merkel. The resulting 360,065 exchangeable LPU's were immediately exchangeable by Mr. Merkel for an aggregate of 360,065 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 265,568 non-exchangeable PLPU's held by Mr. Merkel, for a payment of

\$1,507,285 for taxes when the LPU units were exchanged. On March 20, 2020, the Company redeemed 185,300 of such 360,065 exchangeable LPUs held by Mr. Merkel at the average price of shares of BGC Class A common stock sold under BGC's CEO Program from March 10, 2020 to March 13, 2020 less 1% (approximately \$4.0024 per LPU, for an aggregate redemption price of approximately \$741,644). This transaction was approved by the Compensation Committee. On July 30, 2020, the Company redeemed the remaining 174,765 exchangeable LPUs held by Mr. Merkel at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 185,300 exchangeable LPUs on March 20, 2020, 122,579 PLPUs were redeemed for \$661,303 for taxes. In connection with the redemption of the 174,765 LPUs on July 30, 2020, 142,989 PLPUs were redeemed for \$846,182 for taxes.

On March 2, 2020, the Company granted Shaun D. Lynn 883,348 exchange rights with respect to 883,348 non-exchangeable LPUs that were previously granted to Mr. Lynn. The resulting 883,348 exchangeable LPUs were immediately exchangeable by Mr. Lynn for an aggregate of 883,348 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 245,140 non-exchangeable PLPUs held by Mr. Lynn, for a payment of \$ 1,099,599 for taxes when the LPU units are exchanged. On July 30, 2020, the Company redeemed 797,222 exchangeable LPUs held by Mr. Lynn at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 797,222 exchangeable LPUs, 221,239 exchangeable PLPUs were redeemed for \$992,388 for taxes. In connection with the redemption, Mr. Lynn's remaining 86,126 exchangeable LPUs and 23,901 exchangeable PLPUs were redeemed for zero upon exchange in connection with his LLP status.

On March 2, 2020, the Company granted Sean A. Windeatt 519,725 exchange rights with respect to 519,725 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 519,725 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 519,725 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 97,656 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$645,779 for taxes when the LPU units are exchanged. On August 5, 2020, the Company redeemed 436,665 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 436,665 exchangeable LPUs, 96,216 exchangeable PLPUs were redeemed for \$637,866 for taxes. In connection with the redemption, 20,849 exchangeable LPUs and 1,440 exchangeable PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

Additionally, on August 5, 2020, the Company granted Mr. Windeatt 40,437 exchange rights with respect to 40,437 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 40,437 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 40,437 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 21,774 non-exchangeable PLPUs held by Mr. Windeatt. On August 5, 2020 the Company redeemed these 40,437 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of these 40,437 exchangeable LPUs, the 21,774 exchangeable PLPUs were redeemed for \$136,305 for taxes.

In addition to the foregoing, on August 6, 2020, Mr. Windeatt was granted exchange rights with respect to 43,890 non-exchangeable Newmark Holding LPUs that were previously granted to Mr. Windeatt. Additionally, Mr. Windeatt was granted the right to exchange for cash 17,068 non-exchangeable Newmark Holdings PLPUs held by Mr. Windeatt. As these Newmark Holdings LPUs and PLPUs were previously non-exchangeable, the Company took a transaction charge of \$381,961 upon grant of exchangeability. On August 6, 2020, Newmark redeemed the 40,209 Newmark Holdings exchangeable LPUs held by Mr. Windeatt for an amount equal to the closing price of Newmark's Class A Common Stock on August 6, 2020 (\$4.16) multiplied by 37,660 (the amount of shares of Newmark's Class A Common Stock the 40,209 Newmark Holdings LPUs were exchangeable into based on the Exchange Ratio at August 6, 2020). In connection with the redemption of these 40,209 exchangeable Newmark Holdings LPUs, 15,637 exchangeable Newmark Holdings PLPUs were redeemed for \$194,086 for taxes. In connection with the redemption, 3,681 exchangeable Newmark Holding LPUs and 1,431 exchangeable Newmark Holdings PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

On March 27, 2019, the Audit and Compensation Committees authorized the purchase by the Company from Mr. Merkel of up to 250,000 shares of BGC Class A common stock at the closing price on March 26, 2019. Pursuant to this authorization, 233,172 shares of BGC Class A common stock were purchased by the Company on March 27, 2019 at \$5.30 per share, the closing price on March 26, 2019.

On February 27, 2019, the Audit Committee authorized the purchase by Mr. Lutnick's retirement plan of up to \$56,038 of BGC Class A common stock at the closing price on March 4, 2019. Pursuant to this authorization, 8,980 shares of BGC Class A common stock were purchased by the plan on March 5, 2019 at \$6.24 per share, the closing price on March 4, 2019.

MARKET SUMMARY

The following table provides certain volume and transaction count information for the quarterly periods indicated:

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Notional Volume (in billions)					
Total Fully Electronic volume	\$ 8,345	\$ 7,103	\$ 8,048	\$ 5,975	\$ 6,448
Total Hybrid volume	64,298	63,874	85,290	66,996	73,485
Total Fully Electronic and Hybrid volume	<u>\$ 72,643</u>	<u>\$ 70,977</u>	<u>\$ 93,338</u>	<u>\$ 72,971</u>	<u>\$ 79,933</u>
Transaction Count (in thousands, except for days)					
Total Fully Electronic transactions	2,713	3,207	4,229	3,108	3,176
Total Hybrid transactions	1,115	1,333	1,513	1,165	1,265
Total Fully Electronic and Hybrid transactions	<u>3,828</u>	<u>4,540</u>	<u>5,742</u>	<u>4,273</u>	<u>4,441</u>
Trading days	64	63	62	64	64

Note: Certain information may have been recast with current estimates to reflect changes in reporting methodology. Such revisions have no impact on the Company's revenues or earnings.

Fully Electronic volume, including new products, was \$8.3 trillion for the three months ended September 30, 2020, compared to \$6.4 trillion for the three months ended September 30, 2019. Our Hybrid volume for the three months ended September 30, 2020 was \$64.3 trillion, compared to \$73.5 trillion for the three months ended September 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into arrangements with unconsolidated entities, including variable interest entities. See Note 15—"Investments" to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information related to our investments in unconsolidated entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in our unaudited condensed consolidated financial statements. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our unaudited condensed consolidated statements of financial condition, unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows could be materially affected. We believe that the following accounting policies involve a higher degree of judgment and complexity.

Revenue Recognition

We derive our revenues primarily through commissions from brokerage services, the spread between the buy and sell prices on matched principal transactions, fees from related parties, data, software and post-trade services, and other revenues. See Note 3—"Summary of Significant Accounting Policies" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019, for further information regarding revenue recognition.

Equity-Based and Other Compensation

Discretionary Bonus: A portion of our compensation and employee benefits expense is comprised of discretionary bonuses, which may be paid in cash, equity, partnership awards or a combination thereof. We accrue expense in a period based on revenues in that period and on the expected combination of cash, equity and partnership units. Given the assumptions used in estimating discretionary bonuses, actual results may differ.

Restricted Stock Units: We account for equity-based compensation under the fair value recognition provisions of the U.S. GAAP guidance. RSUs provided to certain employees are accounted for as equity awards, and in accordance with the U.S. GAAP, we are required to record an expense for the portion of the RSUs that is ultimately expected to vest. Further, forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Because assumptions are used in estimating employee turnover and associated forfeiture rates, actual results may differ from our estimates under different assumptions or conditions.

The fair value of RSU awards to employees is determined on the date of grant, based on the fair value of BGC Class A common stock. Generally, RSUs granted by us as employee compensation do not receive dividend equivalents; as such, we adjust the fair value of the RSUs for the present value of expected forgone dividends, which requires us to include an estimate of expected dividends as a valuation input. This

grant-date fair value is amortized to expense ratably over the awards' vesting periods. For RSUs with graded vesting features, we have made an accounting policy election to recognize compensation cost on a straight-line basis. The amortization is reflected as part of "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in our unaudited condensed consolidated statements of operations.

Restricted Stock: Restricted stock provided to certain employees is accounted for as an equity award, and as per the U.S. GAAP guidance, we are required to record an expense for the portion of the restricted stock that is ultimately expected to vest. We have granted restricted stock that is not subject to continued employment or service; however, transferability is subject to compliance with our and our affiliates' customary noncompete obligations. Such shares of restricted stock are generally saleable by partners in five to ten years. Because the restricted stock is not subject to continued employment or service, the grant-date fair value of the restricted stock is expensed on the date of grant. The expense is reflected as non-cash equity-based compensation expense in our unaudited condensed consolidated statements of operations.

Limited Partnership Units: LPUs in BGC Holdings and Newmark Holdings are generally held by employees. Generally, such units receive quarterly allocations of net income, which are cash distributed on a quarterly basis and generally contingent upon services being provided by the unit holders. In addition, Preferred Units are granted in connection with the grant of certain LPUs, such as PSUs, that may be granted exchangeability or redeemed in connection with the grant of shares of common stock to cover the withholding taxes owed by the unit holder upon such exchange or grant. This is an acceptable alternative to the common practice among public companies of issuing the gross amount of shares to employees, subject to cashless withholding of shares to pay applicable withholding taxes. Our Preferred Units are not entitled to participate in partnership distributions other than with respect to a distribution at a rate of either 0.6875% (which is 2.75% per calendar year) or such other amount as set forth in the award documentation. The quarterly allocations of net income to such LPUs are reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in our unaudited condensed consolidated statements of operations.

Certain of these LPUs entitle the holders to receive post-termination payments equal to the notional amount, generally in four equal yearly installments after the holder's termination. These LPUs are accounted for as post-termination liability awards under the U.S. GAAP. Accordingly, we recognize a liability for these units on our consolidated statements of financial condition as part of "Accrued compensation" for the amortized portion of the post-termination payment amount, based on the current fair value of the expected future cash payout. We amortize the post-termination payment amount, less an expected forfeiture rate, over the vesting period, and record an expense for such awards based on the change in value at each reporting period in our unaudited condensed consolidated statements of operations as part of "Equity-based compensation and allocations of net income to limited partnership units and FPU's."

Certain LPUs are granted exchangeability into shares of BGC or Newmark Class A common stock or are redeemed in connection with the grant of BGC or Newmark Class A common stock issued; BGC Class A common stock is issued on a one-for-one basis, and Newmark Class A common stock is issued based on the number of LPUs exchanged or redeemed multiplied by the then Exchange Ratio. At the time exchangeability is granted or shares of BGC or Newmark Class A common stock are issued, we recognize an expense based on the fair value of the award on that date, which is included in "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in our unaudited condensed consolidated statements of operations. During the three months ended September 30, 2020 and 2019, we incurred equity-based compensation expense of \$3.6 million and \$24.2 million, respectively. During the nine months ended September 30, 2020 and 2019, we incurred compensation expense of \$29.0 million and \$53.4 million, respectively, related to LPUs and issuance of common stock.

Certain LPUs have a stated vesting schedule and do not receive quarterly allocations of net income. Compensation expense related to these LPUs is recognized over the stated service period, and these units generally vest between two and five years. During the three months ended September 30, 2020 and 2019, we incurred compensation expense related to these LPUs of \$18.5 million and \$4.2 million, respectively. During the nine months ended September 30, 2020 and 2019, we incurred compensation expense related to these LPUs of \$54.3 million and \$17.9 million, respectively. This expense is included in "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in our unaudited condensed consolidated statements of operations.

Employee Loans: We have entered into various agreements with certain employees and partners, whereby these individuals receive loans that may be either wholly or in part repaid from distributions that the individuals receive on some or all of their limited partnership interests or may be forgiven over a period of time. Cash advance distribution loans are documented in formal agreements and are repayable in timeframes outlined in the underlying agreements. We intend for these advances to be repaid in full from the future distributions on existing and future awards granted. The distributions are treated as compensation expense when made and the proceeds are used to repay the loan. The forgivable portion of any loans is recognized as compensation expense in our unaudited condensed consolidated statements of operations over the life of the loan. We review the loan balances each reporting period for collectability. If we determine that the collectability of a portion of the loan balances is not expected, we recognize a reserve against the loan balances. Actual collectability of loan balances may differ from our estimates.

As of September 30, 2020 and December 31, 2019, the aggregate balance of employee loans, net of reserve, was \$401.6 million and \$315.6 million, respectively, and is included as "Loans, forgivable loans and other receivables from employees and partners, net" in our unaudited condensed consolidated statements of financial condition. Compensation expense (benefit) for the above-mentioned employee loans for the three months ended September 30, 2020 and 2019, was \$11.1 million and \$9.3 million, respectively. Compensation expense (benefit) for the above-mentioned employee loans for the nine months ended September 30, 2020 and 2019, was \$42.7 million and \$23.3 million, respectively. The compensation expense related to these loans was included as part of "Compensation and employee benefits" in our unaudited condensed consolidated statements of operations.

Goodwill

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. As prescribed in the U.S. GAAP guidance, *Intangibles – Goodwill and Other*, goodwill is not amortized, but instead is periodically tested for impairment. We review goodwill for impairment on an annual basis during the fourth quarter of each fiscal year or whenever an event occurs or circumstances change that could reduce the fair value of a reporting unit below its carrying amount.

When reviewing goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the results of the qualitative assessment are not conclusive, or if we choose to bypass the qualitative assessment, we perform a goodwill impairment analysis using a two-step process as follows.

The first step involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. To estimate the fair value of the reporting units, we use a discounted cash flow model and data regarding market comparables. The valuation process requires significant judgment and involves the use of significant estimates and assumptions. These assumptions include cash flow projections, estimated cost of capital and the selection of peer companies and relevant multiples. Because assumptions and estimates are used in projecting future cash flows, choosing peer companies and selecting relevant multiples, actual results may differ from our estimates under different assumptions or conditions. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is deemed not to be impaired. If the carrying value exceeds the estimated fair value, in the second step of the process an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

CECL

We present financial assets that are measured at amortized cost net of an allowance for credit losses, which represents the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets carried at amortized cost, as well as changes to expected lifetime credit losses during the period, are recognized in earnings. The CECL methodology, which became effective for the Company on January 1, 2020, represents a significant change from prior U.S. GAAP and replaced the prior multiple impairment methods, which generally required that a loss be incurred before it was recognized. Within the life cycle of a loan or other financial asset in scope, the methodology generally results in the earlier recognition of the provision for credit losses and the related allowance for credit losses than under prior U.S. GAAP. The CECL methodology's impact on expected credit losses, among other things, reflects the Company's view of the current state of the economy, forecasted macroeconomic conditions and BGC's portfolios.

Income Taxes

We account for income taxes using the asset and liability method as prescribed in the U.S. GAAP guidance, *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to basis differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Certain of our entities are taxed as U.S. partnerships and are subject to UBT in the City of New York. Therefore, the tax liability or benefit related to the partnership income or loss except for UBT rests with the partners (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for a discussion of partnership interests), rather than the partnership entity. As such, the partners' tax liability or benefit is not reflected in our unaudited condensed consolidated financial statements. The tax-related assets, liabilities, provisions or benefits included in our unaudited condensed consolidated financial statements also reflect the results of the entities that are taxed as corporations, either in the U.S. or in foreign jurisdictions.

We provide for uncertain tax positions based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. Management is required to determine whether a tax position is more likely than not to be sustained upon examination by tax authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Because significant assumptions are used in determining whether a tax benefit is more likely than not to be sustained upon examination by tax authorities, actual results may differ from our estimates under different assumptions or conditions. We recognize interest and penalties related to income tax matters in "Provision for income taxes" in our unaudited condensed consolidated statements of operations.

A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, the existence of cumulative losses in the most recent fiscal years, estimates of future taxable income and the feasibility of tax planning strategies.

The measurement of current and deferred income tax assets and liabilities is based on provisions of enacted tax laws and involves uncertainties in the application of tax regulations in the U.S. and other tax jurisdictions. Because our interpretation of complex tax law may impact the measurement of current and deferred income taxes, actual results may differ from these estimates under different assumptions regarding the application of tax law.

The Tax Act was enacted on December 22, 2017, which includes the global intangible low-taxed income, GILTI, provision. This provision requires inclusion in the Company's U.S. income tax return the earnings of certain foreign subsidiaries. The Company has elected to treat taxes associated with the GILTI provision using the Period Cost Method and thus has not recorded deferred taxes for basis differences under this regime.

See Note 3—"Summary of Significant Accounting Policies" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K as of December 31, 2019 and Note 3—"Summary of Significant Accounting Policies" to our unaudited condensed

consolidated financial statements for additional information regarding these critical accounting policies and other significant accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1—“Organization and Basis of Presentation” to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements.

DIVIDEND POLICY

Our Board has authorized a dividend policy which provides that we expect to pay a quarterly cash dividend to our common stockholders based on our post-tax Adjusted Earnings per fully diluted share. In the first quarter of 2020, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company’s balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. Our Board declared a dividend of \$0.01 per share for the third quarter of 2020. Additionally, beginning with the first quarter of 2020, BGC Holdings, L.P. has reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after tax basis depends upon stockholders’ and partners’ domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Early next year we expect to announce our updated capital return policy.

We expect to pay such dividends, if and when declared by our Board, on a quarterly basis. The dividend to our common stockholders is expected to be calculated based on post-tax Adjusted Earnings allocated to us and generated over the fiscal quarter ending prior to the record date for the dividend. No assurance can be made, however, that a dividend will be paid each quarter.

The declaration, payment, timing, and amount of any future dividends payable by us will be at the sole discretion of our Board. We are a holding company, with no direct operations, and therefore we are able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. OpCo and BGC Global OpCo. Our ability to pay dividends may also be limited by regulatory considerations as well as by covenants contained in financing or other agreements. In addition, under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our capital (as defined under Delaware law), or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Accordingly, any unanticipated accounting, tax, regulatory or other charges against net income may adversely affect our ability to declare and pay dividends. While we intend to declare and pay dividends quarterly, there can be no assurance that our Board will declare dividends at all or on a regular basis or that the amount of our dividends will not change.

Non-GAAP Financial Measures

We use non-GAAP financial measures that differ from the most directly comparable measures calculated and presented in accordance with U.S. GAAP. Non-GAAP financial measures used by the Company include “Adjusted Earnings before noncontrolling interests and taxes”, which is used interchangeably with “pre-tax Adjusted Earnings”; “Post-tax Adjusted Earnings to fully diluted shareholders”, which is used interchangeably with “post-tax Adjusted Earnings”; and “Adjusted EBITDA”. The definitions of these terms are below.

Adjusted Earnings Defined

BGC uses non-GAAP financial measures, including “Adjusted Earnings before noncontrolling interests and taxes” and “Post-tax Adjusted Earnings to fully diluted shareholders”, which are supplemental measures of operating results used by management to evaluate the financial performance of the Company and its consolidated subsidiaries. BGC believes that Adjusted Earnings best reflect the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers when managing its business.

As compared with “Income (loss) from operations before income taxes” and “Net income (loss) for fully diluted shares”, both prepared in accordance with U.S. GAAP, Adjusted Earnings calculations primarily exclude certain non-cash items and other expenses that generally do not involve the receipt or outlay of cash by the Company and/or which do not dilute existing stockholders. In addition, Adjusted Earnings calculations exclude certain gains and charges that management believes do not best reflect the ordinary results of BGC. Adjusted Earnings is calculated by taking the most comparable U.S. GAAP measures and adjusting for certain items with respect to compensation expenses, non-compensation expenses, and other income, as discussed below.

Calculations of Compensation Adjustments for Adjusted Earnings and Adjusted EBITDA

Treatment of Equity-Based Compensation Line Item for Adjusted Earnings and Adjusted EBITDA

The Company’s Adjusted Earnings and Adjusted EBITDA measures exclude all U.S. GAAP charges included in the line item “Equity-based compensation and allocations of net income to limited partnership units and FPU’s” (or “equity-based compensation” for purposes of defining the Company’s non-GAAP results) as recorded on the Company’s U.S. GAAP Consolidated Statements of Operations and U.S. GAAP Consolidated Statements of Cash Flows. These U.S. GAAP equity-based compensation charges reflect the following items:

- * Charges with respect to grants of exchangeability, which reflect the right of holders of LPUs with no capital accounts, such as LPUs and PSUs, to exchange these units into shares of common stock, or into partnership units with capital accounts, such as HDUs, as well as cash paid with respect to taxes withheld or expected to be owed by the unit holder upon such exchange. The withholding taxes related to the exchange of certain non-exchangeable units without a capital account into either common shares or units with a capital account may be funded by the redemption of preferred units such as PPSUs.
- * Charges with respect to preferred units. Any preferred units would not be included in the Company's fully diluted share count because they cannot be made exchangeable into shares of common stock and are entitled only to a fixed distribution. Preferred units are granted in connection with the grant of certain LPUs that may be granted exchangeability or redeemed in connection with the grant of shares of common stock at ratios designed to cover any withholding taxes expected to be paid. This is an alternative to the common practice among public companies of issuing the gross amount of shares to employees, subject to cashless withholding of shares, to pay applicable withholding taxes.
- * U.S. GAAP equity-based compensation charges with respect to the grant of an offsetting amount of common stock or partnership units with capital accounts in connection with the redemption of non-exchangeable units, including PSUs and LPUs.
- * Charges related to amortization of RSUs and LPUs.
- * Charges related to grants of equity awards, including common stock or partnership units with capital accounts.
- * Allocations of net income to LPUs and FPU. Such allocations represent the pro-rata portion of post-tax U.S. GAAP earnings available to such unit holders.

The amounts of certain quarterly equity-based compensation charges are based upon the Company's estimate of such expected charges during the annual period, as described further below under "Methodology for Calculating Adjusted Earnings Taxes."

Virtually all of BGC's key executives and producers have equity or partnership stakes in the Company and its subsidiaries and generally receive deferred equity or LPUs as part of their compensation. A significant percentage of BGC's fully diluted shares are owned by its executives, partners and employees. The Company issues LPUs as well as other forms of equity-based compensation, including grants of exchangeability into shares of common stock, to provide liquidity to its employees, to align the interests of its employees and management with those of common stockholders, to help motivate and retain key employees, and to encourage a collaborative culture that drives cross-selling and revenue growth.

All share equivalents that are part of the Company's equity-based compensation program, including REUs, PSUs, LPUs, HDUs, and other units that may be made exchangeable into common stock, as well as RSUs (which are recorded using the treasury stock method), are included in the fully diluted share count when issued or at the beginning of the subsequent quarter after the date of grant. Generally, LPUs other than Preferred Units are expected to be paid a pro-rata distribution based on BGC's calculation of Adjusted Earnings per fully diluted share. However, out of an abundance of caution and in order to strengthen the Company's balance sheet due the uncertain macroeconomic conditions with respect to the COVID-19 pandemic, BGC Holdings, L.P. has reduced its distributions of income from the operations of BGC's businesses to its partners.

Compensation charges are also adjusted for certain other cash and non-cash items, including those related to the amortization of GFI employee forgivable loans granted prior to the closing of the January 11, 2016 back-end merger with GFI.

Certain Other Compensation-Related Adjustments for Adjusted Earnings

BGC also excludes various other U.S. GAAP items that management views as not reflective of the Company's underlying performance in a given period from its calculation of Adjusted Earnings. These may include compensation-related items with respect to cost-saving initiatives, such as severance charges incurred in connection with headcount reductions as part of broad restructuring and/or cost savings plans.

Calculation of Non-Compensation Adjustments for Adjusted Earnings

Adjusted Earnings calculations may also exclude items such as:

- * Non-cash U.S. GAAP charges related to the amortization of intangibles with respect to acquisitions;
- * Acquisition related costs;
- * Certain rent charges;
- * Non-cash U.S. GAAP asset impairment charges; and
- * Various other U.S. GAAP items that management views as not reflective of the Company's underlying performance in a given period, including non-compensation-related charges incurred as part of broad restructuring and/or cost savings plans.

Such U.S. GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives, as well as non-cash impairment charges related to assets, goodwill and/or intangibles created from acquisitions.

Calculation of Adjustments for Other (income) losses for Adjusted Earnings

Adjusted Earnings calculations also exclude certain other non-cash, non-dilutive, and/or non-economic items, which may, in some periods, include:

- * Gains or losses on divestitures;
- * Fair value adjustment of investments;
- * Certain other U.S. GAAP items, including gains or losses related to BGC's investments accounted for under the equity method; and
- * Any unusual, one-time, non-ordinary, or non-recurring gains or losses.

Methodology for Calculating Adjusted Earnings Taxes

Although Adjusted Earnings are calculated on a pre-tax basis, BGC also reports post-tax Adjusted Earnings to fully diluted shareholders. The Company defines post-tax Adjusted Earnings to fully diluted shareholders as pre-tax Adjusted Earnings reduced by the non-GAAP tax provision described below and net income (loss) attributable to noncontrolling interest for Adjusted Earnings.

The Company calculates its tax provision for post-tax Adjusted Earnings using an annual estimate similar to how it accounts for its income tax provision under U.S. GAAP. To calculate the quarterly tax provision under U.S. GAAP, BGC estimates its full fiscal year U.S. GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries and the expected inclusions and deductions for income tax purposes, including expected equity-based compensation during the annual period. The resulting annualized tax rate is applied to BGC's quarterly U.S. GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries. At the end of the annual period, the Company updates its estimate to reflect the actual tax amounts owed for the period.

To determine the non-GAAP tax provision, BGC first adjusts pre-tax Adjusted Earnings by recognizing any, and only, amounts for which a tax deduction applies under applicable law. The amounts include charges with respect to equity-based compensation; certain charges related to employee loan forgiveness; certain net operating loss carryforwards when taken for statutory purposes; and certain charges related to tax goodwill amortization. These adjustments may also reflect timing and measurement differences, including treatment of employee loans; changes in the value of units between the dates of grants of exchangeability and the date of actual unit exchange; variations in the value of certain deferred tax assets; and liabilities and the different timing of permitted deductions for tax under U.S. GAAP and statutory tax requirements.

After application of these adjustments, the result is the Company's taxable income for its pre-tax Adjusted Earnings, to which BGC then applies the statutory tax rates to determine its non-GAAP tax provision. BGC views the effective tax rate on pre-tax Adjusted Earnings as equal to the amount of its non-GAAP tax provision divided by the amount of pre-tax Adjusted Earnings.

Generally, the most significant factor affecting this non-GAAP tax provision is the amount of charges relating to equity-based compensation. Because the charges relating to equity-based compensation are deductible in accordance with applicable tax laws, increases in such charges have the effect of lowering the Company's non-GAAP effective tax rate and thereby increasing its post-tax Adjusted Earnings.

BGC incurs income tax expenses based on the location, legal structure and jurisdictional taxing authorities of each of its subsidiaries. Certain of the Company's entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax ("UBT") in New York City. Any U.S. federal and state income tax liability or benefit related to the partnership income or loss, with the exception of UBT, rests with the unit holders rather than with the partnership entity. The Company's unaudited condensed consolidated financial statements include U.S. federal, state and local income taxes on the Company's allocable share of the U.S. results of operations. Outside of the U.S., BGC is expected to operate principally through subsidiary corporations subject to local income taxes. For these reasons, taxes for Adjusted Earnings are expected to be presented to show the tax provision the consolidated Company would expect to pay if 100 percent of earnings were taxed at global corporate rates.

Calculations of Pre- and Post-Tax Adjusted Earnings per Share

BGC's Pre- and Post-tax Adjusted Earnings per share calculations assume either that:

- * The fully diluted share count includes the shares related to any dilutive instruments, but excludes the associated expense, net of tax, when the impact would be dilutive; or
- * The fully diluted share count excludes the shares related to these instruments, but includes the associated expense, net of tax.

The share count for Adjusted Earnings excludes certain shares and share equivalents expected to be issued in future periods but not yet eligible to receive dividends and/or distributions. Each quarter, the dividend payable to BGC's stockholders, if any, is expected to be

determined by the Company's Board of Directors with reference to a number of factors, including post-tax Adjusted Earnings per share. BGC may also pay a pro-rata distribution of net income to LPUs, as well as to Cantor for its noncontrolling interest. The amount of this net income, and therefore of these payments per unit, would be determined using the above definition of Adjusted Earnings per share on a pre-tax basis.

The declaration, payment, timing and amount of any future dividends payable by the Company will be at the discretion of its Board of Directors using the fully diluted share count. For more information on any share count adjustments, see the table titled "Fully Diluted Weighted-Average Share Count under U.S. GAAP and for Adjusted Earnings" in the Company's most recent financial results press release.

Management Rationale for Using Adjusted Earnings

BGC's calculation of Adjusted Earnings excludes the items discussed above because they are either non-cash in nature, because the anticipated benefits from the expenditures are not expected to be fully realized until future periods, or because the Company views results excluding these items as a better reflection of the underlying performance of BGC's ongoing operations. Management uses Adjusted Earnings in part to help it evaluate, among other things, the overall performance of the Company's business, to make decisions with respect to the Company's operations, and to determine the amount of dividends payable to common stockholders and distributions payable to holders of LPUs. Dividends payable to common stockholders and distributions payable to holders of LPUs are included within "Dividends to stockholders" and "Earnings distributions to limited partnership interests and noncontrolling interests," respectively, in our unaudited, condensed, consolidated statements of cash flows.

The term "Adjusted Earnings" should not be considered in isolation or as an alternative to U.S. GAAP net income (loss). The Company views Adjusted Earnings as a metric that is not indicative of liquidity, or the cash available to fund its operations, but rather as a performance measure. Pre- and post-tax Adjusted Earnings, as well as related measures, are not intended to replace the Company's presentation of its U.S. GAAP financial results. However, management believes that these measures help provide investors with a clearer understanding of BGC's financial performance and offer useful information to both management and investors regarding certain financial and business trends related to the Company's financial condition and results of operations. Management believes that the U.S. GAAP and Adjusted Earnings measures of financial performance should be considered together.

For more information regarding Adjusted Earnings, see the section in the Company's most recent financial results press release titled "Reconciliation of U.S. GAAP Income (Loss) from Operations before Income Taxes to Adjusted Earnings and U.S. GAAP Fully Diluted EPS to Post-Tax Adjusted EPS", including the related footnotes, for details about how BGC's non-GAAP results are reconciled to those under U.S. GAAP.

Adjusted EBITDA Defined

BGC also provides an additional non-GAAP financial performance measure, "Adjusted EBITDA", which it defines as GAAP "Net income (loss) available to common stockholders", adjusted to add back the following items:

- * Provision (benefit) for income taxes;
- * Net income (loss) attributable to noncontrolling interest in subsidiaries;
- * Interest expense;
- * Fixed asset depreciation and intangible asset amortization;
- * Equity-based compensation and allocations of net income to limited partnership units and FPU's;
- * Impairment of long-lived assets;
- * (Gains) losses on equity method investments; and
- * Certain other non-cash GAAP items, such as non-cash charges of amortized rents incurred by the Company for its new U.K. based headquarters.

The Company's management believes that its Adjusted EBITDA measure is useful in evaluating BGC's operating performance, because the calculation of this measure generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, the Company's management uses this measure to evaluate operating performance and for other discretionary purposes. BGC believes that Adjusted EBITDA is useful to investors to assist them in getting a more complete picture of the Company's financial results and operations.

Since BGC's Adjusted EBITDA is not a recognized measurement under GAAP, investors should use this measure in addition to GAAP measures of net income when analyzing BGC's operating performance. Because not all companies use identical EBITDA calculations, the Company's presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow or GAAP cash flow from operations because the Company's Adjusted EBITDA does not consider certain cash requirements, such as tax and debt service payments.

For more information regarding Adjusted EBITDA, see the section in the Company's most recent financial results press release titled "Reconciliation of GAAP Net Income (Loss) Available to Common Stockholders to Adjusted EBITDA", including the footnotes to the same, for details about how BGC's non-GAAP results are reconciled to those under GAAP.

OUR ORGANIZATIONAL STRUCTURE

Stock Ownership

As of September 30, 2020, there were 315,314,580 shares of BGC Class A common stock outstanding. On June 21, 2017, Cantor pledged 10,000,000 shares of BGC Class A common stock in connection with a partner loan program. On November 23, 2018, those shares of BGC Class A common stock were converted into 10,000,000 shares of BGC 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 Class B common stock to Cantor and 712,907 shares of BGC Class B common stock to CFGM, an affiliate of Cantor, in each case in exchange for shares of BGC 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. 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 September 30, 2020, Cantor and CFGM did not own any shares of BGC Class A common stock. Each share of BGC Class A common stock is entitled to one vote on matters submitted to a vote of our stockholders.

In addition, as of September 30, 2020, Cantor and CFGM held 45,884,380 shares of BGC Class B common stock (which represents all of the outstanding shares of BGC Class B common stock), representing approximately 59.3% of our voting power on such date. Each share of BGC Class B common stock is generally entitled to the same rights as a share of BGC 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 BGC Class B common stock generally votes together with the BGC Class A common stock on all matters submitted to a vote of our stockholders.

Through September 30, 2020, Cantor has distributed to its current and former partners an aggregate of 20,850,346 shares of BGC Class A common stock, consisting of (i) 19,372,639 April 2008 distribution rights shares, and (ii) 1,477,707 February 2012 distribution rights shares. As of September 30, 2020, Cantor is still obligated to distribute to its current and former partners an aggregate of 15,756,625 shares of BGC Class A common stock, consisting of 13,999,105 April 2008 distribution rights shares and 1,757,520 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 unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview and Business Environment –Newmark IPO, Separation and Spin-Off."

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 U.S. OpCo, which holds our U.S. businesses, and BGC Global OpCo, 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 LPU 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 September 30, 2020, we held directly and indirectly, through wholly-owned subsidiaries, 361,198,960 BGC U.S. OpCo limited partnership units and 361,198,960 BGC Global OpCo limited partnership units, representing approximately 67.8% of the outstanding limited partnership units in both BGC U.S. OpCo and BGC Global OpCo. As of that date, BGC Holdings held 171,294,356 BGC U.S. OpCo limited partnership units and 171,294,356 BGC Global OpCo limited partnership units, representing approximately 32.2% of the outstanding limited partnership units in both BGC U.S. OpCo and BGC Global OpCo.

LPU 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, LPU 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., 0.4545 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 September 30, 2020, excluding Preferred Units and NPSUs described below, outstanding BGC Holdings partnership interests included 117,579,157 LPUs, 12,249,288 FPU and 52,362,964 Cantor units.

We may in the future effect additional redemptions of BGC Holdings LPUs and FPUs, and concurrently grant shares of BGC Class A common stock. We may also continue our earlier partnership restructuring programs, whereby we redeemed or repurchased certain LPUs and FPUs in exchange for new units, grants of exchangeability for BGC 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 LPUs and FPUs, 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 under the Exchange Agreement for up to 23,613,420 shares of BGC 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, BGC 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 FPUs 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 September 30, 2020, there were 2,390,731 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 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, RPU, AREUs, and ARPU. 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 BGC 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, 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 September 30, 2020, there were 32,666,339 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 BGC 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 BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of exchangeable LPUs 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 BGC Class B common stock that they were already entitled to acquire without having to exchange their exchangeable LPUs in our Holdings.

Under the Exchange Agreement, Cantor and CFGM have the right to exchange shares of BGC Class A common stock owned by them for the same number of shares of BGC Class B common stock. As of September 30, 2020, Cantor and CFGM do not own any shares of BGC Class A common stock. Cantor and CFGM would also have the right to exchange any shares of BGC Class A common stock subsequently acquired by either of them for shares of BGC Class B common stock, up to 23,613,420 shares of BGC Class B common stock.

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

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 BGC 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.

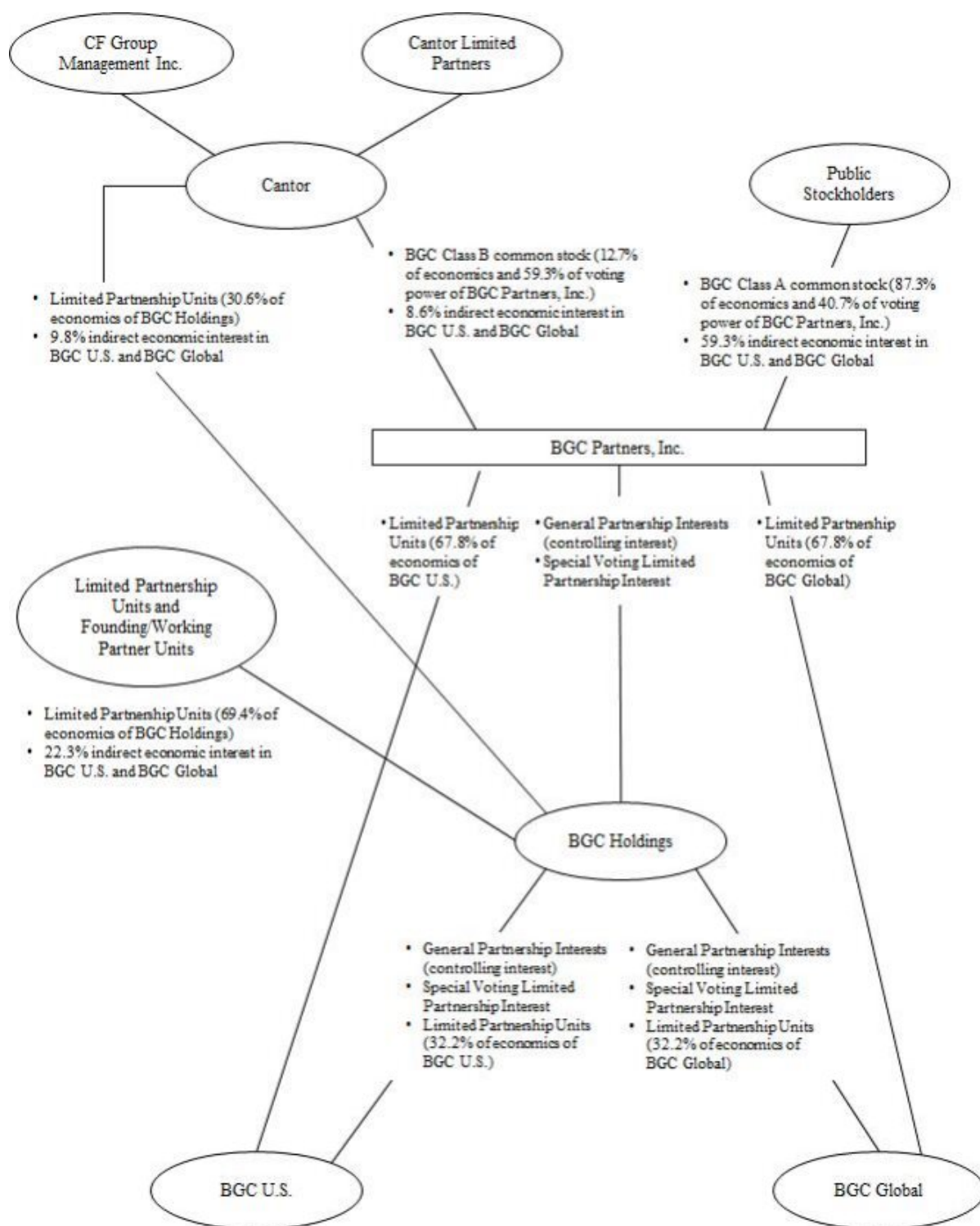
On December 13, 2017, the Amended and Restated BGC Holdings Partnership Agreement was amended and restated a second time to include prior standalone amendments and to make certain other changes related to the Separation. The Second Amended and Restated BGC Holdings Partnership Agreement, among other 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 LPU outstanding immediately prior to the Separation between such Legacy BGC Holdings Unit and the 0.4545 of a Newmark Holdings LPU 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 September 30, 2020. 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 SEPTEMBER 30, 2020



* Shares of BGC Class B common stock are convertible into shares of BGC 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 BGC Class A common stock, Cantor would hold 12.5% of the voting power, CFGM would hold 0.2% of the voting power, and the public stockholders would hold 87.3% 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 BGC 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) 32,666,339 Preferred Units granted and outstanding to BGC Holdings partners (see “BGC Partners, Inc. Partnership Structure” herein); and (c) 47,118,034 N Units granted and outstanding to BGC Holdings partners.

The diagram reflects BGC Class A common stock and BGC Holdings partnership unit activity from January 1, 2020 through September 30, 2020 as follows: (a) an aggregate of 18,409,504 LPUs granted by BGC Holdings; (b) 1,449,089 LPUs repurchased by us; (c) 185,300 shares of BGC 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 \$89.4 million of stock remaining for sale by us under such sales agreement; (d) 914,641 shares of BGC Class A common stock issued for vested restricted stock units; (e) 327,028 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 5,841,547 of such shares remaining available for issuance by us under such Registration Statement; (f) 99,151 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 9,269,171 of such shares remaining available for issuance by us under shelf Registration Statement on Form S-3 (Registration No. 333-196999); (g) 40,576 shares sold by selling stockholders under our resale shelf Registration Statement on Form S-3 (Registration No. 333-175034), but not the 428,215 of such shares remaining available for sale by selling stockholders under such Registration Statement; (h) 8,421 shares sold by selling stockholders under our resale shelf Registration Statement on Form S-3 (Registration No. 333-167953), but not the 136,975 shares remaining available for sale by selling stockholders under such Registration Statement. As September 30, 2020, we have not issued any shares of BGC Class A common stock under our 2019 Form S-4 Registration Statement (Registration No. 333-233761).

Possible Corporation Conversion

The Company continues to explore a possible conversion into a simpler corporate structure. An important factor will be any significant change in taxation policy in any of the major jurisdictions in which the Company operates and its stakeholders reside, particularly the United States whose tax policies are likely to be affected by the outcome of the elections on November 3, 2020. This quarter, the Company will continue to work with regulators, lenders, and rating agencies regarding any possible conversion. BGC’s board committees will review potential transaction arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Credit risk arises from potential non-performance by counterparties and customers. BGC Partners has established policies and procedures to manage its exposure to credit risk. BGC Partners maintains a thorough credit approval process to limit exposure to counterparty risk and employs stringent monitoring to control the counterparty risk from its matched principal and agency businesses. BGC Partners’ account opening and counterparty approval process includes verification of key customer identification, anti-money laundering verification checks and a credit review of financial and operating data. The credit review process includes establishing an internal credit rating and any other information deemed necessary to make an informed credit decision, which may include correspondence, due diligence calls and a visit to the entity’s premises, as necessary.

Credit approval is granted subject to certain trading limits and may be subject to additional conditions, such as the receipt of collateral or other credit support. Ongoing credit monitoring procedures include reviewing periodic financial statements and publicly available information on the client and collecting data from credit rating agencies, where available, to assess the ongoing financial condition of the client.

In addition, BGC Partners incurs limited credit risk related to certain brokerage activities. The counterparty risk relates to the collectability of the outstanding brokerage fee receivables. The review process includes monitoring both the clients and the related brokerage receivables. The review includes an evaluation of the ongoing collection process and an aging analysis of the brokerage receivables.

Principal Transaction Risk

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

The number of matched principal trades BGC Partners executes has continued to grow as compared to prior years. Receivables from broker-dealers, clearing organizations, customers and related broker-dealers and Payables to broker-dealers, clearing organizations, customers and related broker-dealers on the Company’s unaudited condensed consolidated statements of financial condition primarily represent the simultaneous purchase and sale of the securities associated with those matched principal transactions that have not settled as of their stated settlement dates. BGC Partners’ experience has been that substantially all of these transactions ultimately settle at the contracted amounts.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. BGC Partners may allow certain of its desks to enter into unmatched principal transactions in the ordinary course of business and hold long and short inventory positions. These transactions are primarily for the purpose of facilitating clients' execution needs, adding liquidity to a market or attracting additional order flow. As a result, BGC Partners may have market risk exposure on these transactions. BGC Partners' exposure varies based on the size of its overall positions, the risk characteristics of the instruments held and the amount of time the positions are held before they are disposed of. BGC Partners has limited ability to track its exposure to market risk and unmatched positions on an intra-day basis; however, it attempts to mitigate its market risk on these positions by strict risk limits, extremely limited holding periods and hedging its exposure. These positions are intended to be held short term to facilitate customer transactions. However, due to a number of factors, including the nature of the position and access to the market on which it trades, BGC Partners may not be able to unwind the position and it may be forced to hold the position for a longer period than anticipated. All positions held longer than intra-day are marked to market.

We also have investments in marketable equity securities, which are publicly-traded, and which had a fair value of \$0.3 million as of September 30, 2020. Investments in marketable securities carry a degree of risk, as there can be no assurance that the marketable securities will not lose value and, in general, securities markets can be volatile and unpredictable. As a result of these different market risks, our holdings of marketable securities could be materially and adversely affected. We may seek to minimize the effect of price changes on a portion of our investments in marketable securities through the use of derivative contracts. However, there can be no assurance that our hedging activities will be adequate to protect us against price risks associated with our investments in marketable securities. See Note 10—"Marketable Securities" and Note 12—"Derivatives" to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding these investments and related hedging activities.

Our risk management procedures and strict limits are designed to monitor and limit the risk of unintended loss and have been effective in the past. However, there is no assurance that these procedures and limits will be effective at limiting unanticipated losses in the future. Adverse movements in the securities positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on BGC Partners' unaudited condensed consolidated financial condition and results of operations for any particular reporting period.

Operational Risk

Our businesses are highly dependent on our ability to process a large number of transactions across numerous and diverse markets in many currencies on a daily basis. If any of our data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including cybersecurity incidents, a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

In addition, despite our contingency plans, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with whom we conduct business.

Further, our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take protective measures such as software programs, firewalls and similar technology to maintain the confidentiality, integrity and availability of our and our clients' information, the nature of the threats continue to evolve. As a result, our computer systems, software and networks may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability or disruption of service, computer viruses, acts of vandalism, or other malicious code, cyber-attacks and other events that could have an adverse security impact. There have also been an increasing number of malicious cyber incidents in recent years in various industries, including ours. Any such cyber incidents involving our computer systems and networks, or those of third parties important to our businesses, could present risks to our operations.

Foreign Currency Risk

BGC Partners is exposed to risks associated with changes in FX rates. Changes in FX rates create volatility in the U.S. Dollar equivalent of the Company's revenues and expenses. In addition, changes in the remeasurement of BGC Partners' foreign currency denominated financial assets and liabilities are recorded as part of its results of operations and fluctuate with changes in foreign currency rates. BGC monitors the net exposure in foreign currencies on a daily basis and hedges its exposure as deemed appropriate with highly rated major financial institutions.

The majority of the Company's foreign currency exposure is related to the U.S. Dollar versus the British Pound and the Euro. While our international results of operations, as measured in U.S. Dollars, are subject to FX fluctuations, we do not consider the related risk to be material to our results of operations. For the financial assets and liabilities denominated in the British Pound and Euro, including foreign currency hedge positions related to these currencies, we evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. Dollar, holding all other assumptions constant. The analysis identified the worst case scenario as the U.S. Dollar strengthening against the Euro and weakening against the British Pound. If as of September 30, 2020, the U.S. Dollar had strengthened against the Euro and

weakened against the British Pound by 10%, the currency movements would have had an aggregate negative impact on our net income of approximately \$6.7 million.

Interest Rate Risk

BGC Partners had \$1,318.5 million in fixed-rate debt outstanding as of September 30, 2020. These debt obligations are not currently subject to fluctuations in interest rates, although in the event of refinancing or issuance of new debt, such debt could be subject to changes in interest rates. In addition, as of September 30, 2020, BGC Partners had no borrowings outstanding under its Revolving Credit Agreement. The interest rate on any borrowings under its Revolving Credit Agreement is based on LIBOR.

Disaster Recovery

Our processes address disaster recovery concerns. We operate most of our technology from U.S. and U.K. primary data centers. Either site alone is typically capable of running all of our essential systems. Replicated instances of this technology are maintained in our redundant data centers. Our data centers are generally built and equipped to best-practice standards of physical security with appropriate environmental monitoring and safeguards. Failover for the majority of our systems is automated.

The economic and financial disruptions from the COVID-19 outbreak, as well as measures taken by various governmental authorities in response to the outbreak, have led us to implement operational changes as we have executed our business continuity plan. We have taken significant steps to protect our employees. A majority of BGC staff members are working from home, or other remote locations and disaster recovery venues, and we restricted business travel. We are also dependent on third-party vendors for the performance of certain critical processes and such vendors are also operating under business continuity plans.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

BGC Partners maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by BGC Partners is recorded, processed, accumulated, summarized and communicated to its management, including its Chairman of the Board and Chief Executive Officer and its Chief Financial Officer, to allow timely decisions regarding required disclosures, and reported within the time periods specified in the SEC's rules and forms. The Chairman of the Board and Chief Executive Officer and the Chief Financial Officer have performed an evaluation of the effectiveness of the design and operation of BGC Partners disclosure controls and procedures as of September 30, 2020. Based on that evaluation, the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer concluded that BGC Partners' disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control over Financial Reporting

During the three months ending September 30, 2020, there were no changes in our internal control over financial reporting that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 20—“Commitments, Contingencies and Guarantees” to the Company’s unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the section under the heading “Derivative Suit” included in Part I, Item 2 of this Quarterly Report on Form 10-Q, Management’s Discussion and Analysis of Financial Condition and Results of Operations for a description of our legal proceedings, which is incorporated by reference herein.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, including under the section titled “Special Note on Forward-Looking Statements,” you should carefully consider the information set forth in Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 for a detailed discussion of known material factors which could significantly and negatively affect our businesses, financial condition, results of operations, and prospects. In addition, investors should consider the following additional risk factors:

The coronavirus (COVID-19) pandemic has severely disrupted the global conduct of business, and has disrupted, and may continue to disrupt, our operations and our clients' operations, which could have an adverse effect on our businesses, financial condition and results of operations. The extent to which the pandemic and measures taken in response thereto could materially adversely affect our businesses, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and the actions taken by governmental authorities in response thereto.

The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The global spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, significant reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. As of November 2, 2020, the United States had the world’s most reported COVID-19 cases, and all 50 states and the District of Columbia have reported cases of infected individuals. Several states and countries, including New York and the U.K., where we are headquartered, have declared states of emergency.

The economic and financial disruptions from the COVID-19 outbreak, as well as measures taken by various governmental authorities in response to the outbreak, led us to implement operational changes as we executed our business continuity plan at the end of the first quarter. We continue to take significant steps to protect our employees. While a majority of the front office personnel are working in a firm office currently, a majority of BGC staff members continue to work from home or other remote locations and disaster recovery venues, and we continue to restrict business travel, particularly to areas most affected by the pandemic. Although our information technology systems have been able to support remote working to date, we cannot assure you that they will continue to be able to support the volume of business conducted remotely by our employees in the future or to address increased volumes as our workforce shifts to additional locations and venues. We are also dependent on third-party vendors for the performance of certain critical processes and many such vendors are continuing to operate under business continuity plans. In addition, many of our vendors’ and clients’ workforces continue to work from home or remote locations and their normal operations have been disrupted due to the COVID-19 pandemic. Working remotely may place additional stress on the telecommunications infrastructure in the areas where our employees live and work. Disruptions in the availability of internet and telephone service has adversely affected and may continue to adversely affect the ability of our employees to perform their operations remotely in a timely manner. An extended period of remote working by our employees could also increase our cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. Even as re-opening continues for some workers and in some locations, changes in state work orders and virus spread may impact work arrangements of our employees, vendors and clients for the foreseeable future. While we have taken significant precautions to protect employees who work in our offices, no assurance can be given that measures will contain the spread of the virus.

In particular, any disruption in our Fenics business operations could have an adverse effect on our results. Our Fully Electronic Fenics business has been a key growth driver and competitive advantage. A disruption or certain employees in our Fenics operations not being able to fully utilize our most advanced technology while working remotely may lead to an increased reliance on Voice and Hybrid brokerage, which may adversely affect our revenues and profit margins. Any disruption in the insurance markets may also adversely affect our businesses.

If significant portions of our, third-party vendors’ or our clients’ workforce, including executives or key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, this may impair our ability to operate our businesses, particularly when coupled with the significant increase in client trading volumes and inquiries. COVID-19 presents a threat to our employees’ well-being. While we implemented a business continuity plan at the end of the first quarter and continue to revise the plan to implement changes in state and local responses and development of protocols and other factors to protect the health of our employees, such plan cannot anticipate all scenarios. These factors impacted productivity during the third quarter, and we may experience a continuing loss of productivity or adjustment to our business over time. Additionally, due to the physical dislocations experienced by our brokers and clients, the pace of adoption of some of our newer fully electronic brokerage offerings has been and may continue to be adversely affected.

The extent to which the COVID-19 pandemic, including any successive waves, or the emergence of another pandemic, and measures taken in response thereto could materially adversely affect the conduct of our businesses will depend upon future developments, which are

highly uncertain. Although many foreign, state and local governments have begun to lift “shelter-in-place” orders for certain businesses, such lifting of restrictions has led in some instances and may lead to a resurgence of the pandemic in other instances or may impact our business in additional ways as we adapt to a workforce in our offices, remote locations and working from home. Health experts have indicated that a subsequent wave of the pandemic is already underway. The current increase in infections has led to the re-implementation of restrictions in many jurisdictions, including New York City. The timing of development and regulatory approval of an effective vaccine is uncertain. Even when such vaccine is approved, there may be a lengthy period of time before the vaccine is widely distributed. It is also uncertain whether there will be sufficient public confidence in the effectiveness of the vaccine to enable widespread vaccination of the public. Any increase in the duration and impact of the pandemic, including any successive waves, as well as measures taken in response thereto, could materially adversely affect our businesses, financial condition and results of operations.

The COVID-19 pandemic has also negatively affected, and may continue to negatively affect, the global economy, the United States economy and the global financial markets, resulting in a global recession that may adversely affect our businesses, financial condition and results of operations.

The outbreak of COVID-19 has negatively affected the global economy, the United States economy and the global financial markets. Unemployment rates in the United States have increased dramatically to levels not experienced since the Great Depression. The United States reported a strong recovery in GDP to over a 33% growth for the third quarter of 2020 following a significant decline in the second quarter of 2020. Most economists expect the recovery, albeit a more modest one, to continue in the fourth quarter of 2020. The U.S. equity capital markets (as measured by the S&P 500) suffered a more than 30% decline in the first few weeks after many national and regional governments implemented “shelter-in-place” orders. While the S&P 500 increased by 30% over the course of the second and third quarters of 2020, there can be no assurance that the broader equity markets will not suffer similar declines in future periods should the pandemic further harm the U.S. or global economy. Oil prices and interest rates are around record low levels, primarily as a result of the decline in economic activity. All of these unprecedented developments in the global economy and the United States economy have led to substantial uncertainty about future economic conditions.

Our revenues were adversely impacted in the third quarter of 2020 as a result of COVID-19 and its impact on the macroeconomic environment, including interest rates, FX, and oil prices. We had lower year-on-year secondary trading volumes in certain markets on our rates, FX, credit, and equity derivatives and cash equities businesses, while historically low prices across energy and commodities reduced demand for underlying product hedges. In addition, BGC and our clients faced continued dislocations due to COVID-19. All these factors negatively impacted, and may continue to negatively impact, market volumes, which could have an adverse effect on our businesses, financial condition and results of operations. Governmental actions in response to the pandemic, including “shelter-in-place” orders, may be confronted with resistance and lead to civil unrest. Such civil unrest could have a material adverse effect on economic conditions. Because of these and other factors, we are unable to predict the full impact of the pandemic if conditions persist, and there can be no assurance that these increased levels of volumes will be replicated in future quarters. Should these global market conditions be prolonged or worsen, or the pandemic lead to additional market disruptions, we could experience reduced client activity and demand for our products and services, counterparty defaults, impairments of other financial assets and other negative impacts on our financial position.

A decline in economic conditions may also lead to constraints on capital and liquidity, a higher cost of capital, and possible change or downgrades to our credit ratings, and additional restructuring charges. Although the federal government has taken many actions to provide liquidity to businesses and the financial markets, including loan programs for businesses in certain sectors or meeting certain criteria, these programs have experienced greater demand than funds available and have had strict eligibility requirements.

The full extent to which the COVID-19 outbreak, or the emergence of another pandemic, and measures taken in response thereto, could continue to negatively affect the global economy, the United States economy, and global financial markets and, in turn, materially adversely affect our businesses, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the outbreak or pandemic, actions taken by governmental authorities to contain the financial and economic impact of the outbreak or pandemic, the effects on our clients, employees and third-party vendors, and the overall impact on financial markets, the economy and society.

Reductions in our quarterly cash dividend and corresponding reductions in distributions by BGC Holdings to its partners may reduce the value of our common stock and the attractiveness of our equity-based compensation and limit the ability of our partners to repay employee loans.

Our Board has authorized a dividend policy which provides that we expect to pay a quarterly cash dividend to our common stockholders based on our post-tax Adjusted Earnings per fully diluted share. On October 27, 2020, BGC Partners’ Board of Directors declared a quarterly qualified cash dividend of \$0.01 per share to Class A and Class B common stockholders of record as of November 17, 2020. Our Board took the step beginning in the first quarter of 2020 of reducing the quarterly dividend from the previous \$0.14 per share out of an abundance of caution in order to strengthen the Company’s balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions due to the COVID-19 pandemic. We cannot predict the duration of the current economic slowdown and its impact on our future quarterly dividend payments. Investors seeking a short-term dividend yield may find our Class A common stock less attractive than securities of issuers continuing to pay larger dividends.

Additionally, beginning with the first quarter of 2020, BGC Holdings has reduced distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after tax basis depends upon stockholders’ and partners’ domiciles and tax status. Current or potential partners may find our equity-based compensation structure less attractive as a result. Moreover, we have entered into various agreements with certain partners, whereby these partners receive loans that may be either wholly or in part repaid from distributions that the

partners receive on some or all of their LPUs or may be forgiven over a period of time. The reduction in BGC Holdings distributions may adversely affect the ability of such partners to repay such loans.

We believe that these steps have allowed us to prioritize near-term financial strength and bolster our financial condition, but we cannot assure you that such steps will prevent a decline in our financial condition. Early next year we expect to announce our updated capital return policy. There can be no assurance that future dividends will be paid or that dividend or distribution amounts will return to levels consistent with past practice.

The U.K. exit from the EU 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 U.K. subsequently formally left the EU on January 31, 2020, but its relationship with the bloc will remain in a transition period until December 31, 2020. During this period, the U.K. will, with some exceptions, remain subject to EU law. It will also maintain access to the EU's single market.

The U.K. and EU are currently negotiating a trade deal which would determine the new bilateral trade relationship going forward. Such a deal and one including financial services currently looks unlikely, and, if no deal is in place by the end of the transition period, absent mitigating legislative measures, this could hinder current levels of mutual market access. While other trade deals are being considered, for example between the U.K. and the U.S., these may also prove challenging to negotiate and may not replace or compensate for a reduction, if any, in U.K. and EU trade at least in the short term. Further, the terms of a U.K. and EU trade deal may adversely impact the negotiation and terms of such other deals and vice versa.

Given the current uncertainty around the future trade relationship, 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. 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. At other times, increased volatility has led to many market participants curtailing trading activity. Furthermore, any future trade deal might lead to a fragmented regulatory environment, which could disrupt our operations, increase the costs of our operations, and result in a loss of existing levels of cross-border market access. 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. As part of our Brexit strategy, ownership of BGC Madrid, Copenhagen and Frankfurt & GFI Paris, Madrid and Dublin branches transferred to Aurel BGC SAS in July 2020. Regardless of these and other mitigating measures, our European headquarters and largest operations are in London, and these and other risks and uncertainties could have a material adverse effect on our customers, counterparties, businesses, prospects, financial condition and results of operations.

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 businesses, expose us to interest rate risk, impact our ability to obtain or maintain favorable credit ratings and prevent us from meeting or refinancing our obligations under our indebtedness.

Our indebtedness, which at September 30, 2020 was \$1,318.5 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 expose us to a rising interest rate environment when we need to refinance our debt;
- 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 shares of our Class A common stock and purchase limited partnership units; 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, or the COVID-19 pandemic continues to negatively affect the local, national and global economies, the risks described above could increase. In addition, our actual cash requirements in the future may be greater than expected and may impact the rate at which we make payments of obligations or occur additional obligations. 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, dispose of assets or otherwise raise funds on acceptable terms, or at all, to service or refinance our debt.

We are dependent upon availability of adequate funding and liquidity to meet our clearing margin requirements, among other financial needs. 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 arrangements with Cantor 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. Our next bond maturity is in May 2021 and the Company's senior unsecured revolving credit facility matures in February 2023. Although we have historically been able to raise debt on acceptable terms, the impact of the COVID-19 pandemic on the world's credit markets could make it more difficult for us to refinance or replace such indebtedness in a timely manner or on acceptable terms. Further, 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 be adversely affected by changes in LIBOR reporting practices, the method in which LIBOR is determined or the use of alternative reference rates.

Our \$350 million Revolving Credit Agreement is indexed to LIBOR. As of September 30, 2020, we had no amount of indebtedness outstanding under the Revolving Credit Agreement. LIBOR is the 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 FCA announced the desire to phase out the use of LIBOR by the end of 2021. At this time, no consensus exists as to what reference rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the U.K. or elsewhere. As such, the potential effect of any such event on our cost of capital and interest expense cannot yet be determined.

The possible withdrawal and replacement of LIBOR with alternative benchmarks also introduces a number of risks for us, our clients and the financial services industry more widely. Globally, vast amounts of loans, securities, derivatives and other financial instruments are linked to the LIBOR benchmark, and any failure by market participants and regulators to successfully introduce benchmark rates to replace LIBOR and implement effective transitional arrangements to address the discontinuation of LIBOR could result in disruption in the global financial markets in which we do business and suppress capital markets activities and trading volume. We may also be subject to legal implementation risks, as extensive changes to documentation for new and existing clients may be required, and operational risks due to the potential requirement to adapt information technology systems and operational processes to address the withdrawal and replacement of LIBOR.

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, the use of various alternative rates, and disruption in the financial markets which rely on the availability of a broadly accepted reference rate, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

The information required by this Item is set forth in Note 7— "Stock Transactions and Unit Redemptions" to the unaudited condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q and in Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2 of Part I) and is incorporated by reference herein.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On November 5, 2020, Sean Windeatt, the Chief Operating Officer of the Company, executed a Deed of Amendment (the "2020 Deed of Amendment") with BGC Services (Holdings) LLP (the "U.K. Partnership") which amends the Deed of Adherence, dated January 22,

2014, between Mr. Windeatt and the U.K. Partnership and the Deed of Amendment, dated February 24, 2017, between Mr. Windeatt and the U.K. Partnership (together, the “Deed”).

Under the 2020 Deed of Amendment, Mr. Windeatt’s membership in the U.K. Partnership was extended from a minimum initial period of up to and including March 31, 2024 to September 30, 2025 (the “Initial Period”). In addition, under the 2020 Deed of Amendment, commencing October 1, 2023, either party may terminate the Deed by giving written notice to the other party at least twenty-four months prior to the expiration of the Initial Period (which is an increase from twelve months). Mr. Windeatt’s membership, unless terminated earlier in accordance with the terms of the Deed, will continue following September 30, 2025 on the same terms and conditions set forth in the Deed until written notice to terminate is provided and the 24-month notice period expires.

Under the 2020 Deed of Amendment, Mr. Windeatt reports directly to the Chairman and/or Chief Executive Officer of the Company or his designate.

Pursuant to the 2020 Deed of Amendment, Mr. Windeatt is also entitled to an increase in drawings from an aggregate amount of £500,000 per year to an aggregate amount of £600,000 per year (£50,000 per month) effective January 1, 2021, which shall be reviewed by the Compensation Committee annually. Mr. Windeatt is also eligible for additional allocations of the U.K. Partnership’s profits, subject to the approval of the Compensation Committee.

All other terms and conditions of Mr. Windeatt’s membership are unaffected and remain as set out in the Deed.

Additionally, on November 5, 2020, Mr. Windeatt entered into an amendment (the “Consultancy Agreement Amendment”) of the Consultancy Agreement, dated February 24, 2017, between Mr. Windeatt and the U.K. Partnership in order to fix a certain typographical error. Both the 2020 Deed of Amendment and the Consultancy Agreement Amendment were approved by the Compensation Committee of the Board of Directors.

The foregoing descriptions of the 2020 Deed of Amendment and the Consultancy Agreement Amendment do not purport to be complete and are qualified in their entirety by reference to the full text of such documents that are filed as Exhibits 10.2 and 10.3 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Additionally, on November 5, 2020, in connection with the execution of the 2020 Deed of Amendment, the Company granted Mr. Windeatt 458,425 non-exchangeable, non-earning BGC Holdings NLPUs and 246,844 non-exchangeable, non-earning BGC Holdings NPLPUs. Such grant was calculated by dividing \$2,000,000 by \$2.84, the volume-weighted average pricing per share closing price of BGC Class A common stock for the ten trading-day period covering the nine trading days immediately prior to, and the trading day of, November 5, 2020.

ITEM 6. EXHIBITS

The exhibit index set forth below is incorporated by reference in response to this ITEM 6.

Exhibit Number	Exhibit Title
10.1	<u>Deed of Amendment, dated August 14, 2020, between Shaun D. Lynn and BGC Services (Holdings) LLP (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 14, 2020)</u>
10.2	<u>Deed of Amendment, dated November 5, 2020, to the Amended and Restated Deed of Adherence, between Sean A. Windeatt and BGC Services (Holdings) LLP</u>
10.3	<u>Amendment, dated November 5, 2020, to the Consultancy Agreement, dated February 24, 2017, between Sean A. Windeatt and BGC Services (Holdings) LLP</u>
31.1	<u>Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	The following materials from BGC Partners' Quarterly Report on Form 10-Q for the period ended September 30, 2020 are formatted in inline eXtensible Business Reporting Language (iXBRL): (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, (v) the Unaudited Condensed Consolidated Statements of Changes in Equity, and (vi) Notes to the Unaudited Condensed Consolidated Financial Statements. The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the iXBRL document.
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL (included in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended September 30, 2020 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

/ s / HOWARD W. LUTNICK

Name: **Howard W. Lutnick**
Title: **Chairman of the Board and
Chief Executive Officer**

/ s / STEVEN BISGAY

Name: **Steven Bisgay**
Title: **Chief Financial Officer**

Date: November 6, 2020

[Signature page to the Quarterly Report on Form 10-Q for the period ended September 30, 2020 dated November 6, 2020.]

THIS DEED OF AMENDMENT is made the 5th day of November 2020

BETWEEN:

- (1) **BGC SERVICES (HOLDINGS) LLP** (the “Partnership”), of Five Churchill Place, Canary Wharf, London E14 5RD; and
- (2) **SEAN WINDEATT** (the “Individual Member”).

With deemed effect from 1 October 2020 the Deed made between the Individual Member and BGC Services (Holdings) LLP dated 22 January 2014, as amended by a deed of amendment dated 24 February 2017 (together, the “Deed”) shall be varied and amended as follows:

SCHEDULE 1: INDIVIDUAL MEMBER’S TERMS AND CONDITIONS

1. DURATION OF MEMBERSHIP:

Clause 1.1 of Schedule 1 to the Deed is hereby deleted in its entirety and replaced with the following:

- “1.1 Membership is for a minimum initial period of up to and including 30 September 2025, unless terminated in accordance with this Deed or the provisions of the Partnership Deed (the “Initial Period”), and commencing 1 October 2023 either the Individual Member or the Partnership may at any time give twenty four (24) months’ advance notice (the “Notice Period”) to the other in writing to terminate the Individual Member’s Membership, and such termination of Membership shall be effective upon the expiration of such Notice Period. Membership shall, unless terminated earlier in accordance with the terms of this Deed, continue following 30 September 2025 on the same terms and conditions set forth in this Deed until expiration of the Notice Period (such time period between 30 September 2025 and the expiration of the Notice Period shall be referred to as the “Renewal Period”). Any such notice given by the Individual Member or the Partnership hereunder shall also be delivered simultaneously in writing by the Individual Member or Partnership (as appropriate) to BGC Partners, Inc., c/o General Counsel, 499 Park Avenue, New York, NY 10022. Such notice shall be delivered by hand, electronic mail or overnight courier and shall be effective at such time as it is received by both the Individual Member or the Partnership, as the case may be, and by BGC Partners, Inc.”.

2. WORKING REQUIREMENTS

Clause 2.3 of the Deed is hereby deleted in its entirety and replaced with the following:

- “2.3 In addition to the Individual Member’s role as described above, the Individual Member shall also hold the positions of Chief Operating Officer of BGC Partners, Inc. (“BGCP”) and Chief Executive Officer of BGC Brokers L.P. At all times the Individual Member agrees that he may also be engaged in any capacity that the Chairman may reasonably require and shall not engage in any activity which

may be or may become in the reasonable opinion of the Chairman harmful to or contrary to the interests of the Partnership and/or its Affiliates. The Individual Member shall report directly to the Chairman. For the purposes of this clause 2.3, “Chairman” shall mean the Chairman and/or Chief Executive Officer of BGCP or his designate.”

3. PROFIT ALLOCATION AND ADVANCE DRAWINGS

With effect from 1 January 2021, the Individual Member’s Allocated Monthly Advance Drawings will be £50,000 and clause 3.1 of the Deed is hereby amended accordingly.

All other terms and conditions of the Individual Member’s membership are unaffected and remain as set out in the Deed and the Partnership Deed. In particular, the Individual Member acknowledges and agrees that he will be bound by all the obligations set out in clause 7.3 of Schedule 1 to the Deed (as amended under the terms of a deed of amendment dated 24 February 2017), and clause 20 (Confidential Information) of the Partnership Deed.

IN WITNESS WHEREOF the parties have executed this Deed the day and year first above written.

SIGNED and DELIVERED as a
DEED by **BGC SERVICES**
(HOLDINGS) LLP acting by:

)
)
)
/s/ James Lightbourne

James Lightbourne

Witnessed
Name:

/s/ Nick Bacon

Nick Bacon

Address:

5 Churchill Place
Canary Wharf
London E14 5RD

SIGNED and DELIVERED as a
DEED by **SEAN WINDEATT**

)
)
)
/s/ Sean Windeatt.

Sean Windeatt

Witnessed
Name:

/s/ Faye Eden

Miss Faye Eden

Address:

45 Queens Road
Loughton IGIO IRR

[Signature Page to Deed of Amendment between Sean Windeatt and BGC Services (Holdings) LLP, dated as of 5 November 2020]

THIS AGREEMENT is made the 5th day of November 2020

BETWEEN:

- (1) BGC SERVICES (HOLDINGS) LLP** (the “Client”), of Five Churchill Place, Canary Wharf, London E14 5RD; and
- (2) SEAN WINDEATT** (the “Consultant”).

With deemed effect from 1 October 2020 the Consultancy Agreement made between the Consultant and the Client dated 24 February 2017 (the “Consultancy Agreement”) shall be varied and amended as follows:

2. TERM OF ENGAGEMENT:

References to “the Individual’s Membership” in clause 2.2 of the Consultancy Agreement are hereby replaced with the words “the Consultant’s Membership” and clause 2.2 is hereby deemed amended accordingly.

All other terms and conditions of the Consultancy Agreement are unaffected and remain as set out in the Consultancy Agreement. In particular, the Consultant acknowledges and agrees that he will be bound by all the obligations set out in clause 10 (Protection of the Client’s Interests) and clause 7 (Confidential Information) of the Consultancy Agreement.

IN WITNESS WHEREOF this Agreement has been entered into as at the date stated at the beginning:

/s/ James Lightbourne

James Lightbourne,
Signed for and on behalf of
BGC Services (Holdings) LLP
DIRECTOR

/s/ Sean Windeatt

Sean Windeatt,
EXECUTED AND DELIVERED as a Deed by **THE**
CONSULTANT (SEAN WINDEATT) in the Presence of:

/s/ Faye Eden

Faye Eden
45 Queens Road
Loughton IGIO IRR

*[Consultancy Amendment between
BGC Services (Holdings) LLP and Sean Windeatt dated 5th day of November 2020]*

CERTIFICATION

I, Howard W. Lutnick, certify that:

1. I have reviewed this report on Form 10-Q of BGC Partners, Inc. for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HOWARD W. LUTNICK

Howard W. Lutnick
Chairman of the Board and Chief Executive Officer

Date: November 6, 2020

CERTIFICATION

I, Steven Bisgay, certify that:

1. I have reviewed this report on Form 10-Q of BGC Partners, Inc. for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN BISGAY

Steven Bisgay
Chief Financial Officer

Date: November 6, 2020

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the report of BGC Partners, Inc., a Delaware corporation (the “Company”), on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof, each of Howard W. Lutnick, Chairman of the Board and Chief Executive Officer of the Company, and Steven Bisgay, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HOWARD W. LUTNICK

Name: _____
Title: **Howard W. Lutnick**
Chairman of the Board and Chief Executive Officer

/s/ STEVEN BISGAY

Name: _____
Title: **Steven Bisgay**
Chief Financial Officer

Date: November 6, 2020