

BGC Partners, Inc.
Form 10-K
March 15, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

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

Commission File Number 0-28191

BGC Partners, Inc.

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(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

13-4063515
(I.R.S. Employer

Incorporation)

Identification No.)

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

10022
(Zip Code)

(212) 610-2200

(Registrant's telephone number, including area code)

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

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

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

None

(Title of Class)

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

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

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

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

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

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

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company

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

The aggregate market value of voting common equity held by non-affiliates of the registrant, based upon the closing price of the Class A common stock on June 30, 2011 as reported on NASDAQ, was approximately \$610,190,168.

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

Class	Outstanding at March 12, 2012
Class A Common Stock, par value \$0.01 per share	103,821,978 shares
Class B Common Stock, par value \$0.01 per share	34,848,107 shares

DOCUMENTS INCORPORATED BY REFERENCE.

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BGC Partners, Inc.

2011 FORM 10-K ANNUAL REPORT

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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

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

pricing and commissions and market position with respect to any of our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers and consolidation;

liquidity, regulatory and clearing capital requirements and the impact of credit market events;

market conditions, including trading volume and volatility, and potential deterioration of the equity and debt capital markets;

our relationships with Cantor Fitzgerald, L.P. (Cantor) and its affiliates, including Cantor Fitzgerald & Co. (CF&Co), any related conflicts of interest, competition for and retention of brokers and other managers and key employees, support for liquidity and capital and other relationships, including Cantor's holding of our 8.75% Convertible Notes, CF&Co's acting as our sales agent under our controlled equity or other offerings, and CF&Co's acting as our financial advisor in connection with one or more business combinations or other transactions;

economic or geopolitical conditions or uncertainties;

extensive regulation of our businesses, changes in regulations relating to the financial services and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, fines, penalties, sanctions, enhanced oversight, increased financial and capital requirements, and changes to or restrictions or limitations on specific activities, operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new business, products, or services;

factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, counterparty failure, and the impact of fraud and unauthorized trading;

costs and expenses of developing, maintaining and protecting our intellectual property, as well as employment and other litigation and their related costs, including judgments or settlements paid or received;

certain financial risks, including the possibility of future losses and negative cash flows from operations, potential liquidity and other risks relating to our ability to obtain financing or refinancing of existing debt on terms acceptable to us, if at all, and risks of the resulting leverage, including potentially causing a reduction in our credit ratings and/or the associated outlooks given by the rating

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agencies to those credit ratings, as well as interest and currency rate fluctuations;

our ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;

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our ability to enter into marketing and strategic alliances and business combination or other transactions in the financial services and other industries, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures, and the integration of any completed transaction;

our ability to hire and retain personnel;

our ability to expand the use of technology for hybrid and fully electronic trading;

our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable regulatory requirements;

our ability to identify and remediate any material weaknesses in our internal controls that could affect our ability to prepare financial statements and reports in a timely manner, control our policies, procedures, operations and assets, and assess and manage our operational, regulatory, and financial risks;

the effectiveness of our risk management policies and procedures, and the impact of unexpected market moves and similar events;

the fact that the prices at which shares of our Class A common stock are sold in one or more of our controlled equity offerings or in other offerings or other transactions may vary significantly, and purchasers of shares in such offerings or transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;

our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases of limited partnership interests of BGC Holdings, L.P. (BGC Holdings), or other equity interests in our subsidiaries, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of our shares of Class A common stock; and

the effect on the market for and trading price of our Class A common stock of various offerings and other transactions, including our controlled equity and other offerings of our Class A common stock and convertible securities, our repurchase of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests in our subsidiaries, our payment of dividends on our Class A common stock and distributions on BGC Holdings limited partnership interests, convertible arbitrage, hedging, and other transactions engaged in by holders of our 4.50% Convertible Notes and counterparties to our capped call transactions, and resales of shares of our Class A common stock acquired from us or Cantor, including pursuant to our employee benefit plans, conversion of our 8.75% Convertible Notes and 4.50% Convertible Notes, and distributions from Cantor pursuant to Cantor's distribution rights obligations and other distributions to Cantor partners, including deferred distribution shares;

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

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WHERE YOU CAN FIND MORE INFORMATION

Our Internet website address is *www.bgcpartners.com*. Through our Internet website, we make available, free of charge, the following reports as soon as reasonably practicable after electronically filing them with, or furnishing them to, the SEC: our annual reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our quarterly reports on Form 10-Q; our current reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D and 13G filed on behalf of Cantor, our directors and our executive officers; and amendments to those reports. In addition, our Internet website address is the primary location for press releases regarding our business, including our quarterly and year-end financial results.

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PART I

ITEM 1. BUSINESS

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

Our Business

We are a leading global brokerage company primarily servicing the wholesale financial markets, specializing in the brokering of a broad range of products, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commercial real estate, property derivatives, commodities, futures and structured products. BGC Partners also provides a full range of services, including trade execution, broker-dealer services, clearing, processing, information, property and facilities management, and other back-office services to a broad range of financial and non-financial institutions. The Company's integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, hybrid, or in many markets, fully electronic brokerage services in connection with transactions executed either over the counter ("OTC") or through an exchange.

Through its eSpeed, BGC Trader and BGC Market Data brands, BGC Partners offers financial technology solutions, market data, and analytics related to select financial instruments and markets. Through its Newmark Knight Frank brand, the Company offers commercial real estate tenants, owners, investors and developers a wide range of brokerage services as well as property and facilities management. The Company's customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, property owners, real estate developers and investment firms. BGC has offices in over 35 major markets, including New York and London, as well as in Atlanta, Beijing, Boston, Chicago, Copenhagen, Dubai, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Mexico City, Miami, Moscow, Nyon, Paris, Rio de Janeiro, São Paulo, Seoul, Singapore, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich. In addition, we have more than two dozen other offices.

As of December 31, 2011, we had 2,147 brokers and salespeople across more than 220 desks and products. In 2011, we processed approximately 27.3 million transactions, totaling approximately \$194.1 trillion notional on our hybrid and fully electronic platforms.

Our History

Our voice brokerage business originates from one of the oldest and most established inter-dealer franchises in the financial intermediary industry. Cantor started our brokerage operations in 1972. In 1996, Cantor launched the eSpeed system, which revolutionized the way government bonds are traded in the inter-dealer market by providing a fully electronic trading marketplace. eSpeed, Inc. ("eSpeed") completed an initial public offering in 1999 and began trading on NASDAQ, yet remained one of Cantor's controlled subsidiaries. Following eSpeed's initial public offering, Cantor continued to operate its inter-dealer voice brokerage business separately from eSpeed.

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

In August 2004, Cantor announced the reorganization and separation of its inter-dealer voice brokerage business into a subsidiary called "BGC," in honor of B. Gerald Cantor, a pioneer in screen brokerage services and fixed income market data products. Over the past several years, we have re-established our U.S. presence and

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have continued to expand our global presence through the acquisition and integration of established brokerage companies and the hiring of experienced brokers. Through these actions, we have been able to expand our presence in key markets and position our business for sustained growth. These acquisitions include:

May 2005 Eurobrokers, a U.S. and international inter-dealer brokerage firm;

September 2005 ETC Pollack, an inter-dealer broker in Paris;

November 2006 Aurel Leven, an independent inter-dealer broker in France, active in the equities, equity derivatives and fixed income markets;

December 2006 AS Menkul, an established broker in Turkey;

August 2007 Marex Financial's emerging markets equity derivatives business;

December 2007 We and several other leading financial institutions announced the establishment of a fully electronic futures exchange. We hold an approximate 26% voting interest in the exchange's operating limited partnership, ELX Futures, L.P., and its holding company general partner, ELX Futures Holdings LLC (together ELX). Affiliates of Bank of America/Merrill Lynch, Barclays Capital, Breakwater, Citigroup, Credit Suisse, Deutsche Bank Securities, GETCO, Goldman Sachs, JPMorgan, Morgan Stanley, PEAK6, and The Royal Bank of Scotland also hold a minority interest in each such entity;

March 2008 Radix, an OTC energy broker based in Singapore;

June 2009 Liquidez Distribuidora de Títulos e Valores Mobiliários Ltda. (Liquidez), a Brazilian financial institution and interdealer broker with offices in Sao Paulo and Rio de Janeiro. This acquisition enabled us to enter the Brazilian market, which is fast becoming one of the world's major economies, and will provide a platform for further expansion in Brazil and Latin America;

July 2010 We announced that we were granted approval by the China Banking Regulatory Commission (CBRC) to establish a money broking joint venture company with China Credit Trust Co., Ltd. (CCT). The joint venture, named China Credit BGC Money Broking Company Limited (China Credit BGC) is based in Beijing, China and is the first broking company of its kind to operate in that city as part of a Chinese government pilot program. China Credit BGC provides domestic and international broking services for foreign exchange, bond, money market, and derivatives products. We hold a 33% stake in China Credit BGC, which is the highest percentage shareholding currently permitted to be held by a foreign investor in a Chinese money broker (pending approval of product licenses by the People's Bank of China, China Credit BGC expects to offer interest rate swaps, bonds, and interbank cash deposit products to Chinese and foreign banks in Beijing);

August 2010 Various assets and businesses of Mint Partners and Mint Equities in the U.K.;

October 2011 All of the outstanding shares of Newmark & Company Real Estate, Inc., a leading U.S. commercial real estate brokerage and advisory firm serving corporate and institutional clients, plus a controlling interest in its affiliated companies, encompassing approximately 425 brokers. Newmark & Company Real Estate, Inc. operates as Newmark Knight Frank (Newmark) or

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Newmark Knight Frank) in the United States and is associated with London-based Knight Frank; and

February 2012 We announced our agreement to purchase certain assets of Grubb & Ellis Company (Grubb), subject to Bankruptcy Court approval.

Brokerage Industry Overview

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

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In the financial markets, derivatives are increasingly being used to manage risk or to take advantage of the anticipated direction of a market by allowing holders to guard against gains or declines in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by large corporate and sovereign debtors and changes in the prices of commodity products. Demand from financial institutions, financial services intermediaries and large corporations has increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for inter-dealer brokers such as BGC brokers who service these financial institutions.

The OTC markets have grown faster than exchange-traded markets over the past decade. According to the Bank for International Settlements (the BIS), the underlying OTC and exchange-traded derivative markets traditionally served by inter-dealer brokers have experienced compound annual growth rates, which we refer to as CAGR, of approximately 19% and 13%, respectively, based on notional amounts outstanding from December 31, 2001 through June 30, 2011.

The following figures come from the BIS: As of June 30, 2011, the notional amount outstanding for all OTC derivatives was \$708 trillion, up 601% from \$101 trillion in December 2001 and up 21% year over year. The notional amount outstanding for all exchange traded derivatives was \$83 trillion on June 30, 2011, up 246% from \$24 trillion on December 31, 2001 and up 9% year over year. The notional amount outstanding for all domestic and international debt securities was approximately \$100 trillion on June 30, 2011, up over 170% from approximately \$37 trillion on December 31, 2001.

In liquid financial markets, the presence of a large number of market participants and facilitators of liquidity and the availability of pricing reference data and standardized terms allow market participants to trade financial instruments quickly and with minimal price disturbance. In these markets, there is substantial competition, efficient execution and high trading volume. While most of the liquid markets are found on listed exchanges, several liquid products continue to be traded OTC, including U.S. Treasuries and spot foreign exchange. Often, the primary liquidity provider for such OTC markets is an inter-dealer broker.

To the extent the trading of a financial instrument requires customization, the relevant market tends to be more illiquid. Illiquid markets generally have fewer market participants, less price transparency, higher spreads and lower trading volumes. Complex financial instruments that are traded OTC tend to be illiquid and are traded primarily by more sophisticated buyers and sellers. In financial markets, brokers facilitate trading in less liquid markets by providing price discovery, preserving anonymity in matched principal trades, matching buyers and sellers on a name give-up basis in agency transactions and providing market intelligence to their customers. Name give-up transactions refer to those transactions where the inter-dealer broker acts as an agent and the identity of the two counterparties is disclosed once the trade is completed as opposed to matched principal trades where anonymity is preserved even after the transaction is completed. In a matched principal transaction BGC Partners agrees to simultaneously buy securities or derivatives from one client and to sell them to another client. In both agency and matched principal transactions, customers decide to execute a trade and inter-dealer brokers effectively source the counterparties for those trades. Inter-dealer brokers are particularly helpful in facilitating large or non-standardized transactions due to their in-depth market knowledge and access to potential counterparties.

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

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For more liquid OTC markets, such as certain U.S. Treasury, cash foreign exchange, and credit derivative index products, electronic marketplaces have emerged as the primary means of conducting transactions and creating markets. In an electronic marketplace, substantially all of the participants' actions are facilitated through an electronic medium, such as a private electronic network, or over the Internet, which reduces the need for actual face-to-face or voice-to-voice participant interaction to those functions where people provide the greatest value. For many market participants, the establishment of electronic marketplaces has created access to new opportunities while increasing trading profits, investment returns and market volumes, all while making possible the creation of new financial products and strategies that have further contributed to increased market volumes. These increased trading volumes have in turn driven increased demand for newer, ever-more sophisticated financial technology products.

Most large exchanges worldwide, including most exchanges in the U.S., France, Canada, Germany, Japan, Sweden, Switzerland and the U.K., are now partially or completely electronic. Additionally, even in markets for less commoditized products where customers place orders through a voice-broker who implements a transaction electronically, the customers of inter-dealer brokers may benefit from liquidity, pricing, robust interactive trading, post-trade processing and other technology services. Further, we believe that market participants will seek to outsource customized solutions for the electronic distribution of their products to avoid the difficulty and cost of developing and maintaining their own electronic solutions, and to improve the quality and reliability of these solutions.

While some products may evolve from illiquid markets to liquid markets, new products are continually being developed. Historically, as markets evolve and participants look to separate or isolate risks, certain products will tend to exhibit correlations and pricing relationships leading to the development of new derivative products.

The chart below presents the growth of certain OTC and exchange-traded markets from December 31, 2001 to June 30, 2011.

Notes and Sources for the above chart: The BIS for global debt and all derivatives except for CDS. For CDS, the source is the International Swaps and Derivatives Association (ISDA). For US Federal Government and Corporate debt, the source is The Securities Industry and Financial Markets Association (SIFMA). For global and domestic debt, International issues comprise all foreign currency issues by residents and non-residents of a given country as well as domestic currency issues launched by non-residents. Additionally, domestic securities specifically targeted to international investors are also considered as international issues in the BIS statistics. Domestic debt securities are defined as those that have been issued by residents in domestic currency and targeted at resident investors.

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Over the last decade, most of the above market categories have experienced double-digit growth. Although many of these markets had lower or negative growth following the collapse of Lehman Brothers and the ensuing global financial crises, we believe that much of this growth has been, and in many cases over the long term will continue to be, driven by the following trends:

Fluctuating levels of volatility in commodity, currency, interest rate, equity and credit markets have led to sustained demand for hedging and risk mitigation by market participants, which, in turn, has led to growth in commodity, equity, interest rate and credit derivatives and currency options markets.

The increased allocation of capital for trading and position-taking by banks and hedge funds and the search for yield among global investors led to growth in structured credit and equity products, thereby creating and reinforcing the need for efficient execution. In the aftermath of the collapse of Lehman Brothers and the government takeover of AIG, a global credit crisis ensued, as banks and other lending organizations became more reluctant to extend credit to customers and each other. As a result, demand for structured products has been more muted for the past years.

Since the onset of the credit crises in late 2007, the largest banks, trading firms, and their institutional customers have allocated more of their trading capital away from structured products and into more liquid asset classes and those with relatively lower margin requirements, such as corporate bonds, equity derivatives, interest rate swaps, and government bonds. As a result, these products have generally performed better than more structured and bespoke products for our largest customers over the last several quarters.

With yields at historical lows, many industrialized countries, including the United States, France, Germany and the United Kingdom, have increased their issuance of sovereign debt, taking advantage of low interest rates to help finance growing budget deficits. G-20 governments continue to fund financial system rescues and fiscal stimulus packages as a result of the global financial crises and ensuing recessions. For example, SIFMA estimated for the year ended December 31, 2011, U.S. Treasury and Agency debt issuance increased by 67% versus 2007, while the US Congressional Budget Office (CBO) recently estimated that Federal debt outstanding will grow by over 70% over the ten years ending 2022. The CBO projects that, under current law, gross federal debt will increase in every year of the 2011 - 2022 period, reaching \$23.6 trillion in 2022. Similarly, the European Commission estimates the gross governmental debt for all European Union countries will increase from approximately 59% of EU GDP in 2007 to over 88% in 2012. We therefore expect global sovereign debt issuances to increase for the foreseeable future. In addition, governments around the world will need to roll over most of their existing debt over the next few years. This should drive demand for the trading of OTC and listed Rates products, both in cash and derivatives.

Strong gross domestic product growth over the past decade in key emerging market countries such as Brazil, Russia, India, and China has led to increased demand for basic commodities such as copper, platinum, crude oil, gas and natural gas. While the recent slowdown in the global economy briefly lowered aggregate demand for many such commodities globally, volumes for these markets for most of 2011 was high by historical standards, all of which has led to higher demand for hedging instruments such as energy and commodity futures and derivatives.

The continued liberalization of emerging markets, increases in global cross-border trading in goods and services, and the opening and growth of local currency and fixed income markets have led to increased global demand for currency and fixed income hedging instruments as global trade continues to expand.

As a result of these and other trends, volumes for many of the most liquid exchange-traded derivatives and OTC markets improved year-over-year in 2011. For example, in 2011, Options Clearing Corporation (OCC) total U.S. equity option volumes increased by approximately 17% versus 2010. ICE reported year-over-year increases in overall average daily futures volumes of approximately 16%, for the same timeframe. CLS, which settles most cash and short term forward FX transactions globally, reported that its volumes were up 18% year over year in 2011. Similarly, according to the Federal Reserve, average daily primary dealer volume for U.S. treasuries was up year-over-year by approximately 13% in 2011.

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Finally, over the course of 2010 and 2011, regulators and legislators in the U.S. and E.U. worked to create new laws and regulations for the global OTC derivatives markets, including, most recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rules and proposals for rules have mainly called for additional transparency, position limits and collateral or capital requirements, as well as for central clearing of most standardized derivatives. We believe that uncertainty around the final form such new rules might take may have negatively impacted trading volumes in certain markets in which we broker. We believe that it is too early to comment on specific aspects of the U.S. legislation as rules are still being created, and much too early to comment on laws not yet passed in Europe. However, we generally believe the net impact of the rules and regulations will be positive for our business.

We also provide brokerage services to customers in the commercial real estate industry since our October 14, 2011 acquisition of the outstanding shares of Newmark & Company Real Estate, Inc., a leading U.S. commercial real estate brokerage and advisory firm serving corporate and institutional clients, plus a controlling interest in its affiliated companies, encompassing approximately 425 brokers. Newmark & Company Real Estate, Inc. operates as Newmark Knight Frank in the United States and is associated with London-based Knight Frank. Headquartered in New York, Newmark Knight Frank has offices in several key U.S. markets. For brokers in this industry, we believe the key drivers of revenue growth include: the overall health of the U.S. economy, which drives demand for various types of commercial leases and purchases; the institutional ownership of commercial real estate as an investible asset class; and the ability to attract and retain talent to our real estate brokerage.

Following the financial crises of 2007 and 2008, the U.S. commercial property market generally saw steep declines in activity in 2009. In 2010, the market began to come back to life, and by the end of 2011 there were signs that the recovery was continuing, although still not to levels seen prior to the crises. For example, according to Newmark Knight Frank Research and CoStar (an independent commercial real estate information and analytics provider), the overall U.S. office real estate market grew in the fourth quarter of 2011. The national average asking rent increased to \$28.05 per square foot, up from \$27.85 in the third quarter of 2011 and \$27.31 reported in the fourth quarter of 2010. The national vacancy rate was 16.2% in the fourth quarter of 2011, an improvement on 16.5% in the third quarter and 16.8% one year ago.

There were 9.8 million square feet of net absorption nationally in the fourth quarter of 2011, marking the seventh consecutive quarter with positive absorption and bringing the year-end net total to 26.0 million square feet, compared to 14.6 million square feet in 2010. Leasing activity in 2011 totaled 238.0 million square feet, compared to 285.5 million square feet in 2010.

There were 1.7 million square feet of new office space delivered to the market in 2011, lower than the 2.8 million-square-foot total reported in 2010 and well off the pre-recession peak of 19.1 million square feet reported in the first quarter of 2008. At the end of the fourth quarter, 16.8 million square feet of new office space remained under construction, compared to 15.2 square feet at the end of 2010.

The U.S. industrial real estate market also continued its recovery in the fourth quarter of 2011. There were 25.7 million square feet of net absorption in the quarter, which marked the sixth consecutive quarter with positive absorption. The year-end net absorption total for 2011 finished at 62.7 million square feet, an encouraging showing following the negative 9.3 million square feet of absorption in 2010 and negative 107.8 million square feet in 2009.

The average asking rent finished the fourth quarter at \$4.90 per square foot, up from the \$4.87 average reported in the third quarter of 2011 and in the fourth quarter of 2010. The national vacancy rate finished at 12.1%, an improvement on 12.5% in the third quarter of 2011 and 13.2% in the fourth quarter of 2010. Leasing activity totaled 294.5 million square feet in 2011 compared to 428.1 million square feet leased in 2010.

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Nationally, 17.1 million square feet of new industrial space were delivered to the market in 2011, more than the 15.9 million square feet delivered in 2010, although less than the 52.4 million square feet delivered in 2009. At the end of the year, 13.4 million square feet of industrial space were under construction nationally, compared to the 2010 year-end total of 15.5 million square feet.

Management Services

Through our Newmark acquisition, we also provide commercial property management services to tenants and landlords in several key U.S. markets. In this business, we provide property and facilities management services to customers who utilize our commercial real estate brokerage services and other property owners. Unlike brokerage, this is a fee-based business, but revenue growth drivers are similar to real estate brokerage. Key drivers of revenue growth in this business include the overall health of the U.S. economy, the outsourcing of commercial real estate services by property owners and occupiers and the ability to attract and retain talented property managers and service providers.

Our Market Opportunity

We believe the markets in which we operate present us with the following opportunities:

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

Introduction of New Products. As market participants and their customers strive to mitigate risk, new types of securities and derivatives are introduced which are not immediately ready for more liquid and standardized electronic markets. As these require broker-assisted execution, we believe that these new products provide opportunities for our brokers to expand their trading volumes and create product niches. We believe that these products generally have higher commissions than more liquid instruments.

Growth in Algorithmic and Computerized Trading. In recent years, and in certain listed and OTC markets, computerized trading has seen tremendous growth spurred by increasing liquidity and lower operating costs. As our financial services customers increase their use of computerized trading, and as fully electronic trading becomes widespread in more asset classes, volumes should rise on our electronic platforms.

Market Demand for Global Service and Presence. We believe that the continuing globalization of trading and the liberalization of capital markets are propelling growth in trading volumes in products across the globe. In addition, we believe that economic growth in emerging markets such as Brazil, Russia, India, and China is fueling demand for inter-dealer brokered currency and fixed income and commodity hedging for customers across the globe. These factors and others are driving the demand for brokerage services in new markets. We also believe our presence in multiple financial centers across the globe positions us to capitalize on such demand. We also believe our recent expansion into Russia, Brazil, the United Arab Emirates, and China further enhances our global market positions and that we have also added a strong national presence in commercial real estate brokerage with the acquisition of Newmark.

Market Demand for Superior Transaction Services and Execution. Our brokers act as important price discovery agents and valuable liquidity providers in both liquid and illiquid markets. The presence of a broker provides customers with market intelligence and aids in the execution process. The flow of information our brokers provide to market participants is critical, enhancing liquidity and resulting in improved prices.

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Furthermore, in financial markets, the combination of hybrid execution with straight-through processing has significantly improved confirmation and settlement processes and has resulted in cost savings for customers. Hence, we expect to see continued demand in the wholesale financial markets and commercial real estate markets for brokers due to their ability to provide price discovery, liquidity, improved transaction services, superior execution and strong customer service.

Desire for Anonymity. Leading financial market participants frequently seek to trade anonymously to reduce market impacts. We expect to see an increasing demand for inter-dealer brokers to provide trade anonymity.

Increasing Demand for Market Data. Demand for reliable, real-time market data is growing as new financial products are introduced and trading volumes increase.

Our Competitive Strengths

We believe that the following principal competitive strengths will help us enhance our position as a leading global broker:

We are a Leading Broker with Specific Strengths in Key Markets. We have displayed leadership in a multitude of markets globally, including the markets for interest rate-related products, foreign exchange and credit products, both U.S. and foreign treasury and bond products, real estate, and equities. The Company has been recognized within the industry for our strong presence in all of these products and has been recognized in global and local financial publications both in the U.S. and in our foreign markets. We believe the leadership, position that we have in our markets and our access to our broad customer base help us to locate the best price and to deliver the best execution for our customers.

We Have Strong Core Relationships. We believe that our long-standing relationships with some of the world's largest financial institutions and other clients enhance our role as a service and liquidity provider. These relationships provide access to significant pools of liquidity, which is a key component of attracting new customers and enhancing our role as a provider of liquidity, price discovery, efficient execution and strong transaction and customer service. These strong relationships also allow us to participate in growth opportunities as these institutions begin to use newer products for risk management and trading. In addition, we believe these relationships allow us to sell our current and new products to our customers and to cross-sell new products to existing customers.

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

We Have Proprietary Technology. Over the past decade, we have heavily invested in creating and maintaining our financial service infrastructure, technology, and innovations in multiple markets. We believe our technology gives us an advantage over our competitors, who more often depend on third party vendors to support their functionality. Our technology capabilities are closely aligned with our brokerage efforts and are focused on new and emerging screen-based market solutions to support our brokers. Finally, our technology, unlike that of many of our competitors, is generally designed and developed in-house, and is thus tailored to specifically suit the needs of our brokers and clients.

We Provide Quality Software, Market Data and Analytics Products. Our leading position and liquidity in brokerage markets allow us to provide our customers with high quality, market data and analytics products. In addition, our proprietary software leverages our global infrastructure, software and systems, portfolio of intellectual property and electronic trading expertise to provide customers with electronic marketplaces, exchanges and real-time auctions to enhance securities issuance and to customize trading interfaces. We also

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provide commercial real estate research, data and consulting services. Our ability to offer these products not only helps support our leadership position in several key markets but also provides us with a stable source of non-brokerage revenues.

We Provide Management Services. Through our October 2011 Newmark acquisition, we acquired the ability to provide commercial property management services to tenants and landlords in several key U.S. markets. We believe that this offers a strong opportunity to provide property and facilities management services to customers who utilize our commercial real estate brokerage services and other property owners as well as to our financial brokerage clients. Unlike brokerage, this is a fee-based business, but revenue growth drivers are similar to real estate brokerage.

We Have Demonstrated the Ability to Identify, Recruit and Retain Key Talent. In October 2004, when Cantor began the restructuring of its inter-dealer brokerage business, we employed approximately 500 brokers and salespeople. As of December 31, 2011, we had 2,147 brokers and sales people across over 220 desks, including our commercial real estate business. In a competitive environment, we have demonstrated our ability to successfully develop, attract and retain leading brokers, including through acquisitions of new businesses, in order to expand and enhance our brokerage staff. We believe that our ability to attract talent across the globe will enable us to grow our business and provide our customers with trading execution that is superior to that provided by many of our competitors.

Our Partnership Structure Creates Long-Term Incentives. Our partnership structure is one of the unique strengths of our business. We believe that it provides long-term incentives and is an effective tool in recruiting, motivating and retaining our key employees. We believe that the ability to participate in the ongoing success of the enterprise acts as a strong motivator for brokers to perform and aligns their interests with stockholders.

We Have a Proven Acquisition Track Record. In October 2011, we acquired all of the outstanding shares of Newmark & Company Real Estate, Inc. In August 2010, we acquired the key assets of Mint Partners and Mint Equities. In June 2009, we completed the acquisition of Liquidez. In August 2007, we acquired the emerging markets equities derivatives business of Marex Financial. In December 2006, we acquired AS Menkul, an established broker in Turkey, and, in November 2006, we acquired Aurel Leven, an independent inter-dealer broker in France, active in the equities, equity derivatives and fixed income markets. Finally, in 2005, we acquired Euro Brokers and ETC Pollak, and have integrated these established brokerage companies into our business. These acquisitions allowed us to expand our broker headcount, product offerings, technology capabilities and geographic footprint. We believe that this ability to successfully identify, acquire and integrate high quality brokerage companies will provide us with the opportunity to strengthen and enhance our franchise and to continue the rebuilding of our U.S. business and expand in local markets around the world.

We Have Experienced Senior Management. We are led by a core senior management team, each of whom has many years of experience in the wholesale financial markets. Howard W. Lutnick, who serves as our Chairman and Chief Executive Officer, guided the BGC Division, eSpeed, and Cantor through the aftermath of the events of September 11, 2001, and was instrumental in the initial public offering of eSpeed in 1999. Shaun Lynn, our President, and Sean Windeatt, our Chief Operating Officer, have presided over the addition of more than 1,700 net new brokers and salespeople and the expansion and growth of our business in the United States, Europe and Asia over the past seven years. Our executives are supported by a highly experienced and qualified team of managers. We believe that our experienced management team gives us a competitive advantage in executing our business strategy.

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Our Strategy

We seek to enhance our position as a leading global broker by increasing our market share in existing markets and expanding into new markets. We intend to achieve this goal by employing the following strategies:

Leading Positions in Targeted Traditional, Liquid Markets. We intend to strengthen our position as a leading provider of brokerage services, technology infrastructure and market data products in the markets in which we focus. We believe that in these selected markets, we have the scale to continue to be a top participant, and we believe underlying macro fundamentals allow additional room for growth.

Build and Develop Less Liquid Markets. We continue to build and expand in markets for selected emerging asset classes. We believe that our role as a top participant in certain underlying securities will be helpful in building liquidity in the higher growth, higher margin businesses associated with these underlying securities. We intend to leverage our position in traditional markets to build these new businesses.

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

Leverage Existing Developed Infrastructure to Drive Margins. We have made substantial investments in brokers and technology in our targeted markets. We believe that the infrastructure in place is scalable, which provides us an opportunity for margin improvement as brokers increase production, as we increase brokerage headcount, and as marketplaces become increasingly electronic. Due to the relatively fixed cost nature of the back office functions and real estate-related expenses, each additional transaction we broker or sale we make should add incremental profit to our business.

Expand our Broker Workforce Through Acquisitions and Recruitment. Since October 2004, we have expanded our front office workforce by over 1,600 people. As of December 31, 2011, we had 2,147 brokers and salespeople. We have a proven track record of growing our global network of brokers through business acquisitions and recruiting efforts and believe we are well-positioned to continue to do so. We intend to continue to selectively acquire companies and hire experienced brokers and salespeople with the goal of further developing our market position in various products, accelerating our growth and enhancing our profitability.

Leverage our Proprietary Technology to Pursue New Products, Software Solutions, and Offerings. We believe that our ability to develop and build our own technology allows us to be at the forefront of new products and offerings. We also plan to capitalize on our global infrastructure, intellectual property and electronic trading expertise to provide a complete outsourced solution to customers to enable them to access electronic markets.

Further Develop and Expand our Market Data Services and Analytics Products. We intend to further develop our market data services and analytics products by integrating proprietary information generated by our brokerage business into new market data products designed to meet the needs of a greater number of customers. Sophisticated quantitative approaches to risk management as well as customer time sensitivity have created new needs, uses and demands for trading-related data and analytics. We intend to create new value-added services for customers to complement these products, including databases, analytical tools, financial and commercial real estate research and other services to assist end-users.

Leverage our Geographic Reach, Long-Term Client Relationships and Full Range of Products and Service Offerings in the Commercial Real Estate Industry. We plan to leverage our strong client relationships, national locations and single source for a full range of commercial real estate products and services to broaden our real estate services and expand our business. We also plan to leverage our relationships with financial services customers to enhance our commercial real estate brokerage and management services businesses.

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Overview of our Products and Services

Brokerage

We are focused on serving four principal brokerage markets:

traditional, liquid brokerage markets, such as government bonds;

high margin, and often illiquid markets, such as emerging market bonds and single name credit derivatives;

targeted local markets throughout the world, such as Rates products in Brazil; and

commercial real estate markets in key U.S. cities and in other locations.

We believe that the strong long-term growth prospects for these markets, combined with our continued addition of brokers in other markets where we are currently strengthening our position and building scale, provide us with significant opportunities to increase revenues. We also plan to expand into additional product categories and seek to grow our market share in illiquid markets. Due to the complexity of newer and illiquid markets, customers are generally willing to pay a brokerage commission for liquidity and for the ability of experienced brokerage professionals to provide market intelligence and create structuring solutions.

We provide electronic marketplaces in several financial markets through our eSpeed- and BGC Trader- branded trading platform. These electronic marketplaces include government bond markets, spot foreign exchange, foreign exchange options, corporate bonds, and credit default swaps. We believe that eSpeed/BGC Trader is a comprehensive trading platform providing volume, access, speed of execution and ease of use. Our trading platform establishes a direct link between our brokers and customers and occupies valuable real estate on traders' desktop, which is difficult to replicate. We believe that we can leverage our platform to offer fully electronic trading as additional products transition from voice to electronic execution.

We have leveraged our hybrid platform to provide real-time product and pricing information through our BGC Trader application. We also provide straight-through processing to our customers for an increasing number of products. Our end-to-end solution includes real-time and auction-based transaction processing, credit and risk management tools and back-end processing and billing systems. Customers can access our trading application through our privately managed global high speed data network, over the internet, or third party communication networks.

In the commercial real estate business, we have leveraged our strong market knowledge, price and inventory knowledge, broad customer relationships and transaction and service techniques to generate brokerage commissions and secure repeat business.

Market Data

BGC Market Data is a supplier of real-time, tradable, indicative, end-of-day, and historical fixed income and derivatives data. Our product suite spans fixed income, foreign exchange, foreign exchange options, credit derivatives, and structured products. It is available via direct data feed and the Internet, and through vendors such as Bloomberg, Reuters, CQG, DTN, eSignal, and SunGard. Products include: US Treasuries, BGCantor G3, SwapSight, Interest Rate Swaps, SwapMarker, European Government Bonds, BGCantor Eye, US Treasury Historical Data, End of day Pricing, AutoSpeed 2.0, FX Options, and Credit Default Swaps. At Newmark, we also provide commercial real estate data.

Software Solutions

Through our Software Solutions business, we provide customized screen-based market solutions to both related and unrelated parties. Using Software Solutions, our clients are able to develop a marketplace, trade with their customers, issue debt, trade odd lots, access program trading interfaces and access our network and our

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intellectual property. We can add advanced functionality to enable our customers to distribute branded products to their customers through online offerings an