WELLS FARGO INCOME OPPORTUNITIES FUND
Form 3
June 07, 2016

FORM 3

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

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Whitaker Michael Howard
(Last) (First) (Middle)

WELLS FARGO BANK,Â 200 BERKELEY STREET, 19TH FLOOR
(Street)

BOSTON,Â MAÂ 02116-5022
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
06/07/2016

3. Issuer Name **and** Ticker or Trading Symbol
WELLS FARGO INCOME OPPORTUNITIES FUND [EAD]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Compliance Officer of th

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
		Title			

Date Exercisable	Expiration Date	Amount or Number of Shares	or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Whitaker Michael Howard WELLS FARGO BANK 200 BERKELEY STREET, 19TH FLOOR BOSTON,Â MAÂ 02116-5022	Â	Â	Â Chief Compliance Officer of th	Â

Signatures

Catherine F. Kennedy by power of attorney	06/07/2016
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ter" STYLE="border-bottom:1px solid #000000">**Three Months Ended**

	Three Months Ended June 30, 2013		Three Months Ended June 30, 2012		Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	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	$324,832	27.2%	$308,438	68.6%	$623,536	38.0%	$579,785	68.7%
Principal transactions	85,349	7.2	83,686	18.6	173,346	10.6	183,431	21.7

Total brokerage revenues

410,181	34.4	392,124	87.2	796,882	48.6	763,216	90.4

Real estate management services

Explanation of Responses:

	39,823	3.3	37,930	8.4	79,161	4.8	41,891	5.0
Fees from related parties	12,242	1.0	13,494	3.0	25,390	1.6	26,041	3.1
Market data	3,643	0.3	3,990	0.9	7,768	0.5	8,954	1.1
Software solutions	2,530	0.2	2,487	0.6	5,096	0.3	4,936	0.6
Interest income	1,651	0.1	1,543	0.3	3,199	0.2	3,738	0.4
Other revenues	1,174	0.1	622	0.2	2,005	0.1	831	0.0
Gain on divestiture	723,147	60.7			723,147	44.2		
Losses on equity investments	(1,224)	(0.1)	(2,652)	(0.6)	(4,512)	(0.3)	(5,108)	(0.6)

Total revenues	1,193,167	100.0	449,538	100.0	1,638,136	100.0	844,499	100.0
Expenses:								
Compensation and employee benefits	765,679	64.2	308,029	68.5	1,055,071	64.4	554,898	65.7
Allocation of net income to limited partnership units and founding/working partner units	46,084	3.8	1,909	0.4	53,522	3.3	7,889	0.9

Total compensation and employee benefits								
	811,763	68.0	309,938	68.9	1,108,593	67.7	562,787	66.6
Occupancy and equipment								
	37,340	3.1	39,092	8.7	76,567	4.7	75,321	8.9
Fees to related parties								
	2,286	0.2	3,169	0.7	5,129	0.3	6,688	0.8
Professional and consulting fees								
	11,367	1.0	19,515	4.3	26,308	1.6	38,834	4.6

Communications	22,755	1.9	21,402	4.8	47,096	2.9	43,360	5.1
Selling and promotion	23,239	1.9	23,513	5.2	43,554	2.7	42,959	5.1
Commissions and floor brokerage	6,397	0.5	5,833	1.3	12,168	0.7	11,513	1.4
Interest expense	9,989	0.8	7,578	1.7	19,689	1.2	15,136	1.8
Other expenses	59,780	5.0	15,048	3.4	77,084	4.7	24,539	2.9

Total expenses	984,916	82.5	445,088	99.0	1,416,188	86.5	821,137	97.2

Explanation of Responses:

Income from operations before income taxes								
	208,251	17.5	4,450	1.0	221,948	13.5	23,362	2.8
Provision for income taxes								
	78,711	6.6	70	0.0	81,806	5.0	7,272	0.9

Consolidated net income								
	129,540	10.9	4,380	1.0	140,142	8.5	16,090	1.9
Less: Net income attributable to noncontrolling interest in subsidiaries								
	95,074	8.0	2,422	0.6	98,678	6.0	5,943	0.7

Net income available to common stockholders							
$34,466	2.9%	$1,958	0.4%	$41,464	2.5%	$10,147	1.2%

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Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Revenues

Brokerage Revenues

Total brokerage revenues increased by $18.1 million, or 4.6%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Commission revenues increased by $16.4 million, or 5.3%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Principal transactions revenues increased by $1.7 million, or 2.0%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

The increase in brokerage revenues was primarily driven by increases in the revenues for Commercial Real Estate, FX and Rates, partially offset by lower revenues in Credit products and Equities and Other Asset Classes.

The increase in Rates revenues of $3.9 million was primarily due to improved market conditions especially in Europe where volumes increased in comparison to the earlier year period.

Our fully electronic Credit revenues increased by 8.1% as compared to the three months ended June 30, 2012, but our overall Credit revenues declined by 3.9% to $67.3 million in the three months ended June 30, 2013. Although some of our cash Credit desks showed strong growth, the overall credit derivatives market continues to remain challenged.

Our overall FX revenues were up by 14.0% to $60.7 million for the three months ended June 30, 2013. This increase was primarily driven by both double digit growth from our voice/hybrid FX desks and by an approximately 27% increase in revenue from our spot FX business. This growth exceeded the comparable volume figures reported by CLS, CME, EBS and Reuters.

Real Estate brokerage revenues increased by $10.5 million for the three months ended June 30, 2013. The increase is primarily due to the stabilization of the Grubb & Ellis brokers after the transition out of bankruptcy and a more favorable real estate environment.

Global equity markets continued to be difficult, and equity-related volumes were down between 4% and 42% according to the Deutsche Boerse, Euronext and DTCC. In comparison, our revenues from Equities and Other Asset Classes decreased by 2.5%.

Real Estate Management Services

Real estate management services revenues increased by $1.9 million, to $39.8 million for the three months ended June 30, 2013. The increase was primarily related to $0.8 million of consulting revenues associated with a significant transaction in the second quarter of 2013.

Fees from Related Parties

Fees from related parties decreased by $1.3 million, or 9.3%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The decrease was primarily due to decreased back office services provided to Cantor, decreased revenues related to ELX and lower technology service fees.

Market Data

Market data revenues decreased by $0.3 million, or 8.7%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

Software Solutions

Software solutions revenues increased by $43 thousand, or 1.7%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012, primarily due to an increased number of clients in the second quarter of 2013.

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Interest Income

Interest income increased by $0.1 million, or 7.0%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

Other Revenues

Other revenues increased by $0.6 million to $1.2 million for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The increase was primarily due to proceeds received in a litigation settlement.

Gain on Divestiture

The gain on divestiture related to the NASDAQ OMX Transaction was $723.1 million for the three months ended June 30, 2013.

Losses on Equity Investments

Losses on equity investments decreased by $1.4 million, or 53.8%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Losses on equity investments represent our pro rata share of the net losses on investments over which we have significant influence but do not control.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased by $457.7 million, or 148.6%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The main drivers of this increase were the compensation charges of approximately $464.6 million we incurred during the three months ended June 30, 2013 related to the redemption/exchange of partnership units, issuance of restricted shares, and the reduction of compensation-related partnership loans in connection with our global partnership restructuring program (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein).

Allocations of Net Income to Limited Partnership Units and Founding/Working Partner Units

Allocation of income to limited partnership units and founding/working partner units increased by $44.2 million for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Allocation of income to limited partnership units and founding/working partner units represents the allocation of earnings to be distributed to such partners. The allocation of income to limited partnership units and founding/working partner units for the three months ended June 30, 2013 was $46.1 million. The increase in the three months ended June 30, 2013 as compared to the year earlier period relates to our increased earnings as a result of the NASDAQ OMX Transaction.

Occupancy and Equipment

Occupancy and equipment expense decreased by $1.8 million, or 4.5%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. This decrease was primarily due to office consolidations in the Real Estate Services segment resulting from the integration of NGKF.

Fees to Related Parties

Fees to related parties decreased by $0.9 million, or 27.9%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Fees to related parties are allocations paid to Cantor for administrative and support services.

Professional and Consulting Fees

Professional and consulting fees decreased by $8.1 million, or 41.8%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The decrease was primarily due to decreased costs associated with legal and regulatory matters.

Communications

Communications expense increased by $1.4 million, or 6.3%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. As a percentage of total revenues (excluding the gain on divestiture), communications remained relatively unchanged across the two periods.

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Selling and Promotion

Selling and promotion expense decreased by $274 thousand, or 1.2%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

Commissions and Floor Brokerage

Commissions and floor brokerage expense increased by $564 thousand, or 9.7%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The increase was primarily due to increases in clearing house charges and exchange clearing charges attributable to increased revenues.

Interest Expense

Interest expense increased by $2.4 million, or 31.8%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The increase was primarily related to our issuance of the 8.125% Senior Notes in June 2012.

Other Expenses

Other expenses increased by $44.7 million, or 297.3%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The increase was primarily due to an increase in the cost of hiring brokers and a commitment to make charitable contributions.

Net Income Attributable to Noncontrolling Interest in Subsidiaries

Net income attributable to noncontrolling interest in subsidiaries increased by $92.7 million, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The significant increase in net income attributable to noncontrolling interest in subsidiaries relates to the increased income in the three months ended June 30, 2013 associated with the gain on the NASDAQ OMX Transaction.

Provision for Income Taxes

Provision for income taxes increased to $78.7 million for the three months ended June 30, 2013 as compared to $0.1 million for the three months ended June 30, 2012. This increase was primarily driven by an increase in taxable income in the three months ended June 30, 2013 as compared to the year earlier period as well as by an increase in taxes related to the gain on the NASDAQ OMX Transaction. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenues

Brokerage Revenues

Total brokerage revenues increased by $33.7 million, or 4.4%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Commission revenues increased by $43.8 million, or 7.5%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Principal transactions revenues decreased by $10.1 million, or 5.5%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

The increase in brokerage revenues was primarily driven by increases in the revenues for Commercial Real Estate, FX and Rates, partially offset by lower revenues in Credit products and Equities and Other Asset Classes.

The increase in Rates revenues of $2.0 million was primarily due to an increase in Europe resulting from improved market conditions.

Our Credit revenues declined by 11.6% to $136.5 million in the six months ended June 30, 2013, which was generally a better performance than the comparable results reported by our inter-dealer broker peers.

Our fully electronic FX volumes and revenues increased by approximately 37.3% and 14.2%, respectively, in the six months ended June 30, 2013. This growth exceeded the comparable volume figures reported by Reuters, EBS, and CME. Our overall FX revenues were up by 7.2% to $120.0 million for the six months ended June 30, 2013.

Real Estate brokerage revenues increased by $46.4 million for the six months ended June 30, 2013, primarily due to the acquisition of Grubb & Ellis in the second quarter of 2012. Industry trends in sales and leasing remain favorable for the U.S. Commercial Real Estate market.

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Global equity markets continued to be difficult, for example, and equity-related volumes were down between 3% and 22% according to the LSE, Euronext, and Deutsche Boerse. In comparison, BGC s revenues from Equities and Other Asset Classes decreased by 5.7%.

Real Estate Management Services

Real estate management services revenues increased by $37.3 million, or 89.0% for the six months ended June 30, 2013, primarily due to the acquisition of Grubb & Ellis in the second quarter of 2012.

Fees from Related Parties

Fees from related parties decreased by $0.7 million, or 2.5%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The decrease was primarily due to decreased revenues related to ELX and lower technology service fees, partially offset by increased revenues related to back office services provided to Cantor.

Market Data

Market data revenues decreased by $1.2 million, or 13.2%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Software Solutions

Software solutions revenues increased by $0.2 million, or 3.2%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily due to an increased number of clients as compared to the six months ended June 30, 2012.

Interest Income

Interest income decreased by $0.5 million, or 14.4%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The decrease was primarily related to our notes receivable, which were a component of the consideration transferred with respect to the acquisition of Grubb & Ellis in the second quarter of 2012.

Other Revenues

Other revenues increased by $1.2 million to $2.0 million for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase was primarily due to a $1.0 million settlement related to litigation and an increase in investment banking fees.

Gain on Divestiture

The gain on divestiture related to the NASDAQ OMX Transaction was $723.1 million for the six months ended June 30, 2013.

Losses on Equity Investments

Losses on equity investments decreased by $0.6 million, or 11.7%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Losses on equity investments represent our pro rata share of the net losses on investments over which we have significant influence but do not control.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased by $500.2 million, or 90.1%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The main drivers of this increase were the compensation charges of approximately $464.6 million we incurred during the six months ended June 30, 2013 related to the redemption/exchange of partnership units, issuance of restricted shares, and the reduction of compensation-related partnership loans in connection with our global partnership restructuring program (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein). In addition, a component of the increase was the result of having the NGKF

business in place for the full six months ended June 30, 2013 while only in place for a portion of the year earlier period, as we completed the acquisition of Grubb & Ellis on April 13, 2012.

Allocations of Net Income to Limited Partnership Units and Founding/Working Partner Units

Allocation of income to limited partnership units and founding/working partner units increased by $45.6 million for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Allocation of income to limited partnership units and founding/working partner units represents the allocation of earnings to be distributed to such partners. The allocation of income to limited partnership units and founding/working partner units for the six months ended June 30, 2013 was $53.5 million. The increase relates to our increased earnings in the six months ended June 30, 2013 as compared to the year earlier period.

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Occupancy and Equipment

Occupancy and equipment expense increased by $1.2 million, or 1.7%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase was primarily due to the acquisition of Grubb & Ellis.

Fees to Related Parties

Fees to related parties decreased by $1.6 million, or 23.3%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Fees to related parties are allocations paid to Cantor for administrative and support services.

Professional and Consulting Fees

Professional and consulting fees decreased by $12.5 million, or 32.3%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The decrease was primarily due to decreased costs associated with legal and regulatory matters, as well as reduced costs for recruitment and temporary personnel as compared to the six months ended June 30, 2012.

Communications

Communications expense increased by $3.7 million, or 8.6%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. This increase was primarily driven by increased market data and communication costs associated with our increased headcount. As a percentage of total revenues, communications expense decreased across the two periods.

Selling and Promotion

Selling and promotion expense increased by $0.6 million, or 1.4%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase was associated with an increase in promotional and corporate events in our Real Estate Services segment in the six months ended June 30, 2013.

Commissions and Floor Brokerage

Commissions and floor brokerage expense increased by $0.7 million, or 5.7%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily due to increased volumes in our equities business during the six months ended June 30, 2013.

Interest Expense

Interest expense increased by $4.6 million, or 30.1%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase was primarily related to our issuance of the 8.125% Senior Notes in June 2012.

Other Expenses

Other expenses increased by $52.5 million, or 214.1%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase was primarily due to an increase in costs associated with hiring brokers and a commitment to make charitable contributions. In addition, the costs related to the Grubb & Ellis business were in place for the full six months ended June 30, 2013 as compared to only a portion of the six months ended June 30, 2012.

Net Income Attributable to Noncontrolling Interest in Subsidiaries

Net income attributable to noncontrolling interest in subsidiaries increased by $92.7 million, or 1,560.4%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Provision for Income Taxes

Provision for income taxes increased to $81.8 million for the six months ended June 30, 2013 as compared to $7.3 million for the six months ended June 30, 2012. This increase was primarily driven by an increase in taxable income in the six months ended June 30, 2013 as compared to

the year earlier period as well as by an increase in taxes related to the gain on the NASDAQ OMX Transaction. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

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Business Segment Financial Results

Following the acquisition of substantially all of the assets of Grubb & Ellis, we changed our segment reporting structure. As a result, beginning with the quarter ended June 30, 2012, our operations consist of two reportable segments, Financial Services and Real Estate Services. The business segment financial results presented reflect our current organization.

The business segments are determined based on the products and services provided and reflect the manner in which financial information is evaluated by management. We evaluate the performance and review the results of the segments based on each segment s Income (loss) from operations before income taxes.

Certain financial information for our segments is presented below. The amounts shown below for the Financial Services and Real Estate Services segments reflect the amounts that are used by management to allocate resources and assess performance, which is based on each segment s Income (loss) from operations before income taxes. In addition to the two business segments, the tables below include a Corporate Items category. Corporate revenues include fees from related parties and interest income as well as gains that are not considered part of the Company s ordinary, ongoing business such as the gain related to the NASDAQ OMX Transaction. Corporate expenses include non-cash compensation expenses (such as the grant of exchangeability to limited partnership units; redemption/exchange of partnership units, issuance of restricted shares and reduction of compensation-related partnership loans; and allocations of net income to founding/working partner units and limited partnership units) as well as unallocated expenses such as certain professional and consulting fees, executive compensation and interest expense, which are managed separately at the corporate level.

Three months ended June 30, 2013 (in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 316,338	$ 143,071	$ 733,758	$ 1,193,167
Total expenses	259,977	133,820	591,119	984,916
Income (loss) from operations before income taxes	$ 56,361	$ 9,251	$ 142,639	$ 208,251

* For the three months ended June 30, 2013, the Real Estate Services segment income (loss) from operations before income taxes excludes $1.9 million related to the collection of receivables and associated expenses that were recognized at fair value as part of acquisition accounting.

Three months ended June 30, 2012 (in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 309,243	$ 131,194	$ 9,101	$ 449,538
Total expenses	250,767	126,048	68,273	445,088
Income (loss) from operations before income taxes	$ 58,476	$ 5,146	$ (59,172)	$ 4,450

* For the three months ended June 30, 2012, the Real Estate Services segment income (loss) from operations before income taxes excludes $8.8 million related to the collection of receivables and associated expenses that were recognized at fair value as part of acquisition accounting.

Segment Results for the Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012

Revenues

Revenues for Financial Services increased approximately $7.1 million, or 2.3%, to $316.3 million for the three months ended June 30, 2013 from $309.2 million for the three months ended June 30, 2012. The increased in revenues for our Financial Services segment was primarily due to an increase in FX and Rates revenue.

Revenues for Real Estate Services increased approximately $11.9 million, or 9.1%, to $143.1 million for the three months ended June 30, 2013 from $131.2 million for the three months ended June 30, 2012. The increase in revenues for our Real Estate Services segment was primarily due to increases in real estate brokerage and management services revenue as a result of the stabilization of the Grubb & Ellis brokers after the transition out of bankruptcy and a more favorable real estate environment.

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Expenses

Total expenses for Financial Services increased approximately $9.2 million, or 3.7%, to $260.0 million for the three months ended June 30, 2013 from $250.8 million for the three months ended June 30, 2012. The increase in expenses for our Financial Services segment was primarily due to increases in compensation expenses compared to the prior year period.

Total expenses for Real Estate Services increased approximately $7.8 million, or 6.2%, to $133.8 million for the three months ended June 30, 2013 from $126.0 million for the three months ended June 30, 2012. The increase in expenses for our Real Estate Services segment was primarily due to increases in compensation expenses compared to the prior year period.

Income (loss) from operations before income taxes

Income (loss) from operations before income taxes for Financial Services decreased approximately $2.1 million, or 3.6%, to $56.4 million for the three months ended June 30, 2013 from $58.5 million for the three months ended June 30, 2012. The decrease in income (loss) from operations before income taxes for our Financial Services segment was primarily due to higher expenses, as described above, partially offset by higher revenues, as also described above.

Income (loss) from operations before income taxes for Real Estate Services increased $4.2 million, or 79.8%, to $9.3 million for the three months ended June 30, 2013 from $5.1 million for the three months ended June 30, 2012. The increase in income (loss) from operations before income taxes for our Real Estate Services segment was due to increased revenues, as described above, partially offset by an increase in expenses, as also described above.

Six months ended June 30, 2013 (in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 640,183	$ 255,750	$ 742,203	$ 1,638,136
Total expenses	519,766	249,607	646,815	1,416,188
Income (loss) from operations before income taxes	$ 120,417	$ 6,143	$ 95,388	$ 221,948

* For the six months ended June 30, 2013, the Real Estate Services segment income (loss) from operations before income taxes excludes $7.3 million related to the collection of receivables and associated expenses that were recognized at fair value as part of acquisition accounting.

Six months ended June 30, 2012 (in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 653,879	$ 172,614	$ 18,006	$ 844,499
Total expenses	518,952	168,717	133,468	821,137
Income (loss) from operations before income taxes	$ 134,927	$ 3,897	$ (115,462)	$ 23,362

* For the six months ended June 30, 2012, the Real Estate Services segment income (loss) from operations before income taxes excludes $11.4 million related to the collection of receivables and associated expenses that were recognized at fair value as part of acquisition accounting.

Segment Results for the Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012

Revenues

Revenues for Financial Services decreased approximately $13.7 million, or 2.1%, to $640.2 million for the six months ended June 30, 2013 from $653.9 million for the six months ended June 30, 2012. The decrease in revenues for our Financial Services segment was primarily due to a decline in brokerage revenues in Credit and Equities and Other Asset Classes, partially offset by an increase in FX and Rates.

Revenues for Real Estate Services increased approximately $83.2 million, or 48.2%, to $255.8 million for the six months ended June 30, 2013 from $172.6 million for the six months ended June 30, 2012. The increase in revenues for our Real Estate Services segment was primarily due to our acquisition of substantially all of the assets of Grubb & Ellis in April of 2012 and more favorable industry metrics.

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Expenses

Total expenses for Financial Services increased approximately $0.8 million, or 0.2%, to $519.8 million for the six months ended June 30, 2013 from $519.0 million for the six months ended June 30, 2012.

Total expenses for Real Estate Services increased approximately $80.9 million, or 47.9%, to $249.6 million for the six months ended June 30, 2013 from $168.7 million for the six months ended June 30, 2012. The increase in expenses for our Real Estate Services segment was primarily due to our acquisition of substantially all of the assets of Grubb & Ellis in April of 2012.

Income (loss) from operations before income taxes

Income (loss) from operations before income taxes for Financial Services decreased approximately $14.5 million, or 10.8%, to $120.4 million for the six months ended June 30, 2013 from $134.9 million for the six months ended June 30, 2012. The decrease in income (loss) from operations before income taxes for our Financial Services segment was primarily due to higher expenses, as described above, partially offset by higher revenues, as also described above.

Income (loss) from operations before income taxes for Real Estate Services increased $2.2 million, or 57.6%, to $6.1 million for the six months ended June 30, 2013 from $3.9 million for the six months ended June 30, 2012. The increase in income (loss) from operations before income taxes for our Real Estate Services segment was due to increased revenues, as described above, partially offset by an increase in expenses, as also described above.

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QUARTERLY RESULTS OF OPERATIONS

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

	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Revenues:								
Commissions	$ 324,832	$ 298,704	$ 293,350	$ 302,874	$ 308,438	$ 271,347	$ 250,921	$ 261,496
Principal transactions	85,349	87,997	76,312	76,417	83,686	99,745	79,888	94,997
Real estate management services	39,823	39,338	41,141	39,672	37,930	3,961	1,222	
Fees from related parties	12,242	13,148	14,016	13,102	13,494	12,547	15,366	15,220
Market data	3,643	4,125	4,182	4,166	3,990	4,964	4,042	4,556
Software solutions	2,530	2,566	2,541	2,485	2,487	2,449	2,472	2,328
Interest income	1,651	1,548	1,371	1,397	1,543	2,195	1,351	1,730
Other revenues	1,174	831	52,936	3,199	622	209	1,777	1,283
Gain on divestiture	723,147							
Losses on equity investments	(1,224)	(3,288)	(3,672)	(2,995)	(2,652)	(2,456)	(1,870)	(1,675)
Total revenues	1,193,167	444,969	482,177	440,317	449,538	394,961	355,169	379,935
Expenses:								
Compensation and employee benefits	765,679	289,392	316,097	288,669	308,029	246,869	216,298	253,879
Allocations of net income to limited partnership units and founding/working partner units	46,084	7,438	5,019	56	1,909	5,980		
Total compensation and employee benefits	811,763	296,830	321,116	288,725	309,938	252,849	216,298	253,879
Occupancy and equipment	37,340	39,227	40,018	40,010	39,092	36,229	34,118	29,943
Fees to related parties	2,286	2,843	2,267	2,837	3,169	3,519	2,719	3,297
Professional and consulting fees	11,367	14,941	15,881	18,062	19,515	19,319	19,569	19,625
Communications	22,755	24,341	24,584	22,863	21,402	21,958	21,753	21,508
Selling and promotion	23,239	20,315	20,928	22,153	23,513	19,446	19,951	19,507
Commissions and floor brokerage	6,397	5,771	5,545	5,675	5,833	5,680	6,311	6,539
Interest expense	9,989	9,700	9,991	9,758	7,578	7,558	8,689	6,754
Other expenses	59,780	17,304	13,084	26,622	15,048	9,491	14,939	23,365
Total expenses	984,916	431,272	453,414	436,705	445,088	376,049	344,347	384,417
Income (loss) from operations before income taxes	208,251	13,697	28,763	3,612	4,450	18,912	10,822	(4,482)
Provision (benefit) for income taxes	78,711	3,095	10,329	2,623	70	7,202	3,905	(1,338)
Consolidated net income (loss)	129,540	10,602	18,434	989	4,380	11,710	6,917	(3,144)

Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	95,074	3,604	4,266	1,440	2,422	3,521	3,077	(1,111)
Net income (loss) available to common stockholders	$ 34,466	$ 6,998	$ 14,168	$ (451)	$ 1,958	$ 8,189	$ 3,840	$ (2,033)

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

	For the Three Months Ended							
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Brokerage revenue by product (actual results):								
Rates	$ 138,299	$ 144,992	$ 119,791	$ 131,359	$ 134,402	$ 146,884	$ 128,115	$ 151,813
Credit	67,343	69,142	62,225	67,926	70,084	84,371	66,148	83,507
Foreign Exchange	60,692	59,348	47,130	48,910	53,240	58,731	47,383	61,120
Real Estate	103,155	73,249	104,492	96,551	92,682	37,285	44,980	
Equities and Other Asset Classes	40,692	39,970	36,024	34,545	41,716	43,821	44,183	60,053
Total brokerage revenues	$ 410,181	$ 386,701	$ 369,662	$ 379,291	$ 392,124	$ 371,092	$ 330,809	$ 356,493
Brokerage revenue by product (percentage):								
Rates	33.7%	37.5%	32.4%	34.6%	34.3%	39.6%	38.7%	42.6%
Credit	16.4	17.9	16.8	17.9	17.9	22.7	20.0	23.4
Foreign Exchange	14.8	15.3	12.7	12.9	13.6	15.8	14.3	17.1
Real Estate	25.1	19.0	28.3	25.5	23.6	10.1	13.6	
Equities and Other Asset Classes	10.0	10.3	9.8	9.1	10.6	11.8	13.4	16.9
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Brokerage revenue by voice/hybrid and fully electronic (actual results):								
Voice/hybrid	$ 374,397	$ 349,854	$ 339,155	$ 346,251	$ 358,395	$ 335,572	$ 299,307	$ 322,335
Fully electronic	35,784	36,847	30,507	33,040	33,729	35,520	31,502	34,158
Total brokerage revenues	$ 410,181	$ 386,701	$ 369,662	$ 379,291	$ 392,124	$ 371,092	$ 330,809	$ 356,493
Brokerage revenue by voice/hybrid and fully electronic (percentage):								
Voice/hybrid	91.3%	90.5%	91.7%	91.3%	91.4%	90.4%	90.5%	90.4%
Fully electronic	8.7	9.5	8.3	8.7	8.6	9.6	9.5	9.6
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet

Our balance sheet and business model are not capital intensive. We maintain minimal securities inventory; our assets consist largely of cash, collateralized and uncollateralized short-dated receivables and less liquid assets needed to support our business. Longer-term funding (equity and long-term debt) is held to support the less liquid assets and potential capital intensive opportunities. Total assets at June 30, 2013 were $3.4 billion, an increase of 110.4% as compared to December 31, 2012. The increase in total assets was driven primarily by an increase in cash and in receivables from broker-dealers, clearing organizations, customers and related broker-dealers. We maintain a significant portion of our assets in cash, with our cash position (which we define as cash and cash equivalents plus unencumbered securities held for liquidity purposes) at June 30, 2013 of $1,102.4 million. See Cash Position Analysis below for a further discussion of cash and cash equivalents.

As part of our cash management process, especially in light of the proceeds of the NASDAQ OMX Transaction, we may enter into reverse repurchase agreements and other short term investments, some of which may be with Cantor. As of June 30, 2013 and December 31, 2012, the Company had no reverse repurchase agreements outstanding with Cantor. As of July 31, 2013, we had $500 million of reverse repurchase agreements with Cantor, for which we received, as collateral, Agency MBS and similar quality securities with a fair value of $510 million. As of June 30, 2013, we had a $49.1 million reverse repurchase agreement with a third party to facilitate the settlement of matched principal transactions.

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. The Company shall be entitled to invest in the program so long as it meets investment policy guidelines, including relating to ratings. Cantor will earn a spread between the rate they receive from the short-term note issuer and the rate they pay to us on any investments in this program. This spread shall be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program.

Funding

Our funding base consists of longer-term capital (equity, notes payable and collateralized borrowings), shorter-term liabilities (including our credit facility to the extent drawn) 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 balances significantly exceed our unsecured letters of credit, unsecured bank borrowings and the amortization of our collateralized long-term debt. We have also entered into secured loan arrangements, which are repayable in consecutive monthly installments with the final payments due in December 2016. A significant portion of our cash is held in our largest regulated entities and we believe that cash in and available to these entities, inclusive of financing provided by clearing banks, is adequate for potential cash demands of normal operations such as margin or fail financing. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends issued pursuant to our dividend policy. However, we believe that there are a significant number of capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

- increase the regulatory net capital necessary to support operations;
- support continued growth in our business;
- effect acquisitions;
- develop new or enhanced services and markets; and

respond to competitive pressures.

Acquisitions and financial reporting obligations related thereto may impact our ability to access capital markets on a timely basis and may necessitate greater short-term borrowings 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, 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.

Equity

We currently have in place an effective equity shelf Registration Statement on Form S-3 (the Form S-3 Registration Statement) with respect to the issuance and sale of up to 20 million shares of our Class A common stock from time to time on a delayed or continuous basis. As of July 31, 2013, we have issued and sold an aggregate of approximately 8.7 million shares of Class A common stock under the Form S-3 Registration Statement pursuant to the controlled equity offering sales agreement we entered into with CF&Co on December 12, 2012 (the December 2012 Sales Agreement), with approximately 11.3 million shares of Class A common stock remaining to be sold under the December 2012 Sales Agreement as of July 31, 2013. We intend to use the net proceeds of any shares of Class A common stock sold for general corporate purposes, including potential acquisitions, redemptions of limited partnership units and founding/working partner units in BGC Holdings and repurchases of shares of 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 registrations along with our share buy-back 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 Class A shares under the registration.

Further, we have an effective registration statement on Form S-4 (the Form S-4 Registration Statement), 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 July 31, 2013, we have issued an aggregate of 3.8 million shares of Class A common stock under the Form S-4 Registration Statement, all in connection with

acquisitions in the real estate brokerage industry. 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 our Class A common stock under the BGC Partners, Inc. Dividend Reinvestment and Stock Purchase Plan. As of July 31, 2013, we have issued approximately 114.8 thousand shares of our Class A common stock under the Dividend Reinvestment and Stock Purchase Plan.

On April 12, 2013, we filed a resale Registration Statement on Form S-3 pursuant to which 2,810,000 shares of our Class A common stock may be sold by The Cantor Fitzgerald Relief Fund (the Relief Fund) or by its pledgees, donees, transferees or other successors in interest. Of the 2,810,000 shares, 1,810,000 shares were donated on December 21, 2012 and the remaining 1,000,000 shares were donated on April 2, 2013.

Our 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 our Class A common stock upon exchange of limited partnership units and founding/working partner units. On June 4, 2013, at our Annual Meeting of Stockholders, our stockholders approved an amendment to our Third Amended and Restated Long Term Incentive Plan (the Equity Plan) to increase from 150 million to 200 million the aggregate number of shares of our Class A common stock that may be delivered or cash settled pursuant to awards granted during the life of the Equity Plan. On June 7, 2013, we filed a Registration Statement on Form S-8 with respect to the additional 50 million shares. As of June 30, 2013, the limit on the aggregate number of shares authorized to be delivered allowed for the grant of future awards relating to 67.8 million shares.

Notes Payable, Collateralized Borrowings and Credit Facility

On April 1, 2010, we effectively refinanced $150.0 million in Senior Notes payable via issuance of the 8.75% Convertible Notes to Cantor. The details of this issuance are provided in the Notes Payable, Collateralized and Short-Term Borrowings section below.

On June 23, 2011, we entered into a Credit Agreement with a bank syndicate which provides for up to $130.0 million of unsecured revolving credit through September 23, 2013. Borrowings under the Credit Agreement will bear interest on a floating rate basis with various terms available from which we can select. The Credit Agreement also provides for an unused facility fee and certain upfront and arrangement fees. The Credit Agreement requires that the outstanding loan balance be reduced to zero every 270 days for three days. The Credit Agreement further provides for certain affirmative and negative covenants including financial covenants, such as minimum equity, tangible equity and interest coverage, as well as maximum levels for total assets to equity capital and debt to equity. On June 20, 2013, we entered into the Second Amendment to Credit Agreement and Waiver, pursuant to which the parties agreed to a three-month extension of the termination date of the Credit Agreement to September 23, 2013 and a waiver of certain provisions of the Credit Agreement in connection with the NASDAQ OMX Transaction and our possible hedge of NASDAQ OMX shares to be received in the earn-out portion of the transaction consideration. We expect to negotiate a renewal of the Credit Agreement during the extension period.

The borrowings under the Credit Agreement will be used for general corporate purposes, including, but not limited to, financing our existing businesses and operations, expanding our businesses and operations through additional broker hires, strategic alliances and acquisitions, and repurchasing shares of our Class A common stock or purchasing limited partnership interests in BGC Holdings or other equity interests in our subsidiaries. As of July 31, 2013, we had no borrowings outstanding under the Credit Agreement.

On July 29, 2011, we issued an aggregate of $160.0 million principal amount of 4.50% Convertible Notes. On June 26, 2012, we issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042. Additional details regarding these issuances are provided in the Notes Payable, Collateralized and Short-Term Borrowings section below.

On various dates beginning in 2009 and most recently in December 2012, we entered into secured loan arrangements under which we pledged certain fixed assets in exchange for loans. Additional details regarding our secured loan arrangements are provided in the Notes Payable, Collateralized and Short-Term Borrowings section below.

We may raise additional funds from time to time through equity or debt financing, including public and private sales of debt securities, to finance our business, operations and possible acquisitions.

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CREDIT RATINGS

Our public long-term credit ratings and associated outlook are as follows:

	Rating	Outlook
Fitch Ratings Inc.	BBB-	Stable*
Standard & Poor s	BBB-	Stable

* On June 28, 2013, Fitch Ratings Inc. downgraded our long-term debt rating from BBB to BBB- and changed its outlook from negative to 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 outlook 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 trading agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

CASH POSITION ANALYSIS

Below is an analysis of the changes in our cash position for the six months ended June 30, 2013 and 2012. Our cash position is defined as cash and cash equivalents plus unencumbered securities held for liquidity purposes. The analysis below describes the key components of our earnings, dividends and distributions, investing and funding, security settlements and our working capital activities.

Our cash analysis starts with consolidated net income adjusted for certain non-cash items (e.g., grants of exchangeability) 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. This timing difference will impact our sources and uses of cash in a given period.

Our investing and funding activities represent a combination of our capital raising activities, including short-term borrowings and issuances under our controlled equity offerings (net), and our 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 cash position.

The changes in our cash position during the six months ended June 30, 2013 and 2012 were as follows:

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Cash position, beginning of period	$ 420.4	$ 385.7
Consolidated net income, adjusted for non-cash items	627.4	88.6
Dividends and distributions related to prior periods	(71.9)	(95.2)
Treasury stock repurchases	(0.2)	(0.3)

Net cash from earnings, dividends and distributions	555.3	(6.9)
Investing and funding activities:		
(Decreases) increases in funding	(32.4)	104.1
Investments	26.9	(95.6)
Net investing and funding activities	(5.5)	8.5
Securities settlements	(13.1)	(6.8)
Other changes in working capital	147.2	26.2
All other	(1.9)	(1.2)
Cash position, end of period	$ 1,102.4	$ 405.5

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Discussion of six months ended June 30, 2013

The increased cash position was primarily due to cash received from the sale of assets to NASDAQ OMX.

For the six months ended June 30, 2013, we generated earnings adjusted for non-cash items of $627.4 million, which was primarily due to the $723.1 million gain on divestiture from the NASDAQ OMX Transaction. We also paid dividends and distributions to shareholders and limited partners of $71.9 million of which $39.8 million related to dividends associated with the fourth quarter of 2012 and first quarter 2013 earnings and $32.1 million related to distributions to partners associated with the fourth quarter of 2012 earnings.

Our investing and funding activities used approximately $5.5 million of cash during the period. Decreases in our funding of $32.4 million were primarily driven by repayment of collateralized borrowings. During this period, investments generated $26.9 million primarily due to the sale of assets to NASDAQ OMX. This represents the net of the cash proceeds and the gain on the NASDAQ OMX Transaction which was reflected in our consolidated net income.

Our securities settlement activities used $13.1 million of cash during the period primarily related to funding fail transactions, which is a temporary decrease in cash.

Working capital and other uses of cash were approximately $147.2 million, primarily due to increases in tax liabilities relating to the gain on the sale of assets to NASDAQ OMX.

Discussion of six months ended June 30, 2012

For the six months ended June 30, 2012, we generated earnings adjusted for non-cash items of $88.6 million and paid dividends and distributions to shareholders and limited partners of $95.2 million of which $47.4 million related to dividends associated with fourth quarter 2011 and first quarter 2012 earnings and $47.8 million related to partnership earnings in the third and fourth quarter of 2011.

Our investing and funding activities generated approximately $8.5 million of cash during the period. Increases in our funding generated $104.1 million primarily driven by the issuance of $112.5 million of Senior Notes on June 26, 2012. During this period, we invested $95.6 million primarily in investments in Grubb & Ellis and ELX.

Our securities settlement activities utilized $6.8 million of cash during the period, which is a temporary use of cash.

Working capital and other sources of cash were approximately $25.0 million.

NOTES PAYABLE, COLLATERALIZED AND SHORT-TERM BORROWINGS

On April 1, 2010, BGC Holdings issued an aggregate of $150.0 million principal amount of the 8.75% Convertible Notes to Cantor. We used the proceeds of the 8.75% Convertible Notes to repay at maturity $150.0 million aggregate principal amount of Senior Notes.

The 8.75% Convertible Notes are senior unsecured obligations and rank equally and ratably with all of our existing and future senior unsecured obligations. The 8.75% Convertible Notes bear an annual interest rate of 8.75% currently, which is payable semi-annually in arrears on April 15 and October 15 of each year. As of June 30, 2013, the 8.75% Convertible Notes were convertible, at the holder s option, at a conversion rate of 157.1566 shares of Class A common stock per $1,000 principal amount of notes, subject to adjustment in certain circumstances. The 8.75% Convertible Notes were convertible into approximately 23.6 million shares of Class A common stock as of June 30, 2013. The 8.75% Convertible Notes will mature on April 15, 2015, unless earlier repurchased, exchanged or converted.

On July 29, 2011, we issued an aggregate of $160.0 million principal amount of 4.50% Convertible Notes. In connection with the offering of the 4.50% Convertible Notes, we entered into an Indenture, dated as of July 29, 2011, with U.S. Bank National Association, as trustee. The 4.50% Convertible Notes were offered and sold solely to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

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The 4.50% Convertible Notes are our general senior unsecured obligations. The 4.50% Convertible Notes pay interest semi-annually at a rate of 4.50% per annum and were priced at par. As of June 30, 2013, the 4.50% Convertible Notes were convertible, at the holder s option, at a conversion rate of 101.6260 shares of Class A common stock per $1,000 principal amount of notes, subject to adjustment in certain circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our Class A common stock, or a combination thereof at our election. As of June 30, 2013, the 4.50% Convertible Notes were convertible into approximately 16.3 million shares of our Class A common stock. The 4.50% Convertible Notes will mature on July 15, 2016, unless earlier repurchased, exchanged or converted. The carrying value of the 4.50% Convertible Notes was approximately $145.6 million as of June 30, 2013.

In connection with the offering of the 4.50% Convertible Notes, we entered into capped call transactions, which are expected to reduce the potential dilution of our Class A common stock upon any conversion of 4.50% Convertible Notes in the event that the market value per share of our Class A common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions ($10.17 as of June 30, 2013, subject to adjustment in certain circumstances). The capped call transactions had an initial cap price equal to $12.30 per share (50% above the last reported sale price of our Class A common stock on the NASDAQ on July 25, 2011), and had a cap price equal to approximately $12.72 per share as of June 30, 2013.

The net proceeds from this offering were approximately $144.2 million after deducting the initial purchasers discounts and commissions, estimated offering expenses and the cost of the capped call transactions. We used the net proceeds from the offering for general corporate purposes, including financing acquisitions.

On June 26, 2012, we issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042. The 8.125% Senior Notes are our senior unsecured obligations. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at our option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. We used the proceeds to repay short-term borrowings under our unsecured revolving credit facility and for general corporate purposes, including acquisitions. The initial carrying value of the 8.125% Senior Notes was $108.7 million, net of debt issuance costs of $3.8 million. CF&Co, an affiliate of us, served as one of the underwriters in this transaction and was paid an underwriting fee of approximately $0.2 million.

On various dates beginning in 2009 and most recently in December 2012, we entered into secured loan arrangements under which we pledged certain fixed assets in exchange for loans. The secured loan arrangements have fixed rates between 2.62% and 8.09% per annum and are repayable in consecutive monthly installments with the final payments due in December 2016. The outstanding balance of the secured loan arrangements was $19.4 million and $37.6 million as of June 30, 2013 and December 31, 2012, respectively. The value of the fixed assets pledged was $16.9 million and $32.1 million as of June 30, 2013 and December 31, 2012, respectively. The secured loan arrangements are guaranteed by us.

During the three months ended June 30, 2013, we prepaid $12.2 million related to the secured loan arrangements. As a result of the prepayment, we incurred $0.1 million of early termination fees and recognized $0.1 million as a result of the acceleration of deferred financing costs, which are recorded in Interest expense in our unaudited condensed consolidated statements of operations.

On various dates during the years ended December 31, 2011 and 2010, we sold certain furniture, equipment and software for $34.2 million, net of costs and concurrently entered into agreements to lease the property back. The principal and interest on the leases were repayable in equal monthly installments for terms of 36 months (software) and 48 months (furniture and equipment) with maturities through September 2014.

During the three months ended June 30, 2013, we terminated the leases and prepaid the outstanding balance of $7.4 million. As a result of the prepayment, we incurred $0.1 million of early termination fees and recognized $0.2 million as a result of the acceleration of deferred financing costs, which are recorded in Interest expense in our unaudited condensed consolidated statements of operations.

Because the leases were terminated during the three months ended June 30, 2013, we had no outstanding balance or fixed assets pledged related to the leases as of June 30, 2013. As of December 31, 2012, the outstanding balance of the leases and the value of the fixed assets pledged were $11.7 million and $8.3 million, respectively.

Because assets reverted back to us at the end of the leases, the transactions were capitalized. As a result, consideration received from the purchaser was included in our unaudited condensed consolidated statements of financial condition as a financing obligation, and payments made under the lease were recorded as interest expense (at an effective rate of approximately 6%). Depreciation on these fixed assets was charged to Occupancy and equipment in our unaudited condensed consolidated statements of operations.

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During the year ended December 31, 2011, we entered into a Credit Agreement with a bank syndicate which provides for up to $130.0 million of unsecured revolving credit through September 23, 2013 (for a detailed description of this facility, see Note 15 Notes Payable, Collateralized and Short-Term Borrowings to our unaudited condensed consolidated financial statements). The borrowings under the Credit Agreement will be used for general corporate purposes, including, but not limited to, financing our existing businesses and operations, expanding our businesses and operations through additional broker hires, strategic alliances and acquisitions, and repurchasing shares of our Class A common stock or purchasing limited partnership interests in BGC Holdings or other equity interests in our subsidiaries. As of July 31, 2013, we had no borrowings outstanding under the Credit Agreement.

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. Pursuant to the terms of this agreement, so long as Cantor is providing clearing services to us, Cantor shall be entitled to request from us, and we shall post as soon as practicable, cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement.

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 censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. In addition, self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA) and the National Futures Association (NFA) along with statutory bodies such as the Financial Conduct Authority (FCA) and the U.S. Securities and Exchange Commission (the SEC) 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.

On April 1, 2013, the FSA was replaced by two new regulatory bodies:

- The Prudential Regulation Authority (PRA) now governs the regulation of deposit-taking institutions, insurers and investment banks.
- The Financial Conduct Authority (FCA) now regulates business conduct of retail and wholesale markets with the main objective of protecting and enhancing confidence in the UK s financial system. It has responsibility for the conduct of business regulation of all financial institutions including those regulated prudentially by the PRA.

Certain of our European subsidiaries are regulated by the FCA.

As of June 30, 2013, $325.4 million of net assets were held by regulated subsidiaries. As of June 30, 2013, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of $149.6 million.

In April 2013, our Board of Directors 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.

EQUITY

Class A Common Stock

Changes in shares of our Class A common stock outstanding for the three and six months ended June 30, 2013 and 2012 were as follows. This table does not include 45.2 million shares of our Class A common stock (of which approximately 39.1 million will be restricted shares) that we granted and expect to issue in connection with our global partnership restructuring program (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Shares outstanding at beginning of period	130,873,581	104,762,935	123,913,759	97,220,042
Share issuances:				
Redemptions and exchanges of limited partnership interests (1)	3,498,243	2,530,980	8,837,725	6,004,888
Vesting of restricted stock units (RSUs)	131,571	201,316	623,393	876,289
Acquisitions (2)	1,086,975	839,120	1,086,975	918,835
Purchase of notes receivable in connection with our acquisition of Grubb & Ellis				453,172
Other issuances of Class A common stock	771,169	47,023	1,899,687	2,952,161
Treasury stock repurchases	(33,478)		(33,478)	(44,013)
Shares outstanding at end of period	136,328,061	108,381,374	136,328,061	108,381,374

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(1) The issuances related to redemptions and exchanges of limited partnership interests did not impact the fully diluted number of shares and units outstanding.
(2) For the three and six months ended June 30, 2012, 72,009 of these shares were issued pursuant to the exemption from registration provided by Regulation S under the Securities Act.

Class B Common Stock

We did not issue any shares of Class B common stock during the three and six months ended June 30, 2013 or 2012.

Controlled Equity Offering

On December 12, 2012, we entered into a controlled equity offering sales agreement with CF&Co, pursuant to which we may offer and sell up to an aggregate of 20 million shares of our Class A common stock. Shares of our Class A common stock sold under our controlled equity offering sales agreement are used primarily for redemptions of limited partnership interests in BGC Holdings. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of us. Under the December 2012 Sales Agreement, we have agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. As of June 30, 2013, we have sold 8,672,410 shares of our Class A common stock under the December 2012 Sales Agreement.

Unit Redemptions and Share Repurchase Program

Our Board of Directors and Audit Committee have authorized repurchases of our Class A common stock and redemptions of BGC Holdings limited partnership interests or other equity interests in our subsidiaries. On May 1, 2013, our Board of Directors and Audit Committee increased our share repurchase and unit redemption authorization to $100 million. This authorization increased to $250 million upon the closing of the NASDAQ OMX Transaction. On July 30, 2013, our Board of Directors reauthorized the Company s $250 million share repurchase and unit redemption program. From time to time, we may actively continue to repurchase shares or redeem units.

The below table excludes 77.4 million units which we redeemed or exchanged from partners at the end of the second quarter of 2013. We granted and expect to issue 45.2 million restricted shares of our Class A common stock, of which approximately 39.1 million will be restricted shares. The Company also expects to pay the anticipated withholding taxes owed on behalf of these partners related to this redemption/exchange and issuance. These restricted shares are generally expected to be saleable by partners in good standing after either five or ten years (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein). Partners who agree to extend the lengths of their employment agreements and/or other contractual modifications are expected to be able to sell their restricted shares over a shorter time period. Unit redemption and share repurchase activity for the six months ended June 30, 2013 was as follows:

Period	Total Number of Units Redeemed or Shares Repurchased	Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Plan
Redemptions (1), (2)			
January 1, 2013 March 31, 2013	5,193,534	$ 4.16	
April 1, 2013 April 30, 2013	894,218	5.51	
May 1, 2013 May 31, 2013			
June 1, 2013 June 30, 2013	1,764,245	5.48	
Total Redemptions	7,851,997	$ 4.61	
Repurchases (3), (4)			
January 1, 2013 March 31, 2013		$	
April 1, 2013 April 30, 2013	33,478	5.61	
May 1, 2013 May 31, 2013			
June 1, 2013 June 30, 2013			

Total Repurchases	33,478	$ 5.61	
Total Redemptions and Repurchases	7,885,475	$ 4.61	$ 250,000,000

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(1) During the three months ended June 30, 2013, we redeemed approximately 2.5 million limited partnership units at an average price of $5.54 per unit and approximately 0.2 million founding/working partner units at an average price of $4.68 per unit. During the three months ended June 30, 2012, we redeemed approximately 2.6 million limited partnership units at an average price of $6.47 per unit and approximately 0.3 million founding/working partner units at an average price of $7.76 per unit.
(2) During the six months ended June 30, 2013, we redeemed approximately 6.9 million limited partnership units at an average price of $4.71 per unit and approximately 0.9 million founding/working partner units at an average price of $3.78 per unit. During the six months ended June 30, 2012, we redeemed approximately 5.4 million limited partnership units at an average price of $6.61 per unit and approximately 1.3 million founding/working partner units at an average price of $6.55 per unit.
(3) During the three months ended June 30, 2013, we repurchased 33,478 shares of our Class A common stock at an aggregate purchase price of approximately $0.2 million for an average price of $5.61 per share. Such shares were purchased from Stephen M. Merkel, our Executive Vice President, General Counsel and Secretary. During the three months ended June 30, 2012, we did not repurchase any shares of our Class A common stock.
(4) During the six months ended June 30, 2013, we repurchased 33,478 shares of our Class A common stock at an aggregate purchase price of approximately $0.2 million for an average price of $5.61 per share. During the six months ended June 30, 2012, we repurchased 44,013 shares of our Class A common stock at an aggregate purchase price of approximately $0.3 million for an average price of $7.66 per share.

The fully diluted weighted-average share count for the three months ended June 30, 2013 was as follows (in thousands):

	Three Months Ended June 30, 2013
Common stock outstanding(1)	171,758
Limited partnership interests in BGC Holdings	165,127
Convertible notes equivalent shares	39,780
RSUs (Treasury stock method)	630
Other	797
Total(2)	378,092

(1) Common stock outstanding consisted of Class A shares, Class B shares and contingent shares for which all necessary conditions have been satisfied except for the passage of time. For the quarter ended June 30, 2013, the weighted-average share count of Class A shares was 136.7 million and Class B shares was 34.8 million.
(2) For the quarter ended June 30, 2013, approximately 6.6 million, potentially dilutive securities were not included in the computation of fully diluted earnings per share because their effect would have been anti-dilutive. Also, as of June 30, 2013, approximately 5.9 million shares of contingent Class A common stock were excluded because the conditions for issuance had not been met by the end of the period.

We intend to reexamine our partnership enhancement program and to take other steps with the objective of reducing our overall rate of share count growth.

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Stock Option Exercises

We did not issue any shares of our Class A common stock related to the exercise of stock options during the three and six months ended June 30, 2013 or 2012.

UNIT REDEMPTIONS FROM EXECUTIVE OFFICERS

The Company s named executive officers are participating in the global partnership redemption program as follows (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein): Howard W. Lutnick, the Company s Chief Executive Officer, redemption/exchange of 5,930,035 previously issued limited partnership units, with 2,889,279 shares of Class A common stock and 1,016,375 shares of restricted stock (Mr. Lutnick does not currently intend to sell any of these shares of Class A common stock); Shaun D. Lynn, the Company s President, redemption/exchange of 3,017,721 previously issued limited partnership units, with 664,066 shares of Class A common stock and 1,815,711 shares of restricted stock; Stephen M. Merkel, the Company s Executive Vice President, General Counsel and Secretary, redemption of 355,131 previously issued limited partnership units, with 228,674 shares of restricted stock; Sean A. Windeatt, the Chief Operating Officer of the Company, redemption of 437,813 previously issued limited partnership units, with 349,136 shares of restricted stock; and A. Graham Sadler, the Company s Chief Financial Officer, redemption of 189,975 previously issued limited partnership units, with 151,496 shares of restricted stock. The number of shares actually delivered to the named executive officers will be net of shares withheld to pay withholding taxes. These shares were awarded to the named executive officers on July 30, 2013.

In addition, in connection with the foregoing, Messrs. Lynn, Windeatt and Sadler will receive newly-issued BGC Holdings limited partnership units that are equivalent to 9.75% of their non-exchangeable units that were redeemed in the above transactions. Upon any sale or other transfer by such executive officers of shares of restricted stock, a proportional number of these newly-issued units will be redeemed for zero by BGC Holdings. The newly-issued units are not expected to be made exchangeable into shares of Class A common stock.

SHARE REPURCHASES FROM EXECUTIVE OFFICERS

On April 2, 2013, the Audit Committee and Compensation Committee authorized management to repurchase shares of Class A common stock or partnership units from our executive officers from time to time at prices not to exceed the market price of the Class A common stock on the date of purchase. On April 2, 2013, we repurchased from Mr. Merkel 33,478 shares of Class A common stock at a price of $5.61 per share, which was the closing price of the Class A common stock on such date, less 2%.

CANTOR RIGHTS TO PURCHASE LIMITED PARTNERSHIP INTERESTS FROM BGC HOLDINGS

Cantor has the right to purchase limited partnership interests (Cantor units) from BGC Holdings upon redemption of non-exchangeable founding/working partner units redeemed by BGC Holdings upon termination or bankruptcy of the founding/working partner. Any such Cantor units purchased by Cantor are exchangeable for shares of Class B common stock or, at Cantor s election or if there are no additional authorized but unissued shares of Class B common stock, shares of Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

As of June 30, 2013, there were 1,293,751 non-exchangeable founding/working partner units remaining in which BGC Holdings had the right to redeem and Cantor had the right to purchase an equivalent number of Cantor units.

PARTNER LOAN AGREEMENTS

On April 5, 2012, we repurchased an aggregate of 895,141 partnership interests at a price of $7.82 per share from an employee. Approximately $4.6 million of the proceeds were used to repay two notes previously issued by us, and approximately $2.4 million of the proceeds were used towards a $3.4 million third-party note, to which the shares underlying the employee s remaining 301,160 exchangeable units remain pledged. Cantor has guaranteed this third-party loan.

AQUA SECURITIES L.P.

We are authorized to enter into loans, investments or other credit support arrangements for Aqua Securities L.P. (Aqua), an alternative electronic trading platform which offers new pools of block liquidity to the global equities markets, of up to $10.0 million in the aggregate; such arrangements would be proportionally and on the same terms as similar arrangements between Aqua and Cantor. A $1.6 million increase in this amount was authorized on August 5, 2013. Aqua is 51% owned by Cantor and 49% owned by us. Aqua is accounted for under the equity method of accounting. During the six months ended June 30, 2013, we made $0.8 million in cash contributions to Aqua. These contributions are recorded as part of Investments in our unaudited condensed consolidated statements of financial condition.

GUARANTEE AGREEMENT FROM CF&Co

Under rules adopted by the Commodity Futures Trading Commission (CFTC), all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the National Futures Association (NFA) and either meet financial

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reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered Futures Commission Merchant (FCM). 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. CF&Co has entered into guarantees on our behalf, and we are required to indemnify CF&Co for the amounts, if any, paid by CF&Co on our behalf pursuant to this arrangement.

SHARE DONATION IN CONNECTION WITH CHARITY DAY

On April 2, 2013, we issued and donated an aggregate of 1,000,000 shares of Class A common stock to the Relief Fund in connection with our annual Charity Day. On April 12, 2013, we filed a resale registration statement on Form S-3 with respect to 2,810,000 shares of Class A common stock donated by us to the Relief Fund in connection with our annual Charity Day (including the 1,000,000 shares we issued and donated on April 2, 2013). The registration statement was declared effective by the SEC on May 6, 2013.

MARKET SUMMARY

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

	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Notional Volume (in billions)					
U.S Treasuries (UST)	$ 12,001	$ 10,582	$ 8,010	$ 9,589	$ 11,148
Fully electronic volume excluding UST	2,416	2,622	1,701	1,988	2,243
Total fully electronic volume	14,417	13,204	9,711	11,577	13,391
Total hybrid volume (1)	36,464	38,545	34,714	37,939	34,719
Total fully electronic and hybrid volume excluding UST	38,880	41,167	36,415	39,927	36,962
Total fully electronic and hybrid volume	$ 50,881	$ 51,749	$ 44,425	$ 49,516	$ 48,110
Transaction Count (in thousands, except for days)					
U.S. Treasuries	5,095	4,104	3,180	3,702	4,494
Fully electronic volume excluding UST	1,406	1,380	715	758	940
Total fully electronic transactions	6,501	5,484	3,895	4,460	5,434
Total hybrid transactions	717	702	619	678	707
Total transactions excluding UST	2,123	2,082	1,334	1,436	1,648
Total transactions	7,218	6,186	4,514	5,138	6,141
Trading Days	64	60	64	63	63

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

Notes: The NASDAQ OMX Transaction is expected to lower the above volume figures for fully electronic Rates in periods following the close of the NASDAQ OMX Transaction. To provide a more meaningful comparison, the figures above are shown with and without fully electronic UST volumes. The above historical volume figures have been adjusted to reflect the reclassification of certain brokerage desks. These reclassifications had no impact on our total fully electronic or hybrid volumes or on our revenues related to fully electronic

trading, overall revenues or earnings.

All trades executed on the eSpeed platform settle for clearing purposes against CF&Co, a BGC affiliate. CF&Co is a member of FINRA and the Fixed Income Clearing Corporation, a subsidiary of the Depository Trust & Clearing Corporation. CF&Co, BGC, and other affiliates participate in U.S. Treasuries as well as other markets by posting quotations for their account and by acting as principal on trades with platform users. Such activity is intended, among other things, to assist CF&Co, BGC, and their affiliates in managing their proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow.

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QUARTERLY MARKET ACTIVITY

Fully electronic volume on the eSpeed and BGC Trader system, including new products, was $14.4 trillion for the three months ended June 30, 2013, up 7.7% from $13.4 trillion for the three months ended June 30, 2012. Our combined voice-assisted and screen-assisted volume for the three months ended June 30, 2013 was $50.9 trillion, up 5.8% from $48.1 trillion for the three months ended June 30, 2012. Excluding UST, fully electronic volume on the eSpeed and BGC Trader system, including new products, was $2.4 trillion for the three months ended June 30, 2013, up 7.8% from $2.2 trillion for the three months ended June 30, 2012. Our combined voice-assisted and screen-assisted volume, excluding UST, for the three months ended June 30, 2013 was $39.0 trillion, up 5.2% from $37.0 trillion for the three months ended June 30, 2012.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes certain of our contractual obligations at June 30, 2013 (in thousands):

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating leases(1)	$ 257,885	$ 52,907	$ 88,055	$ 53,080	$ 63,843
Notes payable and collateralized obligations(2)	442,140	7,736	161,134	160,770	112,500
Interest on notes payable(3)	311,056	30,057	43,443	18,587	218,969
Total contractual obligations	$ 1,011,081	$ 90,700	$ 292,632	$ 232,437	$ 395,312

(1) Operating leases are related to rental payments under various non-cancelable leases, principally for office space, net of sub-lease payments to be received. The total amount of sub-lease payments to be received is approximately $14.2 million over the life of the agreement. These sub-lease payments are included in the table above.

(2) Notes payable and collateralized obligations reflects the issuance of $150.0 million of the 8.75% Convertible Notes with a contractual maturity date in 2015 (unless earlier repurchased, exchanged or converted), $160.0 million of the 4.50% Convertible Notes (the $160.0 million represents the principal amount of the debt; the carrying value of the 4.50% Convertible Notes as of June 30, 2013 was approximately $145.6 million) with a contractual maturity date in 2016 (unless earlier repurchased, exchanged or converted), $112.5 million of the 8.125% Senior Notes (the $112.5 million represents the principal amount of the debt; the carrying value of the 8.125% Senior Notes as of June 30, 2013 was approximately $108.8 million) with a contractual maturity date in 2042 (which may be redeemed for cash, in whole or in part, on or after June 26, 2017, at our option) and $19.5 million of secured loan arrangements (the $19.5 million represents the principal amount of the debt; the carrying value of the secured loan arrangements as of June 30, 2013 was approximately $19.4 million) with maturity dates from 2013 to 2016. See Note 15 Notes Payable, Collateralized and Short-Term Borrowings, to our unaudited condensed consolidated financial statements for more information regarding these obligations, including timing of payments and compliance with debt covenants.

(3) The $219.0 million of interest on notes payable that is due in more than five years represents interest on the 8.125% Senior Notes. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at our option, which may impact the actual interest paid.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into arrangements with unconsolidated entities, including variable interest entities. See Note 12 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

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. We believe that of our significant accounting policies (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), the following 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, revenues from real estate management services, fees from related parties, fees from certain information products, fees for the provision of certain software solutions, and other revenues.

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We recognize revenue when four basic criteria have been met:

- Existence of persuasive evidence that an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller s price to the buyer is fixed and determinable; and
- Collectability is reasonably assured.

The judgments involved in revenue recognition include determining the appropriate time to recognize revenue. In particular within our Real Estate Services segment, we evaluate our transactions to determine whether contingencies exist that may impact the timing of 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 FASB guidance. Restricted stock units (RSUs) provided to certain employees are accounted for as equity awards, and as per FASB guidance, we are required to record an expense for the portion of the RSUs that is ultimately expected to vest. FASB guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Because significant 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 RSUs awards to employees is determined on the date of grant, based on the market value of our 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 non-cash equity-based compensation expense in our unaudited condensed consolidated statements of operations.

Limited Partnership Units: Limited partnership units in BGC Holdings are generally held by employees. Generally such units receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of our operating subsidiaries. These allocations are cash distributed on a quarterly basis and are generally contingent upon services being provided by the unit holders. As prescribed in FASB guidance, the quarterly allocations of net income to such limited partnership units are reflected as a separate component of compensation expense under Allocations of net income to limited partnership units and founding/working partner units in our unaudited condensed consolidated statements of operations.

Certain of these limited partnership units entitle the holders to receive post-termination payments equal to the notional amount in four equal yearly installments after the holder s termination. These limited partnership units are accounted for as post-termination liability awards under FASB guidance. Accordingly, we recognize a liability for these units on our unaudited condensed 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 Compensation and employee benefits.

Certain limited partnership units are granted exchangeability into Class A common stock on a one-for-one basis (subject to adjustment). At the time exchangeability is granted, we recognize an expense based on the fair value of the award on that date, which is included in Compensation and employee benefits in our unaudited condensed consolidated statements of operations. During the three months ended June 30, 2013 and 2012, we incurred compensation expense, before associated income taxes, of $12.9 million and $38.1 million, respectively, related to the grant of exchangeability on partnership units. During the six months ended June 30, 2013 and 2012, we incurred compensation expense, before associated income taxes, of $23.5 million and $64.1 million, respectively, related to the grant of exchangeability on partnership units.

At the end of the second quarter of 2013, the Company commenced a global partnership restructuring program to provide retention incentives and allow us to take advantage of certain tax efficiencies (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein). As a result of the program, we reduced the number of BGC Holdings limited partnership units outstanding by approximately 77.4 million units and granted and expect to issue 45.2 million shares of our Class A common stock, of which approximately 39.1 million will be restricted shares. Taken together, these actions reduced our fully diluted share count by 32.2 million shares.

Employee Loans: We have entered into various agreements with certain of our 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. The loan balances are periodically reviewed for potential impairment. Actual collectability of loan balances may differ from our estimates.

At the end of the second quarter of 2013, the Company commenced a global partnership restructuring program to provide retention incentives and to allow us to take advantage of certain tax efficiencies. Under the program, certain BGC Holdings, L.P. (BGC Holdings) limited partnership units were redeemed or exchanged for shares of our Class A common stock, of which approximately 39.1 million will be restricted shares (the Restricted Stock), which we expect to issue pursuant to the BGC Partners, Inc. Fourth Amended and Restated Long Term Incentive Plan (the LTIP) and the Company s registration statement on Form S-8 for the LTIP. The number of shares of Restricted Stock delivered will be net of certain adjustments.

As of June 30, 2013 and December 31, 2012, the aggregate balance of employee loans was $124.8 million and $220.1 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 for the above-mentioned employee loans for the three months ended June 30, 2013 and 2012 was $170.7 million and $7.4 million, respectively. Compensation expense for the above-mentioned employee loans for the six months ended June 30, 2013 and 2012 was $180.2 million and $14.4 million, respectively. Due to the redemption/exchange of the limited partnership units in the program described above (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein), we determined that the collectability of a portion of the employee loan balances is not expected and, therefore, we recognized a reserve for the three months ended June 30, 2013 in the amount of approximately $160.5 million. The compensation expense related to these loans 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 FASB guidance, *Goodwill and Other Intangible Assets*, 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. 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.

The first step involves comparing each reporting unit s estimated fair value with 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 significant 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 estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of potential impairment.

The second step of the process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated a potential impairment may exist. The implied fair value of goodwill is determined by measuring the excess of the estimated fair value of the reporting unit as calculated in step one, over the estimated fair values of the individual assets, liabilities and identified intangibles. Events such as economic weakness, significant declines in operating results of reporting units, or significant changes to critical inputs of the goodwill impairment test (e.g., estimates of cash flows or cost of capital) could cause the estimated fair value of our reporting units to decline, which could result in an impairment of goodwill in the future.

Income Taxes

We account for income taxes using the asset and liability method as prescribed in FASB guidance on *Accounting for Income Taxes*. 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.

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Certain of our entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax (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 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. Pursuant to FASB guidance on *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement on Accounting for Income Taxes*, 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 Interest expense and Other expenses, respectively, in our unaudited condensed consolidated statement 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.

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 additional information regarding our significant accounting policies.

RECENTLY ADOPTED 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 recently adopted accounting pronouncements.

NEW 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 new accounting pronouncements.

OUR ORGANIZATIONAL STRUCTURE

Stock Ownership

For purposes of representing Class A common stock ownership within our organizational structure diagram, we are including the shares granted and expected to be delivered through the Global Partnership Restructuring Program. At the end of the second quarter of 2013, the Company redeemed or exchanged 77,412,256 units from the partners of BGC and the Company granted, and expects to issue, 45,206,934 shares of the Company s Class A common stock (see Share Count Reduction and Modifications/Extensions of Employment Agreements herein). As of July 31, 2013, there were approximately 137,023,123 shares of our Class A common stock outstanding, of which 4,334,576 shares were held by Cantor and CF Group Management, Inc. (CFGM), Cantor s managing general partner. Therefore, taken together, the organizational diagram reflects an aggregate of 182,230,057 shares of Class A common stock as of July 31, 2013. Each share of Class A common stock, including any restricted shares, is generally entitled to one vote on matters submitted to a vote of our stockholders.

In addition, as of July 31, 2013, Cantor and CFGM held 34,848,107 shares of our Class B common stock (which represents all of the outstanding shares of our Class B common stock), representing, together with our Class A common stock held by Cantor and CFGM, approximately 66.5% of our voting power on such date. Each share of Class B common stock is generally entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock is entitled to ten votes. The Class B common stock generally votes together with the Class A common stock on all matters submitted to a vote of our stockholders.

Through July 31, 2013, Cantor has distributed to its current and former partners an aggregate of 19,557,642 shares of Class A common stock, consisting of (i) 18,197,176 shares to satisfy certain of Cantor s deferred stock distribution obligations provided to such partners on April 1, 2008 (the April 2008 distribution rights shares), and (ii) 1,360,466 shares to satisfy certain of Cantor s deferred stock distribution obligations provided to such partners on February 14, 2012 (the February 2012 distribution rights shares) in connection with Cantor s payment of previous quarterly partnership distributions. As of July 31, 2013, Cantor is still obligated to distribute to partners an aggregate of 17,042,387 shares of Class A common stock, consisting of 15,174,568 April 2008 distribution rights shares and 1,867,819 February 2012 distribution rights shares.

From time to time, we may actively continue to repurchase shares.

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Partnership Structure

We are a holding company, and our business is operated through two operating partnerships, BGC U.S., which holds our U.S. businesses, and BGC Global, which holds our non-U.S. businesses. The limited partnership interests of the two operating partnerships are held by us and BGC Holdings, and the limited partnership interests of BGC Holdings are currently held by limited partnership unit holders, founding/working 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. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC Global, and serves as the general partner of BGC U.S. and BGC Global, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. and BGC Global. BGC Holdings holds its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited.

As a result of the Global Partnership Restructuring Program described above, as of July 31, 2013, we held directly and indirectly, through wholly owned subsidiaries, BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of 217,078,164 units and 217,078,164 units, representing approximately 68.8% and 68.8% of the outstanding BGC U.S. limited partnership interests and BGC Global limited partnership interests, respectively. As of that date, BGC Holdings held BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of 98,286,284 units and 98,286,284 units, representing approximately 31.2% and 31.2% of the outstanding BGC U.S. limited partnership interests and BGC Global limited partnership interests, respectively.

Limited partnership unit holders, founding/working partners, and Cantor directly hold BGC Holdings limited partnership interests. Since BGC Holdings in turn holds BGC U.S. limited partnership interests and BGC Global limited partnership interests, limited partnership unit holders, founding/working partners, and Cantor indirectly have interests in BGC U.S. limited partnership interests and BGC Global limited partnership interests.

Under the Global Partnership Restructuring Program, at the end of the second quarter of 2013, an aggregate of 77,412,256 BGC Holdings limited partnership units were redeemed or exchanged from the partners of BGC Holdings. The Company granted and expects to issue 45,206,934 shares of the Company s Class A common stock. The Company also expects to pay the anticipated withholding taxes owed on behalf of these partners related to this redemption/exchange and issuance.

As a result of the foregoing, as of July 31, 2013, outstanding BGC Holdings partnership interests included 27,488,932 limited partnership units, 22,014,419 founding/working partner units and 48,782,933 Cantor units. We may in the future effect additional redemptions of certain existing BGC Holdings limited partnership units and founding/working partner units for restricted shares of Class A common stock. We may also continue our earlier global program, whereby BGC Holdings partners redeem certain of their existing limited partnership units and founding/working partner units in exchange for new units and receive exchangeability or cash for certain of their existing units and, in many cases, a modification or extension of their employment arrangements. We also expect to continue to grant exchange rights with respect to outstanding non-exchangeable issued limited partnership units and founding/working partner units.

The BGC Holdings limited partnership interests held by Cantor are generally exchangeable with us for our Class B common stock (or, at Cantor s option or if there are no additional authorized but unissued shares of our Class B common stock, our Class A common stock) on a one-for-one basis (subject to customary anti-dilution 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 founding/working partner units, none of which was redeemed/exchanged in the Global Partnership Restructuring Program.

In December 2012, the BGC Holdings limited partnership agreement was amended to create a new class of U.K. partnership unit, the LPU. LPUs are working partner units, are granted only to members of a U.K. limited liability partnership, BGC Services (Holdings) LLP, and are otherwise identical to existing PSUs.

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The following diagram illustrates our ownership structure as of July 31, 2013. The diagram does not reflect the various subsidiaries of BGC, BGC U.S., BGC Global, BGC Holdings or Cantor, or the noncontrolling interests in the Company s consolidated subsidiaries other than Cantor s units in BGC Holdings.*

* Shares of our Class B common stock are convertible into shares of our Class A common stock at any time in the discretion of the holder on a one-for-one basis. Accordingly, if Cantor converted all of its Class B common stock into Class A common stock, Cantor would hold 18.1% of the voting power, and the public stockholders would hold 81.9% of the voting power (and its indirect economic interests in BGC U.S. and BGC Global would remain unchanged). The diagram does not reflect Cantor s economic interest in the 8.75% convertible notes or the 23,573,484 shares of Class A common stock acquirable by Cantor upon conversion thereof. If Cantor converted all of the 8.75% convertible notes into shares of Class A common stock, Cantor would hold 67.9% of the voting power, and the public stockholders would hold 32.1% of the voting power (and Cantor s indirect economic interests in each of BGC U.S. and BGC Global would be 32.9%). The diagram also does not reflect the 16,260,160 shares of Class A common stock issuable upon conversion of the 4.50% convertibles notes. Further, the diagram does not reflect any shares of Class A common stock that may become issuable upon the conversion or exchange of any convertible or exchangeable debt securities that may in the future be sold under our shelf Registration Statement on Form S-3 (Registration No. 333-180331). For purposes of the diagram, Cantor s percentage ownership also includes CFGM s percentage ownership. In addition, the diagram above reflects share and unit activity from January 1, 2013 through July 31, 2013 as follows: (a) 45,206,934 Global Partnership Restructuring Program restricted shares of Class A common stock granted and expected to be delivered by us; (b) 81,893 April 2008 distribution rights shares distributed, but not the 15,174,568 shares remaining to be distributed by Cantor; (c) 14,796 February 2012 distribution rights shares distributed, but not the 1,867,819 shares remaining to be distributed by Cantor; (d) 1,000,000 shares of Class A common stock donated by us to the Relief Fund; (f) 33,478 shares of Class A common stock repurchased by us; (g) 7,757,600 shares of Class A common stock sold by us under the December 2012 sales agreement pursuant to our shelf Registration Statement on Form S-3 (Registration No. 333-185110), but not the 11,307,490 shares remaining for sale under such sales agreement; (h) 1,086,975 shares issued by us under our acquisition shelf Registration Statement on Form S-4 (Registration No. 333-169232), but not the 16,210,217 shares remaining available for issuance under such Registration Statement; (i) 29,014 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 9,885,157 shares remaining available for issuance under such Registration Statement; (j) 3,105,391 shares sold under our resale shelf Registration Statement on Form S-3 (Registration No. 333-167953), but not the 394,609 shares remaining available for sale under such Registration Statement; (k) 7,481,080 shares sold under our resale shelf Registration Statement on Form S-3 (Registration No. 333-175034), but not the 1,959,237 shares remaining available for sale under such Registration Statement; (l) 2,782,644 shares sold under our resale shelf Registration Statement on Form S-3 (Registration No. 333-187875), but not the 27,356 shares remaining available for sale under such Registration Statement; (m) 7,851,997 limited partnership and founding/working partner units redeemed by us for cash; and (n) 77,412,256 Global Partnership Restructuring Program limited partnership units redeemed or exchanged by us at the end of the second quarter of 2013.

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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. For U.S. Treasury transactions conducted through the eSpeed electronic trading platform, BGC Partners has developed and utilizes an electronic credit monitoring system which measures and controls credit usage, which may include the ability to prohibit execution of trades that would exceed risk limits and permit only risk reducing trades. As discussed in Note 1 Organization and Basis of Presentation to the Company s unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, on June 28, 2013 we sold our on-the-run, electronic benchmark U.S. Treasury platform (the Purchased Assets) to the NASDAQ OMX Group, Inc. (NASDAQ OMX). The purchased Assets were part of a larger cash flow generating product group that includes other fully electronic trading market data and software businesses including electronic brokerage of off-the-run U.S. Treasures as well as Treasury Swaps, Treasure Repos, Treasury Spreads and Treasury Rolls. The monitoring system described above is compliant with SEC Rule 15c3-5, which became effective November 30, 2011. The Rule relates to systems such as eSpeed that provide direct market access to an exchange or Alternative Trading System. The Rule requires firms to set and monitor pre-trade limits for all activities subject to the Rule.

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.

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.

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.

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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 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 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.

Foreign Currency Risk

BGC Partners is exposed to risks associated with changes in foreign exchange rates. Changes in foreign currency rates create volatility in the U.S. dollar equivalent of the Company s revenues and expenses, in particular with regard to British Pounds and Euros. In addition, changes in the remeasurement of BGC Partners foreign currency denominated net assets 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.

Interest Rate Risk

BGC Partners had $423.8 million in fixed-rate debt outstanding as of June 30, 2013. 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.

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 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 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 June 30, 2013. Based on that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that BGC Partners disclosure controls and procedures were effective as of June 30, 2013.

Changes in Internal Control over Financial Reporting

During the three months ending June 30, 2013, BGC Partners continued the process of integrating policies, processes, people, technology and operations related to the Newmark Grubb Knight Frank acquisitions. The integration may result in future changes to our internal control over financial reporting. Management will continue to evaluate our internal control over financial reporting as we execute our integration activities. There were no changes in our internal control over financial reporting during the three months ended June 30, 2013 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the description of legal proceedings in Note 17 Commitments, Contingencies and Guarantees to the Company s unaudited condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference herein.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those described in Part I, Item 1A of our Form 10-K for the year ended December 31, 2012, and in Part II, Item 1A of our Form 10-Q for the quarter ended March 31, 2013. See Risk Factors in Part I, Item IA of our 2012 Annual Report on Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

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

The information required by this Item is set forth in Note 5 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

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	Purchase Agreement, dated as of April 1, 2013, by and among BGC Partners, Inc., BGC Holdings, L.P., BGC Partners, L.P., The NASDAQ OMX Group, Inc., and for certain limited purposes, Cantor Fitzgerald, L.P.*
10.1	Fourth Amended and Restated BGC Partners, Inc. Long Term Incentive Plan dated June 4, 2013 (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the SEC on June 7, 2013)
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from BGC Partners Quarterly Report on Form 10-Q for the period ended June 30, 2013 are formatted in eXtensible Business Reporting Language (XBRL): (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, (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. This Exhibit 101 is deemed not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

* Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will supplementally furnish a copy of them to the SEC upon request.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended June 30, 2013 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

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

	/s/ Anthony Graham Sadler
Name:	**Anthony Graham Sadler**
Title:	**Chief Financial Officer**

Date: August 7, 2013

[Signature page to the Quarterly Report on Form 10-Q for the period ended June 30, 2013 dated August 7, 2013.]

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Exhibit Index

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