BGC Partners, Inc.
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Numbers: 0-28191

BGC Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware	13-4063515
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
499 Park Avenue, New York, NY	10022
(Address of principal executive offices)	(Zip Code)

(212) 610-2200

(Registrant’s telephone number, including area code)

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

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

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

On November 6, 2018, the registrant had 295,198,541 shares of Class A common stock, $0.01 par value, and 34,848,107 shares of Class B common stock, $0.01 par value, outstanding.

BGC PARTNERS, INC.

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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

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

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

and new businesses, products, or services;

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

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- risks related to changes in our relationships with the Government Sponsored Enterprises (“GSEs”) and Housing and Urban Development (“HUD”), changes in prevailing interest rates and the risk of loss in connection with loan defaults;
- risks related to changes in the future of the GSEs, including changes in the terms of applicable conservatorships and changes in their origination capacities;
- 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 and the impact thereof on our financial results and cash flows in any given period;
- certain financial risks, including the possibility of future losses, reduced cash flows from operations, increased leverage and the need for short- or long-term borrowings, including from Cantor, the ability of us or Newmark to refinance our respective indebtedness, or other sources of cash relating to acquisitions, dispositions, or other matters, potential liquidity and other risks relating to our ability to obtain additional 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 the associated outlooks and increased borrowing costs, including as a result of the Berkeley Point Acquisition (defined below), as well as interest rate and foreign currency exchange rate fluctuations;
- risks associated with the temporary or longer-term investment of our available cash, including defaults or impairments on our investments, stock loans or cash management vehicles and collectability of loan balances owed to us by partners, employees, or others;
- our ability to enter new markets or develop new products, trading desks, marketplaces, or services for existing or new customers and to induce such customers to use these products, trading desks, marketplaces, or services and to secure and maintain market share;
- our ability to enter into marketing and strategic alliances and business combinations or other transactions in the financial services, real estate, and other industries, including acquisitions, tender offers, dispositions, reorganizations, partnering opportunities and joint ventures, and our ability to maintain or develop relationships with independently owned offices in our Real Estate Services business and our ability to grow in other geographic regions, including the Berkeley Point Acquisition and the Separation (defined below), the Newmark IPO (defined below) and our proposed spin-off of shares of Newmark owned by us, the anticipated benefits of any such transactions, relationships or growth and the future impact of any such transactions, relationships or growth on our other businesses and our financial results for current or future periods, the integration of any completed acquisitions and the use of proceeds of any completed dispositions, and the value of and any hedging entered into in connection with consideration received or to be received in connection with such dispositions and any transfers thereof;
- the timing of the spin-off of the shares we own in Newmark to our stockholders and whether the distribution will occur at all;
- limitations on Newmark’s ability to enter into certain transactions in order to preserve the tax-free treatment of the spin-off;
- our estimates or determinations of potential value with respect to various assets or portions of our businesses, including with respect to the accuracy of the assumptions or the valuation models or multiples used;
- our ability to hire and retain personnel, including brokers, salespeople, managers, and other professionals;
- our ability to expand the use of technology for hybrid and fully electronic trading in our product and service offerings;
- our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable financial reporting, internal control, legal compliance, and regulatory requirements;
- our ability to identify and remediate any material weaknesses in our internal controls that could affect our ability to prepare financial statements and reports in a timely manner, control our policies, practices and procedures, operations and assets, assess and manage our operational, regulatory and financial risks, and integrate our acquired businesses and brokers, salespeople, managers and other professionals;
- the effectiveness of our risk management policies and procedures, and the impact of unexpected market moves and similar events;
- information technology risks, including capacity constraints, failures, or disruptions in our systems or those of the clients, counterparties, exchanges, clearing facilities, or other parties with which we interact, including cybersecurity risks and incidents, compliance with regulations requiring data minimization and protection and preservation of records of access and transfers of data, privacy risk and exposure to potential liability and regulatory focus;

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- 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 or the price of shares in Newmark that we own may vary significantly, and purchasers of shares in such offerings or other transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;
- our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases or redemptions of limited partnership interests of BGC Holdings, L.P., which we refer to as "BGC Holdings," or other equity interests in us or any of our other subsidiaries, including Newmark and its subsidiaries, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of our shares of Class A common stock; and
- the effect on the market for and trading price of our Class A common stock and Newmark's Class A common stock and of various offerings and other transactions, including our controlled equity and other offerings of our Class A common stock and convertible or exchangeable securities, the Separation, the Newmark IPO and the proposed spin-off of shares of Newmark owned by us, our repurchases of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests in us or in our subsidiaries, including Newmark and its subsidiaries, any exchanges by Cantor of shares of our Class A common stock for shares of our Class B common stock, any exchanges or redemptions of limited partnership units and issuances of shares of Class A common stock in connection therewith, including in partnership restructurings, our payment of dividends on our Class A common stock and distributions on BGC Holdings limited partnership interests, convertible arbitrage, hedging, and other transactions engaged in by holders of our outstanding debt or other securities, share sales and stock pledge, stock loan, and other financing transactions by holders of our shares (including by Cantor or others), including of shares acquired pursuant to our employee benefit plans, unit exchanges and redemptions, partnership restructurings, acquisitions, conversions of our Class B common stock and our other convertible securities, stock pledge, stock loan, or other financing transactions, and distributions from Cantor pursuant to Cantor's distribution rights obligations and other distributions to Cantor partners, including deferred distribution rights shares.

The foregoing risks and uncertainties, as well as those risks and uncertainties set forth in this Quarterly Report on Form 10-Q, may cause actual results and events to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-Q with the Securities and Exchange Commission (the "SEC"), and future results or events could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

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

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

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except per share data)

(unaudited)

	September 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 364,399	$ 634,333
Restricted cash	260,592	—
Cash segregated under regulatory requirements	150,427	162,457
Securities owned	75,911	33,007
Marketable securities	152,485	208,176
Loans held for sale, at fair value	1,132,665	362,635
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	2,770,378	745,402
Mortgage servicing rights, net	405,241	392,626
Accrued commissions and other receivables, net	885,597	620,039
Loans, forgivable loans and other receivables from employees and partners, net	466,919	335,734
Fixed assets, net	216,131	189,347
Investments	164,892	141,788
Goodwill	979,627	945,582
Other intangible assets, net	293,980	311,021
Receivables from related parties	6,864	3,739
Other assets	406,188	343,826
Total assets	$ 8,732,296	$ 5,429,712
Liabilities, Redeemable Partnership Interest, and Equity		
Short-term borrowings	$ 4,995	$ 6,046
Short-term borrowings from related parties	80,000	—
Repurchase agreements	198	—
Securities loaned	66,318	202,343
Warehouse notes payable	1,131,792	360,440
Accrued compensation	545,004	432,733
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	2,505,198	607,580
Payables to related parties	67,816	40,988
Accounts payable, accrued and other liabilities	1,067,516	942,917
Notes payable and other borrowings	1,323,030	1,650,509
Total liabilities	6,791,867	4,243,556
Commitments, contingencies and guarantees (Note 23)		
Redeemable partnership interest	50,270	46,415
Equity		

Stockholders' equity:		
Class A common stock, par value $0.01 per share; 750,000 shares authorized; 343,690 and 306,218 shares issued at September 30, 2018 and December 31,2017, respectively; and 293,512 and 256,968 shares outstanding at September 30, 2018 and December 31, 2017, respectively	3,438	3,063
Class B common stock, par value $0.01 per share; 150,000 shares authorized; 34,848 shares issued and outstanding at September 30, 2018 and December 31, 2017, convertible into Class A common stock	348	348
Additional paid-in capital	2,116,514	1,763,371
Contingent Class A common stock	35,734	40,472
Treasury stock, at cost: 50,178 and 49,250 shares of Class A common stock at September 30, 2018 and December 31, 2017, respectively	(313,427)	(303,873)
Retained deficit	(798,717)	(859,009)
Accumulated other comprehensive income (loss)	(21,553)	(10,486)
Total stockholders' equity	1,022,337	633,886
Noncontrolling interest in subsidiaries	867,822	505,855
Total equity	1,890,159	1,139,741
Total liabilities, redeemable partnership interest, and equity	$ 8,732,296	$ 5,429,712

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Commissions	$671,318	$582,106	$1,998,237	$1,704,998
Principal transactions	73,360	75,766	250,266	241,869
Gains from mortgage banking activities/originations, net	51,972	45,455	132,764	164,263
Real estate management and other services	101,881	60,798	305,880	163,017
Servicing fees	34,948	29,057	96,207	80,729
Fees from related parties	7,128	7,173	19,989	20,129
Data, software and post-trade	16,547	13,776	47,016	40,185
Interest income	15,946	11,726	37,060	40,909
Other revenues	4,154	1,171	6,557	3,023
Total revenues	977,254	827,028	2,893,976	2,459,122
Expenses:				
Compensation and employee benefits	517,865	495,145	1,576,706	1,438,129
Allocations of net income and grant of exchangeability to limited partnership units and FPUs	67,919	48,446	239,696	161,876
Total compensation and employee benefits	585,784	543,591	1,816,402	1,600,005
Occupancy and equipment	58,193	51,962	165,405	153,102
Fees to related parties	9,743	4,380	27,394	16,389
Professional and consulting fees	33,491	24,486	86,490	69,047
Communications	31,693	33,290	100,686	97,816
Selling and promotion	30,850	26,828	93,599	81,503
Commissions and floor brokerage	15,382	10,410	45,100	31,316
Interest expense	33,472	24,425	88,051	69,678
Other expenses	69,706	55,600	204,604	148,262
Total expenses	868,314	774,972	2,627,731	2,267,118
Other income (losses) , net:				
Gain (loss) on divestiture and sale of investments	—	4	—	561
Gains (losses) on equity method investments	1,344	2,147	9,999	3,986
Other income (loss)	108,776	88,195	141,908	97,928
Total other income (losses), net	110,120	90,346	151,907	102,475
Income (loss) from operations before income taxes	219,060	142,402	418,152	294,479
Provision (benefit) for income taxes	56,756	31,854	108,427	55,084
Consolidated net income (loss)	$162,304	$110,548	$309,725	$239,395
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	42,018	29,019	95,462	68,121
Net income (loss) available to common stockholders	$120,286	$81,529	$214,263	$171,274

Per share data:				
Basic earnings (loss) per share				
Net income (loss) available to common stockholders (1)	$118,864	$81,529	$212,677	$171,274
Basic earnings (loss) per share	$0.36	$0.28	$0.67	$0.60
Basic weighted-average shares of common stock outstanding	327,932	288,308	319,027	286,200
Fully diluted earnings (loss) per share				
Net income (loss) for fully diluted shares	$171,720	$127,495	$310,922	$266,001
Fully diluted earnings (loss) per share	$0.35	$0.28	$0.64	$0.59
Fully diluted weighted-average shares of common stock outstanding	487,636	457,341	482,711	451,348

(1) In accordance with ASC 260, includes a reduction for dividends on preferred stock or units.

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Consolidated net income (loss)	$162,304	$110,548	$309,725	$239,395
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(1,809)	5,134	(10,186)	16,186
Available for sale securities	—	457	—	1,148
Total other comprehensive income (loss), net of tax	(1,809)	5,591	(10,186)	17,334
Comprehensive income (loss)	160,495	116,139	299,539	256,729
Less: Comprehensive income (loss) attributable to noncontrolling interest in subsidiaries, net of tax	42,389	29,845	94,051	70,492
Comprehensive income (loss) attributable to common stockholders	$118,106	$86,294	$205,488	$186,237

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	$309,725	$239,395
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Fixed asset depreciation and intangible asset amortization	65,683	61,201
Amortization of mortgage servicing rights, net	55,141	53,001
Employee loan amortization and reserves on employee loans	23,714	43,227
Equity-based compensation and allocations of net income to limited partnership units and FPUs	238,409	185,135
Deferred compensation expense	5,553	7,265
Gain on originated mortgage servicing rights	(65,632)	(98,814)
Unrealized losses (gains) on loans held for sale	(461)	(507)
Loan originations - loans held for sale	(5,937,964)	(7,314,794)
Loan sales - loans held for sale	5,168,395	7,726,805
Losses (gains) on equity method investments	(9,999)	(3,986)
Amortization of discount (premium) on notes payable	3,437	(1,912)
Unrealized loss (gain) on marketable securities	35	(23,038)
Unrealized loss (gain) on derivative asset	(6,327)	—
Impairment of fixed assets, intangible assets and investments	2,568	8,499
Deferred tax provision (benefit)	9,748	2,263
Recognition of earn-out	(85,135)	(76,969)
Realized losses (gains) on marketable securities	(12,448)	(1,222)
Change in estimated acquisition earn-out payables	(2,009)	5,946
Forfeitures of Class A common stock	(1,219)	(672)
Loss (gain) on other investments	(38,972)	—
Other	—	(556)
Consolidated net income (loss), adjusted for non-cash and non-operating items	(277,758)	810,267
Decrease (increase) in operating assets:		
Reverse repurchase agreements	—	54,659
Securities owned	(42,904)	3,236
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(1,962,994)	(1,789,576)
Mortgage servicing rights, net	—	(506)
Accrued commissions and other receivables, net	(154,269)	(99,138)
Loans, forgivable loans and other receivables from employees and partners, net	(156,185)	(82,549)

Receivables from related parties	(2,636)	(3,566)
Other assets	(37,676)	(17,586)
Increase (decrease) in operating liabilities:		
Repurchase agreements	198	1,803
Securities loaned	(136,025)	135,070
Accrued compensation	26,262	(37,275)
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	1,897,839	1,731,395
Payables to related parties	26,828	(6,493)
Accounts payable, accrued and other liabilities	61,266	89,176
Net cash provided by (used in) operating activities	$(758,054)	$788,917

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	$(25,656)	$(28,998)
Capitalization of software development costs	(38,487)	(27,841)
Purchase of equity and cost method investments	(23,099)	(101,623)
Proceeds from equity method investments	10,064	243
Payments for acquisitions, net of cash and restricted cash acquired	(33,573)	(22,270)
Advances to related parties	—	(375,000)
Repayments from related parties	—	375,000
Purchase of mortgage servicing rights	(2,124)	—
Proceeds from sale of marketable securities	153,251	7,849
Capitalization of trademarks, patent defense and registration costs	—	(295)
Net cash (used in) provided by investing activities	$40,376	$(172,935)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable and other borrowings	$(970,160)	$(7,060)
Issuance of long-term debt and collateralized borrowings, net of deferred issuance costs	639,241	998,817
Proceeds from warehouse notes payable	5,937,964	7,314,793
Repayments on warehouse notes payable	(5,166,612)	(6,913,030)
Proceeds from issuance of exchangeable preferred partnership units in Newmark Partners, L.P.	266,093	—
Advances from related parties	—	291,000
Repayments to related parties	—	(981,000)
Earnings distributions	(182,731)	(89,537)
Redemption and repurchase of limited partnership interests	(29,421)	(34,113)
Dividends to stockholders	(176,228)	(148,094)
Repurchase of Class A common stock	(9,806)	(14,557)
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(647)	(52)
Proceeds from issuance of Class A common stock, net of costs	327,624	—
Loan from related parties	80,000	—
Acquisition of Berkeley Point	—	(871,814)
Pre-acquisition distribution from Berkeley Point to CCRE	—	(66,782)
Proceeds from short-term borrowings	—	6,313
Payments on acquisitions earn-outs	(11,180)	(12,211)
Net cash (used in) provided by financing activities	704,137	(527,327)
Effect of exchange rate changes on cash and cash equivalents, Restricted cash and Cash	(7,831)	3,853

segregated under regulatory requirements		
Net (decrease) increase in cash and cash equivalents, Restricted cash and Cash segregated under regulatory requirements	(21,372)	92,508
Cash and cash equivalents, Restricted cash and Cash segregated under regulatory requirements at beginning of period	796,790	593,435
Cash and cash equivalents, Restricted cash and Cash segregated under regulatory requirements at end of period	$775,418	$685,943
Supplemental cash information:		
Cash paid during the period for taxes	$38,438	$32,136
Cash paid during the period for interest	71,413	68,331
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	127,322	74,013
Issuance of Class A and contingent Class A common stock and limited partnership interests for acquisitions	19,732	14,232
Distribution from Berkeley Point to CCRE	—	2,993
Shares received for Nasdaq earn-out	85,135	76,969

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2017

(in thousands, except share amounts)

	BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Contingent Class A Common Stock	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2017	$2,925	$348	$1,662,615	$42,472	$(288,743)	$(212,858)	$(23,199)	$449,980	$1,633,540
Consolidated net income (loss)	—	—	—	—	—	51,475	—	30,254	81,729
Other comprehensive gain, net of tax	—	—	—	—	—	—	12,713	2,139	14,852
Equity-based compensation, 570,944 shares	6	—	1,370	—	—	—	—	761	2,137
Dividends to common stockholders	—	—	—	—	—	(200,116)	—	—	(200,116)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	—	(118,795)	(118,795)
Grant of exchangeability and redemption of limited partnership interests, issuance of 9,179,295 shares	92	—	125,502	—	—	—	—	77,605	203,199
	20	—	45,101	—	—	—	—	12,600	57,721

Issuance of Class A common stock (net of costs), 1,994,670 shares									
Redemption of FPUs, 729,802 units	—	—	—	—	—	—	—	(6,665)	(6,665)
Repurchase of Class A common stock, 1,386,769 shares	—	—	—	—	(13,164)	—	—	(3,609)	(16,773)
Forfeitures of restricted Class A common stock, 183,246 shares	—	—	1,063	—	(1,966)	—	—	(250)	(1,153)
Cantor purchase of Cantor units from BGC Holdings upon redemption of founding/working partners units, 1,179,788 units	—	—	—	—	—	—	—	3,920	3,920
Issuance of Class A common stock for acquisitions, 1,923,854 shares	20	—	8,037	(5,961)	—	—	—	566	2,662
Issuance of contingent shares and limited partnership interests in connection with acquisitions	—	—	5,121	3,961	—	—	—	2,488	11,570
Acquisition related distribution from Berkeley Point to CCRE	—	—	—	—	—	(56,483)	—	(32,666)	(89,149)
Acquisition of Berkeley Point	—	—	(87,434)	—	—	(441,386)	—	(237,586)	(766,406)
Newmark Group, Inc.	—	—	—	—	—	—	—	305,420	305,420

noncontrolling interest									
Purchase of Newmark noncontrolling interest	—	—	(175)	—	—	—	—	(140)	(315)
Noncontrolling interest in Commercial Real Estate Consulting Firm	—	—	—	—	—	—	—	18,056	18,056
Other	—	—	2,171	—	—	359	—	1,777	4,307
Balance, December 31, 2017	$3,063	$348	$1,763,371	$40,472	$(303,873)	$(859,009)	$(10,486)	$505,855	$1,139,741

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2018

(in thousands, except share amounts)

(unaudited)

	BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Contingent Class A Common Stock	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2018	$3,063	$348	$1,763,371	$40,472	$(303,873)	$(859,009)	$(10,486)	$505,855	$1,139,741
Consolidated net income (loss)	—	—	—	—	—	214,263	—	95,462	309,725
Other comprehensive gain, net of tax	—	—	—	—	—	—	(8,775)	(1,411)	(10,186)
Equity-based compensation, 464,019 shares	5	—	2,407	—	—	—	—	2,084	4,496
Dividends to common stockholders	—	—	—	—	—	(172,029)	—	(4,199)	(176,228)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	—	(180,351)	(180,351)
Grant of exchangeability and redemption of limited partnership interests,	99	—	95,695	—	—	—	—	52,178	147,972

issuance of 9,949,679 shares									
Issuance of Class A common stock (net of costs), 25,975,240 shares	260	—	245,111	—	—	—	—	67,181	312,552
Redemption of FPUs, 98,991 units	—	—	—	—	—	—	—	(796)	(796)
Repurchase of Class A common stock, 734,802 shares	—	—	—	—	(7,689)	—	—	(2,117)	(9,806)
Forfeitures of restricted Class A common stock, 193,819 shares	—	—	900	—	(1,865)	—	—	(254)	(1,219)
Issuance of Class A common stock for acquisitions, 1,083,150 shares	11	—	9,030	(4,738)	—	—	—	1,178	5,481
Issuance of contingent shares and limited partnership interests in connection with acquisitions	—	—	—	—	—	—	—	14,251	14,251
Purchase of Newmark noncontrolling interest	—	—	—	—	—	—	—	(54)	(54)
Newmark Group, Inc. noncontrolling interest	—	—	—	—	—	—	—	(4,897)	(4,897)
Cumulative effect of revenue	—	—	—	—	—	16,387	—	2,303	18,690

standard adoption									
Cumulative effect of adoption of standard on equity investments	—	—	—	—	—	1,671	(2,293)	622	—
Issuance of exchangeable preferred partnership units in Newmark Partners, L.P.	—	—	—	—	—	—	—	320,786	320,786
Other	—	—	—	—	—	—	1	1	2
Balance, September 30, 2018	$3,438	$348	$2,116,514	$35,734	$(313,427)	$(798,717)	$(21,553)	$867,822	$1,890,159

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Dividends declared per share of common stock	$0.18	$0.18	$0.54	$0.52
Dividends declared and paid per share of common stock	$0.18	$0.18	$0.54	$0.52

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

BGC PARTNERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Organization and Basis of Presentation
Business Overview

BGC Partners, Inc. (together with its subsidiaries, "BGC Partners," "BGC" or the "Company") is a leading global brokerage and financial technology company servicing the financial and real estate markets through its two segments, Financial Services and Real Estate Services. Through the Company's financial service brands, including BGC, GFI, Sunrise, Besso and R.P. Martin among others, the Company's Financial Services segment specializes in the brokerage of a broad range of products, including fixed income (rates and credit), foreign exchange, equities, energy and commodities, insurance, and futures. It also provides a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post trade, information, and other back-office services to a broad range of financial and non-financial institutions. BGC Partners' 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 the Company's electronic brands including Fenics, BGC Trader, BGC Market Data, Capitalab and Lucera, BGC Partners offers fully electronic brokerage, financial technology solutions, market data, post-trade services and analytics related to financial instruments and markets.

Newmark Group, Inc. (which may be referred to as "Newmark" or "NKF"), the Company's Real Estate Services segment, is a leading commercial real estate services firm. Newmark offers a full suite of services and products for both owners and occupiers across the entire commercial real estate industry. Our investor/owner services and products include capital markets, which consists of investment sales, debt and structured finance and loan sales, agency leasing, property management, valuation and advisory, diligence and underwriting and government sponsored entity ("GSE") lending and loan servicing. Newmark's occupier services and products include tenant representation, real estate management technology systems, workplace and occupancy strategy, global corporate consulting, project management, lease administration and facilities management. Newmark enhances these services and products through innovative real estate technology solutions and data analytics that enable our clients to increase their efficiency and profits. Newmark has relationships with many of the world's largest commercial property owners, real estate developers and investors, as well as Fortune 500 and Forbes Global 2000 companies.

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 Partners has more than 100 offices globally in major markets including New York and London, as well as in Atlanta, Beijing, Bogotá, Boston, Buenos Aires, Charlotte, Chicago, Copenhagen, Dallas, Denver, Dubai, Dublin, Geneva, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Madrid, Mexico City, Miami, Moscow, Nyon, Paris, Philadelphia, Rio de Janeiro, San Francisco, Santa Clara, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo, Toronto, and Washington, D.C.

On September 8, 2017, the Company and one of its operating partnerships, BGC Partners, L.P., closed (the "Closing") on the acquisition of Berkeley Point Financial LLC ("Berkeley Point") pursuant to a Transaction Agreement, dated as of July 17, 2017, with Cantor Fitzgerald, L.P. ("Cantor") and certain of Cantor's affiliates, including Cantor Commercial Real Estate Company, L.P. ("CCRE") and Cantor Commercial Real Estate Sponsor, L.P., the general partner of CCRE. Berkeley Point is a leading commercial real estate finance company focused on the origination and sale of multifamily and other commercial real estate loans through government-sponsored and government-funded loan programs, as well as the servicing of commercial real estate loans. At the Closing, the Company purchased and acquired from CCRE all of the outstanding membership interests of Berkeley Point, a wholly owned subsidiary of CCRE, for an acquisition

price of $875.0 million, subject to a post-closing upward or downward adjustment to the extent that the net assets, inclusive of certain fair value adjustments, of Berkeley Point as of the Closing were greater than or less than $508.6 million, (the “Berkeley Point Acquisition”). BGC paid $3.2 million of the $875.0 million acquisition price with 247,099 limited partnership units of BGC Holdings, L.P. (“BGC Holdings”), which may be exchanged over time for shares of Class A common stock of the Company, with each BGC Holdings unit valued for these purposes at the volume weighted-average price of a share of Class A common stock for the three trading days prior to the Closing. The Berkeley Point Acquisition did not include the Special Asset Servicing Group of Berkeley Point; however, Berkeley Point will continue to hold the Special Asset Servicing Group’s assets until the servicing group is transferred to CCRE at a later date in a separate transaction. Accordingly, CCRE will continue to bear the benefits and burdens of the Special Asset Servicing Group from and after the Closing (the “Special Asset Servicing Arrangement”).

Concurrently with the Berkeley Point Acquisition, on September 8, 2017, the Company invested $100.0 million in a newly formed commercial real estate-related financial and investment business, CF Real Estate Finance Holdings, L.P. (“Real Estate LP”), which is controlled and managed by Cantor. Real Estate LP may conduct activities in any real estate related business or asset backed

securities-related business or any extensions thereof and ancillary activities thereto. In addition, Real Estate LP may provide short-term loans to related parties from time to time when funds in excess of amounts needed for investment are available. As of September 30, 2018, the Company's investment in the Real Estate LP is accounted for under the equity method.

On December 13, 2017, prior to the closing of the Newmark initial public offering ("IPO"), BGC, BGC Holdings, L.P. ("BGC Holdings"), BGC Partners, L.P. ("BGC U.S. OpCo"), Newmark, Newmark Holdings, L.P. ("Newmark Holdings"), Newmark Partners, L.P. ("Newmark OpCo") and, solely for the provisions listed therein, Cantor and BGC Global Holdings, L.P. ("BGC Global OpCo") entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"). The Separation and Distribution Agreement sets forth the agreements among BGC, Cantor, Newmark and their respective subsidiaries regarding, among other things:

- the principal corporate transactions pursuant to which BGC, BGC Holdings and BGC U.S. OpCo and their respective subsidiaries (other than the Newmark Group (defined below), the "BGC Group") transferred to Newmark, Newmark Holdings and Newmark OpCo and their respective subsidiaries (the "Newmark Group") the assets and liabilities of the BGC Group relating to BGC's Real Estate Services business (the "Separation");
- the proportional distribution of interests in Newmark Holdings to holders of interests in BGC Holdings;
- the Newmark IPO;
- the assumption and repayment of indebtedness by the BGC Group and the Newmark Group, as further described below; and
- the pro rata distribution of the shares of Newmark Class A common stock and the shares of Newmark Class B common stock held by BGC, pursuant to which shares of Newmark Class A common stock held by BGC would be distributed to the holders of shares of Class A common stock of BGC and shares of Newmark Class B common stock held by BGC would be distributed to the holders of shares of Class B common stock of BGC (which are currently Cantor and another entity controlled by Howard W. Lutnick), which distribution is intended to qualify as generally tax-free for U.S. federal income tax purposes; provided that the determination of whether, when and how to proceed with the distribution shall be entirely within the discretion of BGC (the "Newmark Distribution" or "spin-off").

On December 15, 2017, Newmark announced the pricing of Newmark's IPO of 20 million shares of Newmark's Class A common stock at a price to the public of $14.00 per share, which was completed on December 19, 2017. Newmark's Class A shares began trading on December 15, 2017 on the NASDAQ Global Select Market under the symbol "NMRK". In addition, Newmark granted the underwriters a 30-day option to purchase up to an additional 3 million shares of Newmark's Class A common stock at the IPO price, less underwriting discounts and commissions. On December 26, 2017 the underwriters of Newmark's initial public offering exercised in full their overallotment option to purchase an additional 3 million shares of Newmark's Class A common stock from Newmark at the initial public offering price, less underwriting discounts and commission ("the option"). As a result, Newmark received aggregate net proceeds of approximately $295.4 million from the initial public offering, after deducting underwriting discounts and commissions and estimated offering expenses. Upon the closing of the option, Newmark's public stockholders owned approximately 16.6% of the shares of Newmark's Class A common stock. This is based on 138.6 million shares of Newmark's Class A common stock outstanding following the closing of the option. Also upon the closing of the option, Newmark's public stockholders owned approximately 9.8% of Newmark's 234.2 million fully diluted shares outstanding. The amount owned by the Newmark public shareholders represents a noncontrolling interest and is recorded in "Noncontrolling interest in subsidiaries" on the Company's unaudited condensed consolidated statements of financial condition. In addition, the Newmark public shareholders receive allocations of net income (loss) in relation to their ownership in Newmark, which are reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's consolidated statements of operations.

As part of the Separation described above, BGC contributed its interests in both Berkeley Point and Real Estate LP to Newmark.

On March 7, 2018, BGC Partners and its operating subsidiaries purchased 16.6 million newly issued exchangeable limited partnership units (the "Newmark Units") of Newmark Holdings L.P. for approximately $242.0 million (the

"Investment in Newmark"). These newly-issued Newmark Units are exchangeable, at BGC's discretion, into either shares of Class A common stock or shares of Class B common stock of Newmark. The Company and its subsidiaries funded the Investment in Newmark using proceeds of the Company's Controlled Equity Offering sales program. See Note 17—"Related Party Transactions" for additional information.

On June 26, 2012, BGC issued an aggregate of $112.5 million principal amount of its 8.125% Senior Notes due 2042 (the "8.125% BGC Senior Notes"). In connection with the issuance of the 8.125% BGC Senior Notes, BGC lent the proceeds of the 8.125% BGC Senior Notes to BGC U.S. OpCo, and BGC U.S. OpCo issued an amended and restated promissory note, effective as of June 26, 2012, with an aggregate principal amount of $112.5 million payable to BGC (the "2042 Promissory Note"). In connection with the Separation, on December 13, 2017, Newmark OpCo assumed all of BGC U.S. OpCo's rights and obligations under the 2042 Promissory Note. The 2042 Promissory Note assumed by Newmark Opco payable to BGC represented an intercompany transaction,

and is eliminated in the Company's unaudited condensed consolidated financial statements. On September 4, 2018, BGC U.S. OpCo loaned $112.5 million to Newmark OpCo pursuant to the Intercompany Credit Agreement (defined below), which bears an annual interest rate of 6.5%. Newmark OpCo used the proceeds to repay the 2042 Promissory Note assumed by it in connection with the Separation. In addition, on September 5, 2018, BGC redeemed the outstanding $112.5 million aggregate principal amount of the 8.125% BGC Senior Notes. On November 6, 2018, Newmark repaid the $112.5 million promissory note under the Intercompany Credit Agreement using proceeds from the sale of its 6.125% Senior Notes. See Note 31—"Subsequent Events" for additional information.

On December 9, 2014, BGC issued an aggregate of $300.0 million principal amount of its 5.375% Senior Notes due 2019 (the "5.375% BGC Senior Notes"). In connection with the issuance of the 5.375% BGC Senior Notes, BGC lent the proceeds of the 5.375% BGC Senior Notes to BGC U.S. OpCo, and BGC U.S. OpCo issued an amended and restated promissory note, effective as of December 9, 2014, with an aggregate principal amount of $300.0 million payable to BGC (the "2019 Promissory Note"). In connection with the Separation, on December 13, 2017, Newmark OpCo assumed all of BGC U.S. OpCo's rights and obligations under the 2019 Promissory Note. The 2019 Promissory Note assumed by Newmark Opco payable to BGC represents an intercompany transaction, and is eliminated in the Company's unaudited condensed consolidated financial statements. Newmark will repay the $300.0 million outstanding principal amount under the 2019 Promissory Note on the earlier of the spin-off date or December 5, 2018, using primarily proceeds from the sale of its 6.125% Senior Notes. See Note 31—"Subsequent Events" for additional information.

On November 22, 2017, BGC and Newmark entered into an amendment (the "Term Loan Amendment") to the unsecured senior term loan credit agreement (the "Term Loan Credit Agreement"), dated as of September 8, 2017, with Bank of America, N.A., as administrative agent (the "Administrative Agent"), and a syndicate of lenders. The Term Loan Credit Agreement provides for a term loan of up to $575.0 million (the "Term Loan"), and as of the Separation this entire amount remained outstanding under the Term Loan Credit Agreement. Pursuant to the Term Loan Amendment and effective as of the Separation, Newmark assumed the obligations of BGC as borrower under the Term Loan. The net proceeds from the IPO have been used to partially repay $304.3 million of the Term Loan, which had an outstanding balance of $270.7 million as of December 31, 2017. During the three months ended March 31, 2018, Newmark repaid the outstanding balance of the Term Loan in full with the proceeds received from the Company's Investment in Newmark.

On November 22, 2017, BGC and Newmark entered into an amendment (the "Revolver Amendment") to the unsecured senior revolving credit agreement (the "Revolving Credit Agreement"), dated as of September 8, 2017, with the Administrative Agent and a syndicate of lenders. The Revolving Credit Agreement provides for revolving loans of up to $400.0 million (the "Revolving Credit Facility"). As of the date of the Revolver Amendment and as of the Separation, $400.0 million of borrowings were outstanding under the Revolving Credit Facility. Pursuant to the Revolver Amendment, the then-outstanding borrowings of BGC under the Revolving Credit Facility were converted into a term loan (the "Converted Term Loan") and, effective upon the Separation, Newmark assumed the obligations of BGC as borrower under the Converted Term Loan. BGC remains a borrower under, and retains access to, the Revolving Credit Facility for any future draws, subject to availability which increases as Newmark repays the Converted Term Loan.

On March 19, 2018, the Company entered into an unsecured senior credit agreement (the "BGC Credit Agreement") with Cantor. The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender's discretion in an aggregate principal amount up to $250.0 million outstanding at any time. The BGC Credit Agreement replaced a previously existing BGC credit agreement of $150.0 million between the parties and was approved by the Audit Committee of BGC (see Note 17—"Related Party Transactions"). The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2019, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal

to the higher of BGC's or Cantor's short-term borrowing rate in effect at such time plus 1.00%. As of September 30, 2018, there was $80.0 million of borrowings outstanding under this agreement. As of September 30, 2018, the interest rate on this facility was 5.51%.

Also, on March 19, 2018, the Company entered into an amended and restated credit agreement (the "Intercompany Credit Agreement") with Newmark, which amended and restated the original intercompany credit agreement between the parties in relation to the Separation, dated as of December 13, 2017. The Intercompany Credit Agreement provides for each party to issue revolving loans to the other party in the lender's discretion. Any loans issued under this Intercompany Revolving Credit Agreement would represent intercompany transactions and would be eliminated in the Company's unaudited condensed consolidated financial statements. The interest rate on the Intercompany Credit Agreement can be the higher of BGC's or Newmark's short-term borrowing rate in effect at such time plus 100 basis points, or such other interest rate as may be mutually agreed between BGC and Newmark. On the same date, Newmark borrowed $150.0 million from BGC, which was funded through the BGC Credit Agreement, on the same terms as the funds that were borrowed by BGC from Cantor under the BGC Credit Agreement. As of September 30, 2018, Newmark's borrowings under the Intercompany Credit Agreement included $270.0 million which bore an interest rate of 5.41% and $112.5

million which bore an interest rate of 6.5%. As of November 7, 2018, all borrowings outstanding under the Intercompany Credit Agreement had been repaid. See Note 31—“Subsequent Events” for additional information.

BGC intends to pursue a distribution, or spin-off, to its common stockholders of all the Class A shares and Class B shares of Newmark common stock that it then owns in a manner intended to qualify as generally tax-free for U.S. federal income tax purposes. The Company expects to complete the necessary steps to achieve the spin-off by the end of 2018, and as part of these steps, Newmark has obtained its own credit rating. In addition, in order for the spin-off to be tax-free, Newmark must repay or refinance any debt owed to or guaranteed by BGC. As of September 30, 2018, Newmark had $434.0 million of debt owed to or guaranteed by BGC and $382.5 million of borrowings outstanding under the Intercompany Credit Agreement. As of September 30, 2018, Newmark had $260.6 million pledged for the benefit of Fannie Mae in excess of the minimum required balance. On October 4, 2018, Newmark withdrew $252.0 million of the cash pledged for the benefit of Fannie Mae, and repaid BGC $252.0 million of the outstanding borrowings under the Intercompany Credit Agreement. On November 6, 2018, Newmark repaid the remaining $134.0 million outstanding principal amount of the Converted Term Loan and the $112.5 million promissory note under the Intercompany Credit Agreement using proceeds from the sale of its 6.125% Senior Notes. On November 7, 2018, Newmark repaid the then remaining outstanding balance under the Intercompany Credit Agreement. Newmark will repay the $300.0 million outstanding principal amount under the 2019 Promissory Note on the earlier of the spin-off date or December 5, 2018, using primarily proceeds from the sale of its 6.125% Senior Notes. Upon repayment of the 2019 Promissory Note, Newmark will have no further debt obligations owed to BGC. See Note 31—“Subsequent Events” for additional information.

Exchangeable Preferred Partnership Units and Forward Contracts

On June 18, 2018 and September 25, 2018, Newmark’s principal operating subsidiary, Newmark Partners, L.P. (“Newmark OpCo”), issued approximately $175 million and $150 million of exchangeable preferred limited partnership units (“EPUs”), respectively, in private transactions to The Royal Bank of Canada (“RBC”) (the “Newmark OpCo Preferred Investment”). Newmark received $152.9 million and $113.2 million of cash in the second and third quarter of 2018, respectively, with respect to these transactions. The EPUs were issued in four tranches and are separately convertible by either RBC or the Company into a fixed number of Newmark’s Class A common stock, subject to a revenue hurdle for Newmark in each of the fourth quarters of 2019 through 2022 for each of the respective four tranches. As the EPUs represent equity ownership of a consolidated subsidiary of the Company they have been included in Noncontrolling interest in subsidiaries on the unaudited condensed consolidated statement of changes in equity. The EPUs are entitled to a preferred payable-in-kind dividend, which is recorded as accretion to the carrying amount of the EPUs through Retained Earnings on the unaudited condensed consolidated statement of changes in equity and are reduction to Net income (loss) available to common stockholders for the purpose of calculating earnings per share.

Contemporaneously with the issuance of the EPUs, a newly formed special purpose entity that is a consolidated subsidiary of the Company, entered into four variable postpaid forward contracts (together, the "Forwards") with RBC. The Forwards provide the option to both the Company and RBC for RBC to receive up to 992,247 shares of Nasdaq common stock, received by the Company pursuant to the Nasdaq earn-out, in each of the fourth quarters of 2019 through 2022 in exchange for either cash or redemption of the EPUs, solely at the Company’s option. The Nasdaq earn-out is related to the Company’s sale of its eSpeed business to Nasdaq on June 28, 2013. The purchase consideration consisted of $750 million in cash paid upon closing, plus an expected payment of up to 14.9 million shares of Nasdaq common stock to be paid ratably over 15 years beginning in 2013, assuming that Nasdaq, as a whole, generates at least $25 million in gross revenues each of these years. In connection with the separation of Newmark from BGC, during the third quarter of 2017 BGC transferred to Newmark the right to receive the remainder of the Nasdaq earn-out payments.

As the Forwards provide the Company with the ability to redeem the EPUs for Nasdaq stock, and these instruments are not legally detachable, they represent single financial instruments. The financial instruments’ EPU redemption feature for Nasdaq common stock is not clearly and closely related to the economic characteristics and risks of the

Company's EPU equity host instruments, and therefore, it represents an embedded derivative that is required to be bifurcated and recorded at fair value on the Company's unaudited condensed consolidated statement of financial condition, with the changes in fair value recognized as a component of Other income (loss) on the Company's unaudited condensed consolidated statements of operations. See Note 12—"Derivatives" for additional information.

Basis of Presentation

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

As of March 31, 2018, the Company changed the line item formerly known as "Long-term debt and collateralized borrowings" to "Notes payable and other borrowings" in the Company's unaudited condensed consolidated statements of financial condition.

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

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The new standard was effective for the Company beginning January 1, 2017, and early adoption was permitted. Under the guidance, previously unrecognized excess tax benefits should be recognized on a modified retrospective basis. As a result, the Company recorded a deferred tax asset for previously unrecognized tax benefits outstanding as of the beginning of the annual period of adoption, with an offsetting adjustment to retained deficit as of January 1, 2017. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which relates to how an entity recognizes the revenue it expects to be entitled to for the transfer of promised goods and services to customers. The ASU replaced certain previously existing revenue recognition guidance. The FASB has subsequently issued several additional amendments to the standard, including ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the guidance on principal versus agent analysis based on the notion of control and affects recognition of revenue on a gross or net basis. The Company adopted the new revenue recognition guidance on its required effective date of January 1, 2018 using the modified retrospective transition approach applied to contracts that were not completed as of the adoption date. Accordingly, the new revenue standard is applied prospectively in the Company's financial statements from January 1, 2018 onward and reported financial information for historical comparable periods is not revised and continues to be reported under the accounting standards in effect during those historical periods. The new revenue recognition guidance does not apply to revenues associated with financial instruments, including loans and securities that are accounted for under other U.S. GAAP, and as a result, it did not have an impact on the elements of the Company's unaudited condensed consolidated statements of operations most closely associated with financial instruments, including revenues from Principal transactions, Gains from mortgage banking activities/originations, net, Servicing fees, and Interest income. The most significant impact of the standard for the Company was on its Real Estate Services segment. Under the legacy revenue recognition guidance, a portion of certain brokerage revenues from leasing commissions was deferred until a future contingency had been resolved (e.g., tenant move-in or payment of first month's rent). Under the new revenue recognition model, the Company's performance obligation is typically satisfied at lease signing and, therefore, the portion of the commission that is contingent on a future event is likely to be recognized earlier, if deemed not subject to significant reversal. As a result, on a pre-tax basis, the Company recognized an increase in assets, liabilities, and noncontrolling interest in subsidiaries, and a reduction in retained deficit of approximately $64.4 million, $41.9 million, $2.3 million, and $20.2 million, respectively, as of January 1, 2018. These amounts are presented net of costs associated with obtaining and fulfilling contracts with customers. The tax effect of the impact of the adoption was an increase to both retained deficit and deferred tax liability of approximately $3.9 million. Further, the adoption of the new guidance on principal versus agent considerations impacted the Company's presentation of revenues versus expenses incurred on behalf of customers for certain

management services within its Real Estate segment. The Company concluded that it controls the services provided by a third party on behalf of the customers and, therefore, acts as a principal under those contracts. Accordingly, upon adoption on January 1, 2018 and going forward, for these service contracts the Company began to present expenses incurred on behalf of its customers along with a corresponding reimbursement revenue on a gross basis in its unaudited condensed consolidated statements of operations, with no impact to net income (loss) available to common stockholders.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income (loss) unless the investments qualify for the new measurement alternative. The guidance also requires entities to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income (loss). In February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, to clarify transition and subsequent accounting for equity investments without a readily determinable fair value, among other aspects of the guidance issued in ASU 2016-01. The amendments in ASU 2018-03 are effective for fiscal years beginning January 1, 2018 and interim periods

beginning July 1, 2018. The amendments and technical corrections provided in ASU 2018-03 can be adopted concurrently with ASU 2016-01, which was effective for the Company on January 1, 2018. The Company adopted both ASUs on January 1, 2018 using the modified retrospective approach for equity securities with a readily determinable fair value and the prospective method for equity investments without a readily determinable fair value. As a result, upon transition the Company recognized a cumulative-effect adjustment as a decrease to both retained deficit and accumulated other comprehensive income (loss) and an increase in noncontrolling interest in subsidiaries of approximately $2.1 million, $2.9 million, and $0.8 million, respectively, on a pre-tax basis. The tax effect of the impact of the adoption was an increase to both retained deficit and accumulated other comprehensive income (loss) and a decrease in noncontrolling interest in subsidiaries of approximately $0.4 million, $0.6 million, and $0.2 million, respectively.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230)—Classification of Certain Cash Receipts and Cash Payments, which makes changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard became effective for the Company beginning January 1, 2018 and required adoption on a retrospective basis. The adoption of this guidance did not have a material impact on the Company’s unaudited condensed consolidated statements of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230)—Restricted Cash, which requires that the statement of cash flows present the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The new standard became effective for the Company beginning January 1, 2018 and required adoption on a retrospective basis. The adoption of this guidance did not have a material impact on the Company’s unaudited condensed consolidated statements of cash flows.

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

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

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

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This standard requires lessees to recognize a right-of-use (“ROU”) asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. Accounting guidance for lessors is mostly unchanged. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments, among other issues. In addition, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), Targeted Improvements, which provides an additional (and optional) transition method to adopt the new leases standard. Under the new transition method, a reporting entity would initially apply the new lease requirements at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; continue to report comparative periods presented in the financial statements in the period of adoption in accordance with current U.S. GAAP (i.e., ASC 840, Leases); and provide the required

disclosures under ASC 840 for all periods presented under current U.S. GAAP. Further ASU 2018-11 contains a new practical expedient that allows lessors to avoid separating lease and associated non-lease components within a contract if certain criteria are met. The guidance in ASUs 2016-02, 2018-10 and 2018-11 is effective beginning January 1, 2019, with early adoption permitted. The Company plans to adopt the standards on their required effective date and use the effective date as the date of initial application. As a result, pursuant to this transition method financial information will not be updated and the disclosures required under the new leases standards will not be provided for dates and periods before January 1, 2019. While management is continuing its implementation effort of the new guidance, by assessing all of the effects of adoption, the Company, acting primarily as a lessee, currently believes the most significant effects will relate to the recognition of new ROU assets and lease liabilities for its real estate and equipment operating leases.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments, which requires financial assets that are measured at amortized cost to be presented, net of an allowance for credit losses, at the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets, as well as changes to credit losses during the period, are recognized in earnings. For certain purchased financial assets with deterioration in credit quality since origination, the initial allowance for expected credit losses will be recorded as an increase to the purchase price. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, will be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The new standard will become effective for the Company beginning January 1, 2020, under a modified retrospective approach, and early adoption is permitted. Management is currently evaluating the impact of the new guidance on the Company's unaudited condensed consolidated financial statements.

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

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The guidance intends to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The new standard will become effective for the Company beginning January 1, 2019, with early adoption permitted, and will be applied on a prospective basis and modified retrospective basis. In October 2018, the FASB issued ASU No. 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. Based on concerns about the sustainability of LIBOR, in 2017, a committee convened by the Federal Reserve Board and the Federal Reserve Bank of New York identified a broad Treasury repurchase agreement (repo) financing rate referred to as the SOFR as its preferred alternative reference rate. The guidance in ASU No. 2018-16 adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. The amendments in this ASU are required to be adopted concurrently with the guidance in ASU No. 2017-12. Management is currently evaluating the impact of the new guidance on the Company's unaudited condensed consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The guidance helps organizations address certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act by providing an option to reclassify these stranded tax effects to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The new standard will become effective for the Company beginning January 1, 2019, with early adoption permitted. The guidance should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company plans to adopt the new standard on its required effective date. Management is continuing to evaluate the transition method; however, the adoption of the new guidance is not expected to have a material effect on the Company’s unaudited condensed consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The guidance largely aligns the accounting for share-based payment awards issued to employees and nonemployees, whereby the existing employee guidance will apply to nonemployee share-based transactions (as long as the

transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The new standard will become effective for the Company beginning January 1, 2019 and early adoption is permitted. The ASU is required to be applied on a prospective basis to all new awards granted after the date of adoption. In addition, any liability-classified awards that have not been settled and equity-classified awards for which a measurement date has not been established by the adoption date should be remeasured at fair value as of the adoption date with a cumulative effect adjustment to opening retained earnings in the year of adoption. Management expects to adopt this standard on its effective date. The adoption of this guidance is not expected to have a material impact on the Company’s unaudited condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The guidance is part of the FASB’s disclosure framework project, whose objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements. The ASU eliminates, amends and adds certain disclosure requirements for fair value measurements. The FASB concluded that these changes improve the overall usefulness of the footnote disclosures for financial statement users and reduce costs for preparers. The new standard will become effective for the Company beginning January 1, 2020 and early adoption is permitted for eliminated and modified fair value measurement disclosures. Certain disclosures are required to be applied prospectively and other disclosures need to be adopted retrospectively in the period of adoption. As permitted by the transition guidance in the ASU, the Company early adopted, eliminated and modified disclosure requirements as of September 30, 2018 and plans to adopt the remaining disclosure requirements effective January 1, 2020. The adoption of this standard did not impact the Company’s unaudited condensed consolidated financial statements. See Note 13—“Fair Value of Financial Assets and Liabilities” for additional information.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force). The guidance on the accounting for implementation, setup, and other upfront costs (collectively referred to as implementation costs) applies to entities that are a customer in a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the guidance in this ASU. The new standard will become effective for the Company beginning January 1, 2020, should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption, and early adoption is permitted. Management is currently evaluating the impact of the new guidance on the Company’s unaudited condensed consolidated financial statements.

2. Limited Partnership Interests

The Company and Newmark are holding companies with no direct operations and conduct substantially all of their operations through their operating subsidiaries. Virtually all of the Company’s and Newmark’s consolidated net assets and net income are those of consolidated variable interest entities. BGC Holdings is a consolidated subsidiary of the Company for which the Company is the general partner. The Company and BGC Holdings jointly own BGC Partners, L.P. (“BGC U.S. OpCo”) and BGC Global Holdings L.P. (“BGC Global OpCo”), the two operating partnerships. Newmark Holdings, L.P. (“Newmark Holdings”) is a consolidated subsidiary of Newmark for which Newmark is the general partner. Newmark, Newmark Holdings and BGC jointly own Newmark OpCo, the operating partnership. In addition, Newmark OpCo issued approximately $325 million of exchangeable preferred limited partnership units in private transactions to RBC (see Note 1—“Organization and Basis of Presentation”). Listed below are the limited partnership interests in BGC Holdings, Newmark Holdings and Newmark OpCo. The founding/working partner units,

limited partnership units and limited partnership interests held by Cantor (“Cantor units”), each as described below. In addition, BGC Partners and its operating subsidiaries hold limited partnership interests in Newmark Holdings due to the Investment in Newmark (see Note 17—“Related Party Transactions”). These collectively represent all of the “limited partnership interests” in BGC Holdings, Newmark Holdings and Newmark OpCo.

Immediately prior to the completion of the Newmark IPO, the Company entered into the Separation and Distribution Agreement with Cantor, Newmark, Newmark Holdings, Newmark OpCo, BGC Holdings, BGC U.S. OpCo, and BGC Global OpCo. As a result of the Separation and Distribution Agreement, the limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, whereby each holder of BGC Holdings limited partnership interests at that time holds a BGC Holdings limited partnership interest and a corresponding Newmark Holdings limited partnership interest, which is equal to a BGC Holdings limited partnership interest multiplied by one divided by 2.2 (the "contribution ratio"), divided by the exchange ratio (which is the ratio by which a Newmark Holdings limited partnership interest can be exchanged for a number of shares of Newmark Class A common stock (the "exchange ratio"). Initially, the exchange ratio equaled one, so that each Newmark Holdings limited partnership interest was exchangeable for one Newmark Class A common stock. For reinvestment, acquisition or other purposes, Newmark may determine on a quarterly basis to distribute to its stockholders a smaller percentage than Newmark Holdings distributes to its equity holders (excluding tax distributions from Newmark Holdings) of cash that it received from Newmark OpCo. In such circumstances, the Separation and Distribution Agreement provides that the exchange ratio will be reduced to reflect the amount of additional cash retained by Newmark as a result of the distribution of such smaller percentage, after the payment of taxes. The exchange ratio as of September 30, 2018 equaled 0.9811.

Founding/Working Partner Units

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

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

Limited Partnership Units

Certain employees hold limited partnership interests in BGC Holdings and Newmark Holdings (e.g., REUs, RPUs, PSUs, PSIs and LPUs, collectively the "limited partnership units"). Generally, such units receive quarterly allocations of net income, which are cash distributed and generally are contingent upon services being provided by the unit holders. As prescribed in U.S. GAAP guidance, the quarterly allocations of net income on such limited partnership units are reflected as a component of compensation expense under "Allocations of net income and grant of exchangeability to limited partnership units and FPUs" in the Company's unaudited condensed consolidated statements of operations. From time to time, the Company issues limited partnership units as part of the consideration for acquisitions.

Certain of these limited partnership units entitle the holders to receive post-termination payments equal to the notional amount of the units in four equal yearly installments after the holder's termination. These limited partnership units are accounted for as post-termination liability awards, and in accordance with U.S. GAAP guidance, the Company records compensation expense for the awards based on the change in value at each reporting date in the Company's unaudited condensed consolidated statements of operations as part of "Compensation and employee benefits."

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

Cantor Units

Cantor holds limited partnership interests in BGC Holdings and Newmark Holdings. Cantor units are reflected as a component of "Noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of financial condition. Cantor receives allocations of net income (loss), which are cash distributed on a quarterly basis and are reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations.

Exchangeable Preferred Limited Partnership Units

RBC holds approximately $325 million of EPUs in Newmark OpCo, as a result of the Newmark OpCo Preferred Investment. The EPUs were issued in four tranches and are separately convertible by either RBC or the Company into a fixed number of Newmark's Class A common stock, subject to a revenue hurdle for Newmark in each of the fourth quarters of 2019 through 2022 for each of the respective four tranches. As the EPUs represent equity ownership of a consolidated subsidiary of the Company, they have been included in Non-controlling interest in subsidiaries on the unaudited condensed consolidated statement of changes in equity. The EPUs are entitled to a preferred payable-in-kind dividend, which is recorded as accretion to the carrying amount of the EPUs through Retained earnings on the unaudited condensed consolidated statement of changes in equity and are included in Net income (loss) available to common stockholders for the purpose of calculating earnings per share.

General

Certain of the limited partnership interests, described above, have been granted exchangeability into BGC Class A common stock, and additional limited partnership interests may become exchangeable for BGC and/or Newmark Class A common stock. In addition, limited partnership interests held by Cantor in BGC Holdings and Newmark Holdings are generally exchangeable for up to 34.6 million shares of BGC Class B common stock and/or up to the authorized amount of Newmark Class B common stock. In order for a partner or Cantor to exchange a limited partnership interest in BGC Holdings or Newmark Holdings into a Class A or Class B common stock of BGC, such partner or Cantor must exchange both one BGC Holdings limited partnership interest and a number of Newmark Holdings limited partnership interest equal to a BGC Holdings limited partnership interest multiplied by the quotient obtained by dividing Newmark Class A and Class B common stock, Newmark OpCo interests, and Newmark Holdings limited partnership interests held by BGC as of such time by the number of BGC Class A and Class B common stock outstanding as of such time (the "distribution ratio"), divided by the exchange ratio. Because they are included in the Company's fully diluted share count, if dilutive, any exchange of limited partnership interests into Class A or Class B common shares would not impact the fully diluted number of shares and units outstanding. Because these limited partnership interests generally receive quarterly allocations of net income, such exchange would have no significant impact on the cash flows or equity of the Company. Initially the distribution ratio was equivalent to the contribution ratio (one divided by 2.2 or 0.4545), and for the third quarter of 2018 the distribution ratio equaled 0.4647. As of immediately following the close of the third quarter of 2018, the distribution ratio is equal to 0.4640. As a result of the change in the distribution ratio, certain BGC Holdings limited partnership interests no longer have a corresponding Newmark Holdings limited partnership interest. The exchangeability of these BGC Holdings limited partnership interests along with any new BGC Holdings limited partnership interests issued after the Separation and Distribution Agreement (together referred to as "standalone") into BGC Class A or Class B common stock is contingent upon the Newmark spin-off. After the spin-off, these standalone BGC limited partnership interests can then become exchangeable into BGC Class A or Class B common stock. Therefore, these standalone BGC limited partnership interests are currently excluded from the Company's fully diluted number of shares and units outstanding.

Each quarter, net income (loss) is allocated between the limited partnership interests and the common stockholders. In quarterly periods in which the Company has a net loss, the loss allocation for FPUs, limited partnership units and Cantor units is allocated to Cantor and reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's consolidated statements of operations. In subsequent quarters in which the

Company has net income, the initial allocation of income to the limited partnership interests is to “Net income (loss) attributable to noncontrolling interests in subsidiaries,” to recover any losses taken in earlier quarters, with the remaining income allocated to the limited partnership interests. This income (loss) allocation process has no impact on the net income (loss) allocated to common stockholders.

3. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 3, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017. Other than the following, during the nine months ended September 30, 2018, there were no significant changes made to the Company's significant accounting policies.

Equity Investments:

Effective January 1, 2018, in accordance with the new guidance on recognition and measurement of equity investments, the Company carries its marketable equity securities at fair value and recognizes any changes in fair value in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations. Further, the Company has elected to use a measurement alternative for its equity investments without a readily determinable fair value, pursuant to which these investments are initially recognized at cost and remeasured through earnings when there is an observable transaction involving the same or similar investment of the same issuer, or due to an impairment. See Note 9—"Marketable Securities" and Note 18—"Investments" for additional information. Unrealized gains (losses) related to marketable securities and investments carried under the measurement alternative was $18.2 million and $38.7 million for the three and nine months ended September 30, 2018, which was included as part of "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations.

Revenue Recognition:

The accounting policy changes are attributable to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers, and related amendments on January 1, 2018. These revenue recognition policy updates are applied prospectively in the Company's unaudited condensed consolidated financial statements from January 1, 2018 onward. Financial information for the historical comparable periods was not revised and continues to be reported under the accounting standards in effect during those historical periods.

Real Estate Management and Other Services:

For certain revenues based, in part, on future contingent events (e.g., tenant move-in or payment of first month's rent), the Company's performance obligation is typically satisfied at lease signing and, therefore, the portion of the commission that is contingent on a future event is recognized as revenue, if deemed not subject to significant reversal.

Further, the Company incurs expenses on behalf of customers for certain management services subject to reimbursement. The Company concluded that it controls the services provided by a third party on behalf of customers and, therefore, acts as a principal under those contracts. As a result, for these service contracts the Company presents expenses incurred on behalf of customers along with corresponding reimbursement revenue on a gross basis in the Company's unaudited consolidated condensed statements of operations.

Refer to Note 30—"Revenue from Contracts with Customers" for additional information.

Restricted Cash:

Restricted cash represents cash set aside for amounts pledged for the benefit of Fannie Mae in excess of the required cash to secure the Company's financial guarantee liability.

4. Acquisitions

Berkeley Point

On September 8, 2017, the Company completed the Berkeley Point Acquisition for an acquisition price of $875.0 million, with $3.2 million of the acquisition price paid in units of BGC Holdings. As the Company purchased and acquired Berkeley Point from CCRE, an affiliate of Cantor, this transaction has been determined to be a combination of entities under common control that resulted in a change in the reporting entity. Accordingly, the financial results of the Company have been recast to include the financial results of Berkeley Point in the current and prior periods presented.

The assets and liabilities of Berkeley Point have been recorded in the Company's unaudited condensed consolidated statements of financial condition at the seller's historical carrying value. The excess of the purchase price over Berkeley Point's net assets was accounted for as an equity transaction for the year ended December 31, 2017 (the period in which the transaction occurred). For additional information, see Note 1—"Organization and Basis of Presentation."

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to basis differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Accordingly, a deferred tax asset of $108.6 million was recorded against equity for the year ended December 31, 2017, for the basis difference between Berkeley Point's net assets and its tax basis.

Besso

On February 28, 2017, the Company announced that it had completed the acquisition of Besso Insurance Group Limited ("Besso"). Besso, based in London is an independent insurance broker with a number of divisions including Property, Casualty, Marine, Aviation, Professional and Financial Risks and Reinsurance.

Integra Realty Resources

On September 7, 2017, the Company announced that it had completed the acquisition of six Integra Realty Resources ("IRR") offices (Washington D.C., Baltimore, Wilmington DE, New York/New Jersey, Philadelphia and Atlanta). In April 2018, the Company completed the acquisition of two additional IRR offices (Boston and Pittsburgh). In July 2018, the Company completed the acquisition of two additional IRR offices (Denver and Los Angeles). IRR provides commercial real estate valuation and advisory services.

Commercial Real Estate Consulting Firm

On July 26, 2017, the Company acquired a 50.0% controlling interest, and Cantor owns a 25% noncontrolling interest, in a commercial real estate consulting and advisory services firm which services a variety of commercial real estate clients, including lenders, investment banks, and investors and is headquarters in New York, NY. Their core competencies include underwriting, modeling, structuring, due diligence and asset management.

Jackson & Cooksey

On July 20, 2018, the Company completed the acquisition of Jackson & Cooksey, Inc ("Jackson Cooksey"). Jackson Cooksey is a corporate tenant representation real estate agency based in Dallas, Texas.

RKF Retail Holdings

On September 4, 2018, the Company completed the acquisition of RKF Retail Holdings, LLC ("RKF") and its subsidiaries. RKF is an independent real estate firm specializing in retail leasing, investment sales and consulting services.

Total Consideration

The total consideration for acquisitions during the nine months ended September 30, 2018 was approximately $61.2 million in total fair value, comprised of cash, shares of the Company's Class A common stock and BGC Holdings and Newmark Holdings limited partnership units, of which $17.0 million may be issued contingent on certain targets being met through 2021. The excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately $38.4 million.

The total consideration for acquisitions during the year ended December 31, 2017 was approximately $1.0 billion in total fair value, comprised of cash, shares of the Company's Class A common stock and BGC Holdings and Newmark

Holdings limited partnership units, of which $14.7 million may be issued contingent on certain targets being met through 2021. Excluding the acquisition of Berkeley Point Acquisition, the excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately $91.3 million. The goodwill figure includes measurement period adjustments of approximately $2.5 million recorded during the nine months ended September 30, 2018.

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

5. Earnings Per Share

U.S. GAAP guidance on Earnings Per Share (“EPS”) establishes standards for computing and presenting EPS. Basic EPS excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding and contingent shares for which all necessary conditions have been satisfied except for the passage of time. Net income (loss) is allocated to the Company’s outstanding common stock, FPUs, limited partnership units and Cantor units (see Note 2—“Limited Partnership Interests”). In addition, in relation to the Newmark OpCo Preferred Investment, the EPUs issued by Newmark OpCo in June 2018 and September 2018 are entitled to a preferred payable-in-kind dividend which is recorded as accretion to the carrying amount of the EPUs and is a reduction to Net income (loss) available to common stockholders for the calculation of the Company’s Basic earnings (loss) per share and Fully diluted earnings (loss) per share.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Basic earnings (loss) per share:				
Net income (loss) available to common stockholders	$118,864	$81,529	$212,677	$171,274
Basic weighted-average shares of common stock outstanding	327,932	288,308	319,027	286,200
Basic earnings (loss) per share	$0.36	$0.28	$0.67	$0.60

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Fully diluted (loss) earnings per share				
Net income (loss) available to common stockholders	$118,864	$81,529	$212,677	$171,274
Allocations of net income (loss) to limited partnership interests, net of tax	52,856	45,966	98,245	94,727
Net income (loss) for fully diluted shares	$171,720	$127,495	$310,922	$266,001
Weighted-average shares:				

Common stock outstanding	327,932	288,308	319,027	286,200
Partnership units[1]	158,104	167,287	161,974	163,325
RSUs (Treasury stock method)	300	539	412	505
Other	1,300	1,207	1,298	1,318
Fully diluted weighted-average shares of common stock outstanding	487,636	457,341	482,711	451,348
Fully diluted earnings (loss) per share	$0.35	$0.28	$0.64	$0.59

[1] Partnership units collectively include founding/working partner units, limited partnership units, and Cantor units (see Note 2—"Limited Partnership Interests" for more information).

For the three months ended September 30, 2018, approximately 2.3 thousand potentially dilutive securities were excluded from the computation of fully diluted EPS, for being anti-dilutive. For the three months ended September 30, 2017, there were no potentially dilutive securities excluded from the computation of fully diluted EPS, for being anti-dilutive. For the nine months ended September 30, 2018 and 2017, respectively, approximately 0.1 million and 0.2 million potentially dilutive securities were excluded from the computation of fully diluted EPS, for being anti-dilutive.

For the three and nine months ended September 30, 2018, respectively, there were approximately 20.1 million and 14.3 million of standalone BGC Holdings partnership units excluded from the fully diluted EPS computation because the conversion into Class A common stock is contingent on the Newmark spin-off (see Note 2—"Limited Partnership Interests" for further information on standalone BGC Holdings partnership units). Additionally, as of September 30, 2018 and 2017, respectively, approximately 2.1 million and 3.1 million shares of contingent Class A common stock and limited partnership units were excluded from the fully diluted EPS computations because the conditions for issuance had not been met by the end of the respective periods.

6. Stock Transactions and Unit Redemptions

Class A Common Stock

Changes in shares of the Company's Class A common stock outstanding for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Shares outstanding at beginning of period	290,909,843	251,057,086	256,968,372	244,869,624
Share issuances:				
Issuance of Class A common stock for general corporate purposes	—	—	24,923,714	—
Exchanges of limited partnership interests[1]	2,474,658	1,434,050	9,949,679	6,795,187
Compensation awards	—	—	979,344	—
Acquisition related issuances	78,678	82,907	1,083,150	1,424,690
Vesting of restricted stock units (RSUs)	82,345	42,295	464,019	479,313
Other issuances of Class A common stock	23,767	11,874	72,182	45,490
Treasury stock repurchases	(8,263)	(295,871)	(734,802)	(1,246,365)
Forfeitures of restricted Class A common stock	(49,189)	(71,251)	(193,819)	(106,849)
Shares outstanding at end of period	293,511,839	252,261,090	293,511,839	252,261,090

[1] Because they are included in the Company's fully diluted share count, if dilutive, any exchange of limited partnership interests into Class A common shares would not impact the fully diluted number of shares and units outstanding.

Class B Common Stock

The Company did not issue any shares of Class B common stock during the three and nine months ended September 30, 2018 and 2017. As of September 30, 2018 and 2017, there were 34,848,107 shares of the Company's Class B common stock outstanding.

Controlled Equity Offering

On April 12, 2017, the Company entered into a controlled equity offering ("CEO") sales agreement with CF&Co ("April 2017 Sales Agreement"), pursuant to which the Company may offer and sell up to an aggregate of 20 million shares of Class A common stock. Shares of the Company's Class A common stock sold under this CEO sales agreement were used for redemptions of limited partnership interests in BGC Holdings and Newmark Holdings, as well as for general corporate purposes. CF&Co is a wholly owned subsidiary of Cantor and an affiliate of the Company. Under this agreement, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. As of September 30, 2018, the Company has sold all 20,000,000 shares of Class A common stock under the April 2017

Sales Agreement.

On March 9, 2018, the Company entered into a new CEO sales agreement with CF&Co ("March 2018 Sales Agreement"), pursuant to which the Company may offer and sell up to an aggregate of $300.0 million of shares of Class A common stock. Proceeds from shares of the Company's Class A common stock sold under this CEO sales agreement may be used for redemptions of limited partnership interests in BGC Holdings and Newmark Holdings, as well as for general corporate purposes, including acquisitions and the repayment of debt. Under this agreement, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. As of September 30, 2018, the Company has sold 15,364,556 shares of Class A common stock (or $191.6 million) under the March 2018 Sales Agreement. For additional information, see Note 17—"Related Party Transactions."

Unit Redemptions and Share Repurchase Program

The Company's Board of Directors and Audit Committee have authorized repurchases of the Company's Class A common stock and redemptions of limited partnership interests or other equity interests in the Company's subsidiaries. On February 7, 2017, and again on August 1, 2018, the Company's Board of Directors and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to $300.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of September 30, 2018, the Company had approximately $280.0 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units. The table below represents unit redemption and share repurchase activity for the three and nine months ended September 30, 2018:

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, 2018—March 31, 2018	1,723,654	$ 14.34	
April 1, 2018—June 30, 2018	4,299,936	13.10	
July 1, 2018—September 30, 2018	2,105,457	11.27	
Total Redemptions	8,129,047	$ 12.89	
Repurchases[3,4]			
January 1, 2018—March 31, 2018	—	$ —	
April 1, 2018—June 30, 2018	726,539	13.37	
July 1, 2018—July 31, 2018	1,993	10.58	
August 1, 2018—August 31, 2018	696	11.85	
September 1, 2018—September 30, 2018	5,574	11.76	
Total Repurchases	734,802	$ 13.35	
Total Redemptions and Repurchases	8,863,849	$ 12.92	$ 280,011,172

1 During the three months ended September 30, 2018, the Company redeemed approximately 2.1 million limited partnership units at an aggregate redemption price of approximately $23.5 million for an average price of $11.26 per unit and approximately 17.8 thousand FPUs at an aggregate redemption price of approximately $0.2 million for an average price of $12.33 per unit. During the three months ended September 30, 2017, the Company redeemed approximately 1.2 million limited partnership units at an aggregate redemption price of approximately $16.0 million for an average price of $12.97 per unit and approximately 0.4 million FPUs at an aggregate redemption price of approximately $5.0 million for an average price of $11.48 per unit.

2 During the nine months ended September 30, 2018, the Company redeemed approximately 8.0 million limited partnership units at an aggregate redemption price of approximately $103.5 million for an average price of $12.89

per unit and approximately 0.1 million FPUs at an aggregate redemption price of approximately $1.3 million for an average price of $12.98 per unit. During the nine months ended September 30, 2017, the Company redeemed approximately 5.8 million limited partnership units at an aggregate redemption price of approximately $66.1 million for an average price of $11.40 per unit and approximately 0.7 million FPUs at an aggregate redemption price of approximately $8.0 million for an average price of $11.19 per unit.

3 During the three months ended September 30, 2018, the Company repurchased approximately 8.3 thousand shares of its Class A common stock at an aggregate purchase price of approximately $0.1 million for an average price of $11.48 per share. During the three months ended September 30, 2017, the Company repurchased approximately 0.3 million shares of its Class A common stock at an aggregate purchase price of approximately $4.0 million for an average price of $13.41 per share.

4 During the nine months ended September 30, 2018, the Company repurchased approximately 0.7 million shares of its Class A common stock at an aggregate purchase price of approximately $9.8 million for an average price of $13.35 per share. During the nine months ended September 30, 2017, the Company repurchased approximately 1.2 million shares of its Class A common stock at an aggregate purchase price of approximately $14.6 million for an average price of $11.68 per share.

The table above represents the gross unit redemptions during the nine months ended September 30, 2018. Substantially all of the 8.1 million units above were redeemed using cash from the Company's CEO program, and therefore did not impact the fully diluted number of shares and units outstanding.

Redeemable Partnership Interest

The changes in the carrying amount of redeemable partnership interest for the nine months ended September 30, 2018 and 2017 were as follows (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Balance at beginning of period	$46,415	$52,577
Consolidated net income allocated to FPUs	7,224	6,014
Earnings distributions	(2,380)	(3,740)
FPUs exchanged	(767)	(985)
FPUs redeemed	(224)	(2,270)
Other	2	412
Balance at end of period	$50,270	$52,008

7. Securities Owned

Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total Securities owned were $75.9 million as of September 30, 2018 and $33.0 million as of December 31, 2017. For additional information, see Note 13—"Fair Value of Financial Assets and Liabilities."

8. Collateralized Transactions

Repurchase Agreements

Securities sold under agreements to repurchase ("Repurchase Agreements") are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be repurchased or resold, including accrued interest. As of September 30, 2018, Cantor facilitated Repurchase Agreements between the Company and Cantor in the amount of $0.2 million for the purpose of financing fails. U.S. Treasury or other fixed income securities were provided to Cantor as collateral for the fair value of the Repurchase Agreement. These Repurchase Agreements had a maturity date of August 31, 2023. As of December 31, 2017, the Company had no Repurchase Agreements.

Warehouse Notes Payable

The Company uses its warehouse lines and a repurchase agreement to fund mortgage loans originated under its various lending programs. Outstanding borrowings against these lines are collateralized by an assignment of the underlying mortgages and third party purchase commitments. As of September 30, 2018, the Company had the following lines available and borrowings outstanding (in thousands):

	September 30, 2018			
Committed	Uncommitted	Total	Stated Spread to	Rate Type

	Lines	Lines	Outstanding	One Month LIBOR	
Warehouse line due June 19, 2019	$450,000	$—	$255,419	130 bps	Variable
Warehouse line due September 25, 2019	200,000	—	107,986	120 bps	Variable
Warehouse line due October 10, 2019 [1]	1,000,000	—	724,801	120 bps	Variable
Fannie Mae repurchase agreement, open maturity	—	325,000	43,586	120 bps	Variable
	$1,650,000	$325,000	$1,131,792		

[1] The warehouse line was temporarily increased by $700.0 million to $1.0 billion for the period of August 16, 2018 to September 30, 2018. On October 1, 2018, this temporary increase was reduced by $200.0 million resulting in a line of $800.0 million for the period October 1, 2018 to November 30, 2018.

As of December 31, 2017, the Company had the following lines available and borrowings outstanding (in thousands):

	December 31, 2017				
	Committed Lines	Uncommitted Lines	Total Outstanding	Stated Spread to One Month LIBOR	Rate Type
Warehouse line due June 20, 2018	$ 450,000	$—	$ 60,715	130 bps	Variable
Warehouse line due September 25, 2018	200,000	—	107,383	130 bps	Variable
Warehouse line due October 11, 2018	300,000	—	174,102	130 bps	Variable
Fannie Mae repurchase agreement, open maturity	—	325,000	18,240	120 bps	Variable
	$ 950,000	$ 325,000	$ 360,440		

In connection with these warehouse notes payable, the Company is required to meet a number of financial covenants, including maintaining a minimum of $15.0 million of cash and cash equivalents. The Company was in compliance with all covenants as of September 30, 2018 and December 31, 2017.

Securities Loaned

As of September 30, 2018, the Company had Securities loaned transactions of $66.3 million with Cantor. The fair value of the securities loaned was $66.3 million. As of September 30, 2018, the cash collateral received from Cantor bore interest rates ranging from 2.7% to 3.0%. As of December 31, 2017, the Company had Securities loaned transactions of $202.3 million with Cantor. The fair value of the securities loaned was $204.1 million. As of December 31, 2017, the cash collateral received from Cantor bore interest rates ranging from 1.9% to 4.3%. These transactions have no stated maturity date.

9. Marketable Securities

Marketable securities consist of the Company's ownership of equity securities carried at fair value. The investments had a fair value of $152.5 million and $208.2 million as of September 30, 2018 and December 31, 2017, respectively.

Effective January 1, 2018, all marketable securities are accounted for at fair value in accordance with ASU 2016-01. As of September 30, 2018, the Company held marketable securities with a readily determinable fair value of $152.5 million. These equity securities are measured at fair value, with any changes in fair value recognized in earnings and included in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations. During the three months ended September 30, 2018, the Company recognized realized and unrealized net losses of $4.1 million, related to the mark-to-market on these shares and any related hedging transactions, when applicable. During the nine months ended September 30, 2018, the Company recognized realized and unrealized net gains of $12.4 million and, related to the mark-to-market on these shares and any related hedging transactions, when applicable.

During the three months ended September 30, 2018 and 2017, in connection with the Nasdaq earn-out, the Company recognized a Nasdaq earn-out share payment of $85.1 million and $77.0 million, respectively, in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations.

As of December 31, 2017, the Company held marketable securities classified as trading securities with a fair value of $198.3 million. Trading securities were measured at fair value, with any changes in fair value recognized in earnings and included in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations.

During the three months ended September 30, 2017, the Company recognized realized and unrealized net gains of $12.8 million, related to the mark-to-market on marketable securities classified as trading securities and any related hedging transactions when applicable. During the nine months ended September 30, 2017, the Company recognized realized and unrealized net gains of $24.3 million, related to the mark-to-market on marketable securities classified as trading securities and any related hedging transactions when applicable.

As of December 31, 2017, the Company held marketable securities classified as available-for-sale with a fair value of $9.9 million. Available-for-sale securities are measured at fair value, with unrealized gains or losses included as part of “Other comprehensive income (loss)” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss). During the three months ended September 30, 2017, the Company recognized a gain of $0.5 million related to marketable securities classified as available-for-sale. During the nine months ended September 30, 2017, the Company recognized a gain of $1.2 million related to marketable securities classified as available-for-sale.

During the nine months ended September 30, 2018, the Company sold marketable securities with a fair value of $153.3 million at the time of sale. During the nine months ended September 30, 2017, the Company sold marketable securities with a fair value of

$7.8 million at the time of sale. The Company did not purchase any marketable securities during the nine months ended September 30, 2018 and 2017, respectively.

10. Loans Held for Sale, at Fair Value

Loans held for sale represent originated loans that are typically sold within 45 days from the date that the mortgage loan is funded. The Company initially and subsequently measures all loans held for sale at fair value on the accompanying unaudited condensed consolidated statement of financial condition. This fair value measurement falls within the definition of a Level 2 measurement (significant other observable inputs) within the fair value hierarchy. For additional information, see Note 13 – "Fair Value of Financial Assets and Liabilities." Electing to use fair value provides a better offset of the change in fair value of the loan and the change in fair value of the derivative instruments used as economic hedges. Loans held for sale had a cost basis and fair value as follows (in thousands):

	September 30, 2018	December 31, 2017
Cost basis	$ 1,132,205	$ 360,440
Fair Value	1,132,665	362,635

As of September 30, 2018 and December 31, 2017, respectively, there were no loans held for sale that were 90 days or more past due or in nonaccrual status.

During the period prior to its sale, interest income on a loan held for sale is calculated in accordance with the terms of the individual loan. Interest income on Loans held for sale was $10.3 million and $5.7 million for the three months ended September 30, 2018 and 2017, respectively and $19.9 million and $24.9 million for the nine months ended September 30, 2018 and 2017, respectively. Interest income on Loans held for sale is included as part of "Interest income" in the Company's unaudited condensed consolidated statements of operations. During the three months ended September 30, 2018 and 2017, the Company recognized a loss of $6.8 million and a gain of $0.6 million, respectively, for the change in fair value on loans held for sale. For both the nine months ended September 30, 2018 and 2017, the Company recognized gains of $0.5 million, for the change in fair value on loans held for sale.

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

Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges and amounts related to open derivative contracts, including derivative contracts into which the Company may enter to minimize the effect of price changes of the Company's marketable securities (see Note 12—"Derivatives"). As of September 30, 2018 and December 31, 2017, Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	$ 2,422,519	$ 586,486
Receivables from clearing organizations	240,573	133,682

Other receivables from broker-dealers and customers	9,243	10,968
Net pending trades	3,299	1,597
Open derivative contracts	94,744	12,669
Total	$ 2,770,378	$ 745,402
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	$ 2,278,786	$ 567,460
Payables to clearing organizations	149,444	14,023
Other payables to broker-dealers and customers	13,172	18,164
Open derivative contracts	63,796	7,933
Total	$ 2,505,198	$ 607,580

A portion of these receivables and payables are with Cantor. See Note 17—"Related Party Transactions," for additional information related to these receivables and payables.

Substantially all open fails to deliver, open fails to receive and pending trade transactions as of September 30, 2018 have subsequently settled at the contracted amounts.

12. Derivatives

The Company enters into commitments to extend credit for mortgage loans at a specific rate (“Rate lock commitments”) and commitments to deliver these loans to third party investors at a fixed price (which are included in forwards in the below disclosure). In the normal course of operations, the Company also enters into other derivative contracts. These derivative contracts primarily consist of foreign exchange swaps, foreign exchange/commodities options, and interest rate swaps. The Company enters into derivative contracts to facilitate client transactions, hedge principal positions and facilitate hedging activities of affiliated companies.

Derivative contracts can be exchange-traded or OTC. Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using their closing prices. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy. However, some derivative contracts held by the Company, such as rate lock commitments and forwards related to mortgage loans, are valued by the Company using pricing models that entail unobservable inputs, which are significant to the fair value measurement of the derivative contracts. Accordingly, such derivative contracts are generally classified within Level 3 of the fair value hierarchy.

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

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

	September 30, 2018			December 31, 2017		
Derivative contract	Assets	Liabilities	Notional Amounts[1]	Assets	Liabilities	Notional Amounts[1]
Forwards[2]	$85,464	$ 574	$1,899,666	$4,262	$ 1,483	$642,802
Rate lock commitments	6,219	12,089	391,293	2,923	2,390	180,918
Foreign exchange swaps	2,956	2,300	499,536	801	2,846	407,600
Futures	104	—	10,838,152	25	1,066	13,023,030
Foreign exchange/commodities options	1	48,833	3,694,701	4,416	130	2,442,200
Interest rate swaps	—	—	—	242	—	12,092
Equity options	—	—	—	—	18	961,000
Total	$94,744	$ 63,796	$17,323,348	$12,669	$ 7,933	$17,669,642

1

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

[2] On June 28, 2018 and September 26, 2018 the Company entered into separate postpaid forward transactions with RBC related to the monetization of the Nasdaq shares the Company expects to receive as part of Company's sale of its eSpeed business to Nasdaq. See Note 1—"Organization and Basis of Presentation" for additional information.

The interest rate swaps represent matched customer transactions settled through and guaranteed by a central clearing organization. Certain of the Company's foreign exchange swaps are with Cantor. See Note 17—"Related Party Transactions," for additional information related to these transactions.

The replacement cost of contracts in a gain position were $94.7 million and $12.7 million, as of September 30, 2018, and December 31, 2017, respectively.

The following tables present information about the offsetting of derivative instruments as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018					
				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amounts
Assets						
Forwards	$85,464	$—	$ 85,464	$ —	$ —	$ 85,464
Rate lock commitments	6,219	—	6,219	—	—	6,219
Foreign exchange swaps	3,586	(630)	2,956	—	—	2,956
Futures	34,405	(34,301)	104	—	—	104
Foreign exchange/commodities options	210,086	(210,085)	1	—	—	1
Total	$339,760	$(245,016)	$ 94,744	$ —	$ —	$ 94,744
Liabilities						
Foreign exchange/commodities options	$258,918	$(210,085)	$ 48,833	$ —	$ —	$ 48,833
Rate lock commitments	12,089	—	12,089	—	—	12,089
Foreign exchange swaps	2,930	(630)	2,300	—	—	2,300
Forwards	574	—	574	—	—	574
Futures	34,301	(34,301)	—	—	—	—
Total	$308,812	$(245,016)	$ 63,796	$ —	$ —	$ 63,796

	December 31, 2017					
				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amounts
Assets						
Foreign exchange/commodities options	$31,834	$(27,418)	$ 4,416	$ —	$ —	$ 4,416
Forwards	4,363	(101)	4,262	—	—	4,262
Rate lock commitments	2,923	—	2,923	—	—	2,923
Foreign exchange swaps	1,135	(334)	801	—	—	801
Interest rate swaps	242	—	242	—	—	242

Futures	78,969	(78,944)	25	—	—	25
Total	$119,466	$(106,797)	$ 12,669	$ —	$ —	$ 12,669
Liabilities						
Foreign exchange swaps	$3,180	$(334)	$ 2,846	$ —	$ —	$ 2,846
Rate lock commitments	2,390	—	2,390	—	—	2,390
Forwards	1,584	(101)	1,483	—	—	1,483
Futures	80,010	(78,944)	1,066	—	—	1,066
Foreign exchange/commodities options	27,548	(27,418)	130	—	—	130
Equity options	18	—	18	—	—	18
Total	$114,730	$(106,797)	$ 7,933	$ —	$ —	$ 7,933

The change in fair value of interest rate swaps, futures, foreign exchange/commodities options, foreign exchange swaps, and generic forwards is reported as part of "Principal transactions" in the Company's unaudited condensed consolidated statements of operations. The change in fair value of equity options related to marketable securities is included as part of "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations. The change in fair value of rate lock commitments and forwards related to mortgage loans are reported as part of "Gains from mortgage banking activities/originations, net" in the Company's consolidated statements of operations. The change in fair value of rate lock commitments are disclosed net of a $1.3 million reduction of expenses and $0.1 million of expenses for the three months ended September 30, 2018 and 2017, respectively. For nine months ended September 30, 2018 and 2017 the change in fair value of rate lock commitments are disclosed net of $2.0 million and $1.8 million of expenses, respectively, which are reported as part of "Compensation and employee benefits" in the Company's unaudited condensed consolidated statements of operations. The table below summarizes gains and losses on derivative contracts for the three and nine months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative contract	2018	2017	2018	2017
Foreign exchange/commodities options	$8,491	$3,004	$19,152	$9,632
Rate lock commitments and forwards	7,257	10,236	20,885	10,236
Futures	3,230	2,091	14,878	5,790
Foreign exchange swaps	283	142	873	1,111
Equity options	—	—	102	—
Interest rate swaps	—	8	(5)	39
Gain	$19,261	$15,481	$55,885	$26,808

13. Fair Value of Financial Assets and Liabilities

Fair Value Measurements on a Recurring Basis

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

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

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

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

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

The following tables set forth by level within the fair value hierarchy financial assets and liabilities carried at fair value at September 30, 2018 and December 31, 2017 (in thousands):

	Assets at Fair Value at September 30, 2018				
	Level 1	Level 2 [1]	Level 3	Netting and Collateral	Total
Loans held for sale, at fair value	$—	$1,132,665	$—	$—	$1,132,665
Marketable securities	152,485	—	—	—	152,485
Government debt	75,346	—	—	—	75,346
Securities owned—Equities	565	—	—	—	565
Forwards	—	64,949	20,515	—	85,464
Rate lock commitments	—	—	6,219	—	6,219
Foreign exchange swaps	—	3,586	—	(630)	2,956
Futures	—	34,405	—	(34,301)	104
Foreign exchange/commodities options	210,086	—	—	(210,085)	1
Total	$438,482	$1,235,605	$26,734	$(245,016)	$1,455,805

[1] In addition, the Company has equity securities with a fair value of approximately $49.1 million, which are presented in “Other Assets” in the Company’s unaudited condensed consolidated statements of financial condition as of September 30, 2018. These investments are remeasured to fair value on a non-recurring basis and are classified within Level 2 in the fair value hierarchy.

	Liabilities at Fair Value at September 30, 2018				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Foreign exchange/commodities options	$258,918	$—	$—	$(210,085)	$48,833
Rate lock commitments	—	—	12,089	—	12,089
Foreign exchange swaps	—	2,930	—	(630)	2,300
Forwards	—	537	37	—	574
Futures	—	34,301	—	(34,301)	—
Contingent consideration	—	—	61,076	—	61,076
Total	$258,918	$37,768	$73,202	$(245,016)	$124,872

	Assets at Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Loans held for sale, at fair value	$—	$362,635	$—	$—	$362,635
Marketable securities	208,176	—	—	—	208,176
Government debt	32,744	—	—	—	32,744
Securities owned—Equities	263	—	—	—	263
Foreign exchange/commodities options	31,834	—	—	(27,418)	4,416
Forwards	—	610	3,753	(101)	4,262
Rate lock commitments	—	—	2,923	—	2,923
Foreign exchange swaps	—	1,135	—	(334)	801
Interest rate swaps	—	242	—	—	242
Futures	—	78,969	—	(78,944)	25
Total	$273,017	$443,591	$6,676	$(106,797)	$616,487

	Liabilities at Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Foreign exchange swaps	$—	$3,180	$—	$(334)	$2,846
Rate lock commitments	—	—	2,390	—	2,390
Forwards	—	927	657	(101)	1,483
Futures	—	80,010	—	(78,944)	1,066
Foreign exchange/commodities options	27,548	—	—	(27,418)	130
Equity options	18	—	—	—	18

Contingent consideration	—	—	67,172	—	67,172
Total	$27,566	$84,117	$70,219	$(106,797)	$75,105

Level 3 Financial Assets and Liabilities

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended September 30, 2018 were as follows (in thousands):

	Opening Balance as of July 1, 2018	Total realized and unrealized gains (losses) included in Net income (loss)	Unrealized gains (losses) included in Other comprehensive income (loss)	Purchases/Issuances	Sales/Settlements	Closing Balance at September 30, 2018	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2018
Assets							
Rate lock commitments and forwards, net	$16,304	$ 14,608	$ —	$ —	$ (16,304)	$14,608	$ 14,608
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration[1]	$53,164	$ (966)	$ 291	$ 7,482	$ (245)	$61,076	$ (675)

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

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended September 30, 2017 were as follows (in thousands):

	Opening Balance	Total realized and	Unrealized gains (losses)	Purchases/Issuances	Sales/Settlements	Closing	Unrealized gains (losses)

	as of July 1, 2017	unrealized gains (losses) included in Net income (loss)	included in Other comprehensive income (loss)			Balance at September 30, 2017	for Level 3 Assets / Liabilities Outstanding at September 30, 2017
Assets							
Rate lock commitments and forwards, net	$10,566	$ 10,070	$ —	$ —	$ (10,566)	$10,070	$ 10,070
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration[1]	$68,838	$ (1,965)	$ (881)	$ 1,262	$ (1,702)	$71,244	$ (2,846)

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

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2018 were as follows (in thousands):

	Opening Balance as of January 1, 2018	Total realized and unrealized gains (losses) included in Net income (loss)	Unrealized gains (losses) included in Other comprehensive income (loss)	Issuances	Settlements	Closing Balance at September 30, 2018	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2018
Assets							
Rate lock commitments and forwards, net	$ 3,629	$ 14,608	$ —	$ —	$ (3,629)	$ 14,608	$ 14,608
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration[1]	$ 67,172	$ (2,009)	$ 845	$ 8,191	$ (15,451)	$ 61,076	$ (1,164)

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

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2017 were as follows (in thousands):

	Opening Balance as of January 1, 2017	Total realized and unrealized gains (losses) included in	Unrealized gains (losses) included in Other comprehensive	Issuances	Settlements	Closing Balance at September 30, 2017	Unrealized gains (losses) for Level 3 Assets / Liabilities

		Net income (loss)	income (loss)				Outstanding at September 30, 2017
Assets							
Rate lock commitments and forwards, net	$10,254	$ 10,070	$ —	$ —	$ (10,254)	$ 10,070	$ 10,070
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration[1]	$65,838	$ (5,952)	$ (2,040)	$ 9,624	$ (12,210)	$ 71,244	$ (7,992)

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

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

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

	Fair Value as of September 30, 2018					
	Assets	Liabilities	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Rate lock commitments	$6,219	$ 12,089	Discounted cash flow model and other observable market data	Counterparty credit risk	N/A	N/A
Forwards	$20,515	$ 37	Discounted cash flow model and other observable market data	Counterparty credit risk	N/A	N/A
Contingent consideration	$—	$ 61,076	Present value of expected payments	Discount rate	3.3%-10.4%	8.4%
				Probability of meeting earnout and contingencies	75%-100%	97%[1]

[1] The probability of meeting the earnout targets as of September 30, 2018 was based on the acquired businesses' projected future financial performance, including revenues.

	Fair Value as of December 31, 2017					
	Assets	Liabilities	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Rate lock commitments	$2,923	$ 2,390	Discounted cash flow model and other observable market data	Counterparty credit risk	N/A	N/A
Forwards	$3,753	$ 657	Discounted cash flow model and other observable market data	Counterparty credit risk	N/A	N/A
	$—	$ 67,172	Present value of	Discount rate	3.3%-10.4%	8.2%

Contingent consideration	expected payments	Probability of meeting earnout and contingencies	75%-100%	97%[1]

[1] The probability of meeting the earnout targets as of December 31, 2017 was based on the acquired businesses' projected future financial performance, including revenues.

Information About Uncertainty of Level 3 Fair Value Measurements

The significant unobservable input used in the fair value of the Company's rate lock commitments and forwards is the counterparty credit risk. The significant unobservable inputs used in the fair value of the Company's contingent consideration are the discount rate and forecasted financial information. Significant increases (decreases) in the discount rate would have resulted in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a significantly higher (lower) fair value measurement. As of September 30, 2018 and December 31, 2017, the present value of expected payments related to the Company's contingent consideration was $61.1 million and $67.2 million, respectively. The undiscounted value of the payments, assuming that all contingencies are met, would be $84.7 million and $85.2 million, as of September 30, 2018 and December 31, 2017, respectively.

Fair Value Measurements on a Non-Recurring Basis

Pursuant to the new recognition and measurement guidance for equity investments, effective January 1, 2018, equity investments carried under the measurement alternative are remeasured at fair value on a non-recurring basis to reflect observable transactions which occurred during the period. The Company applied the measurement alternative to equity securities with the fair value of approximately $49.1 million, which were included in “Other Assets” in the Company’s unaudited condensed consolidated statements of financial condition as of September 30, 2018. These investments are classified within Level 2 in the fair value hierarchy, because their estimated fair value is based on valuation methods using the observable transaction price at the transaction date.

14. Credit Enhancement Receivable, Credit Enhancement Deposit and Contingent Liability

The Company is a party to a Credit Enhancement Agreement (“CEA”) dated March 9, 2012, with German American Capital Corporation and Deutsche Bank Americas Holding Corporation (together, “DB Entities”). On October 20, 2016, the DB Entities assigned the CEA to Deutsche Bank AG Cayman Island Branch, a Cayman Island Branch of Deutsche Bank AG (“DB Cayman”). Under the terms of these agreements, DB Cayman provides the Company with varying levels of ongoing credit protection, subject to certain limits, for Fannie Mae and Freddie Mac loans subject to loss sharing (see Note 25—“Financial Guarantee Liability”) in the Company’s servicing portfolio as of March 9, 2012. DB Cayman will also reimburse the Company for any losses incurred due to violation of underwriting and serving agreements that occurred prior to March 9, 2012. For the three months ended September 30, 2018 and 2017, respectively, there were no reimbursements under this agreement.

Credit enhancement receivable

As of September 30, 2018, the Company had $19.9 billion of credit risk loans in its servicing portfolio with a maximum pre-credit enhancement loss exposure of $5.6 billion. The Company had a form of credit protection from DB Cayman on $249.4 million of credit risk loans with a maximum loss exposure coverage of $82.3 million. The amount of the maximum loss exposure without any form of credit protection from DB Cayman is $5.5 billion.

As of December 31, 2017, the Company had $18.8 billion of credit risk loans in its servicing portfolio with a maximum pre-credit enhancement loss exposure of $5.3 billion. The Company had a form of credit protection from DB Cayman on $4.2 billion of credit risk loans with a maximum loss exposure coverage of $1.2 billion. The amount of the maximum loss exposure without any form of credit protection from DB Cayman is $4.1 billion.

As of September 30, 2018, there was no credit enhancement receivable. As of December 31, 2017, the credit enhancement receivable was $10 thousand, and is included as part of “Other assets” in the Company’s unaudited condensed consolidated statements of financial condition.

Credit enhancement deposit

The CEA required the DB Entities to deposit $25 million into the Company’s Fannie Mae restricted liquidity account (see Note 28—“Regulatory Requirements”), which the Company is required to return to DB Cayman, less any outstanding claims, on March 9, 2021. The $25 million deposit is included in “Cash segregated under regulatory requirements” and the offsetting liability is included in “Accounts payable, accrued and other liabilities” in the accompanying unaudited condensed consolidated statements of financial condition.

Contingent liability

Under the CEA, the Company is required to pay DB Cayman on March 9, 2021, an amount equal to 50% of the positive difference, if any, between (a) $25 million, and (b) the Company's unreimbursed loss sharing payments from March 9, 2012 through March 9, 2021 on the Company's servicing portfolio as of March 9, 2012.

As of September 30, 2018 and December 31, 2017, the contingent liability was $10.9 million and $10.7 million, respectively, and is included as part of "Accounts payable, accrued and other liabilities" in the Company's unaudited condensed consolidated statements of financial condition.

15. Gains from Mortgage Banking Activities/Originations, Net

Gains from mortgage banking activities/originations, net consist of the following activity (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Loan origination related fees and sales premiums, net	$23,288	$19,772	$58,287	$66,673
Fair value of expected net future cash flows from servicing recognized at commitment, net	28,684	25,683	74,477	97,590
Gains from mortgage banking activities/originations, net	$51,972	$45,455	$132,764	$164,263

16. Mortgage Servicing Rights, Net

The changes in the carrying amount of mortgage servicing rights for the three and nine months ended September 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Mortgage Servicing Rights				
Beginning balance	$393,383	$381,908	$399,349	$347,558
Additions	33,901	29,549	65,632	98,814
Purchases	516	—	2,124	577
Amortization	(20,850)	(19,183)	(60,155)	(54,675)
Ending balance	$406,950	$392,274	$406,950	$392,274
Valuation Allowance				
Beginning balance	$(1,343)	$(5,481)	$(6,723)	$(7,742)
Decrease (increase)	(366)	(658)	5,014	1,603
Ending balance	(1,709)	(6,139)	(1,709)	(6,139)
Net balance	$405,241	$386,135	$405,241	$386,135

The amount of contractually specified servicing fees (including primary and special servicing fees) and ancillary fees (including yield maintenance fees) earned by the Company were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Servicing fees	$26,143	$24,721	$77,367	$70,505
Escrow interest and placement fees	5,395	2,835	12,229	6,315

Ancillary fees	3,410	1,501	6,611	3,909
Total Servicing fees	$34,948	$29,057	$96,207	$80,729

The Company's primary servicing portfolio as of September 30, 2018 and December 31, 2017 was approximately $56.1 billion and $54.2 billion, respectively. Also, the Company is named special servicer for a number of commercial mortgage-backed securitizations. Upon certain specified events (such as, but not limited to, loan defaults and loan assumptions), the administration of the loan is transferred to the Company. The Company's special servicing portfolio at September 30, 2018 and December 31, 2017 was $3.2 billion and $3.8 billion, respectively.

The estimated fair value of Mortgage servicing rights, net as of September 30, 2018 and December 31, 2017 were $444.9 million and $418.1 million, respectively.

Fair values are estimated using a valuation model that calculates the present value of the future net servicing cash flows. The cash flow assumptions used are based on assumptions the Company believes market participants would use to value the portfolio. Significant assumptions include estimates of the cost of servicing per loan, discount rate, earnings rate on escrow deposits and prepayment speeds. The discount rates used in measuring fair value for the nine months ended September 30, 2018 and for the year ended December 31, 2017 was between 3.0% and 13.5% and varied based on investor type. An increase in discount rate of 100 bps or 200 bps would result in a decrease in fair value by $13.5 million and $25.5 million, respectively, as of September 30, 2018 and by $11.8 million and $23.0 million, respectively, at December 31, 2017.

17. Related Party Transactions

Service Agreements

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

For the three months ended September 30, 2018, Cantor's share of the net income in Tower Bridge was $1.4 million and for the three months ended September 30, 2017, Cantor's share of the net income in Tower Bridge was $0.9 million. For the nine months ended September 30, 2018, Cantor's share of the net income in Tower Bridge was $0.4 million and for the nine months ended September 30, 2017, Cantor's share of the net income in Tower Bridge was $1.0 million. Cantor's noncontrolling interest is included as part of "Noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of financial condition.

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

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

For the three months ended September 30, 2018 and 2017, the Company recognized related party revenues of $7.1 million and $7.2 million, respectively, for the services provided to Cantor, including fees related to the Special Asset Servicing Arrangement between Berkeley Point and CCRE. For the nine months ended September 30, 2018 and 2017, the Company recognized related party revenues of $20.0 million and $20.1 million, respectively, for the services provided to Cantor, including fees related to the Special Asset Servicing Arrangement between Berkeley Point and CCRE. These revenues are included as part of "Fees from related parties" in the Company's unaudited condensed consolidated statements of operations.

In the U.S., Cantor and its affiliates provide the Company, including Newmark, with administrative services and other support for which Cantor charges the Company based on the cost of providing such services. In connection with the services Cantor provides, the Company and Cantor entered into an employee lease agreement whereby certain employees of Cantor are deemed leased employees of the Company. For the three months ended September 30, 2018 and 2017, the Company was charged $20.1 million and $13.9 million, respectively, for the services provided by Cantor and its affiliates, of which $10.3 million and $9.5 million, respectively, were to cover compensation to leased employees for the three months ended September 30, 2018 and 2017. For the nine months ended September 30, 2018 and 2017, the Company was charged $59.0 million and $42.8 million, respectively, for the services provided by Cantor and its affiliates, of which $31.6 million and $26.4 million, respectively, were to cover compensation to leased employees for the nine months ended September 30, 2018 and 2017. The fees paid to Cantor for administrative and

support services, other than those to cover the compensation costs of leased employees, are included as part of “Fees to related parties” in the Company’s unaudited condensed consolidated statements of operations. The fees paid to Cantor to cover the compensation costs of leased employees are included as part of “Compensation and employee benefits” in the Company’s unaudited condensed consolidated statements of operations.

Newmark IPO

On December 13, 2017, prior to the closing of the Newmark IPO, BGC, BGC Holdings, BGC U.S. OpCo, Newmark, Newmark Holdings, Newmark OpCo, Cantor, and BGC Global OpCo entered into the Separation and Distribution Agreement. The Separation and Distribution Agreement sets forth the agreements among BGC, Cantor, Newmark and their respective subsidiaries. For additional information, see Note 1— “Organization and Basis of Presentation.” In addition, in connection with the Separation and Newmark IPO, on December 13, 2017 a Registration Rights Agreement by and among Cantor, BGC and Newmark, an Amended and Restated Tax Receivable Agreement by and between Cantor and BGC, an Exchange Agreement by and among Cantor, BGC and Newmark (see

"Other Agreements with Cantor" below), an Administrative Services Agreement by and between Cantor and Newmark (see "Service Agreements" above), and a Tax Receivable Agreement by and between Cantor and Newmark were entered into.

As a result of the Separation and Distribution Agreement, the limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, including Cantor, whereby each holder of BGC Holdings limited partnership interests at that time will hold a BGC Holdings limited partnership interest and a corresponding Newmark Holdings limited partnership interest, which is equal to a BGC Holdings limited partnership interest multiplied by the contribution ratio, divided by the exchange ratio. For additional information, see Note 2—"Limited Partnership Interests."

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

Investment in Newmark

On March 7, 2018, BGC Partners and its operating subsidiaries purchased 16.6 million newly issued exchangeable limited partnership units (the "Newmark Units") of Newmark Holdings for approximately $242.0 million (the "Investment in Newmark"). The price per Newmark Unit was based on the $14.57 closing price of Newmark's Class A common stock on March 6, 2018 as reported on the NASDAQ Global Select Market. These newly-issued Newmark Units are exchangeable, at BGC's discretion, into either shares of Class A common stock or shares of Class B common stock of Newmark. BGC made the Investment in Newmark pursuant to an Investment Agreement dated as of March 6, 2018 by and among BGC, BGC Holdings, BGC Partners, L.P., BGC Global Holdings, L.P., Newmark, Newmark Holdings and Newmark Partners, L.P. The Investment in Newmark and related transactions were approved by the Audit Committees and Boards of Directors of BGC and Newmark. BGC and its subsidiaries funded the Investment in Newmark using the proceeds of its CEO sales program. Newmark used the proceeds to repay the balance of the outstanding principal amount under its unsecured senior term loan credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders. In addition, in accordance with the Separation and Distribution Agreement, BGC owns 6.2 million limited partnership interests in the Newmark OpCo as of September 30, 2018, as a result of other issuances of BGC Class A common stock primarily related to the redemption of limited partnership interests in BGC Holdings and Newmark Holdings. Prior to the Newmark spin-off, Newmark Units and limited partnership interests in the Newmark OpCo then held by BGC Partners will be exchanged into Newmark Class A or Class B common stock, and will be included as part of the Newmark Distribution to holders of shares of Class A or Class B common stock of the Company.

CF Real Estate Finance Holdings, L.P.

Contemporaneously with the Berkeley Point Acquisition, on September 8, 2017, the Company invested $100.0 million in a newly formed commercial real estate-related financial and investment business, Real Estate LP, which is controlled and managed by Cantor. Real Estate LP may conduct activities in any real estate related business or asset backed securities-related business or any extensions thereof and ancillary activities thereto. In addition, Real Estate LP may provide short-term loans to related parties from time to time when funds in excess of amounts needed for investment opportunities are available. As of September 30, 2018, $195.0 million had been loaned to related parties. As of December 31, 2017, no loans had been made to related parties. The Company's investment is accounted for under the equity method as of September 30, 2018 and December 31, 2017.

Lucera

On October 25, 2016, the Company's Board of Directors and Audit Committee authorized the purchase of 9,000 Class B Units of Lucera, representing all of the issued and outstanding Class B Units of Lucera not already owned by the Company. On November 4, 2016, the Company completed this transaction. As a result of this transaction, the Company owns 100% of the ownership interests in Lucera. The Company previously had a 20% ownership interest in Lucera and accounted for its investment using the equity method.

In the purchase agreement, Cantor agreed, subject to certain exceptions, not to solicit certain senior executives of Lucera's business and was granted the right to be a customer of Lucera's businesses on the best terms made available to any other customer. The aggregate purchase price paid by the Company to Cantor consisted of approximately $24.2 million in cash plus a $4.8 million post-closing adjustment determined after closing based on netting Lucera's expenses paid by Cantor after May 1, 2016 against accounts receivable owed to Lucera by Cantor for access to Lucera's business from May 1, 2016 through the closing date. The purchase has been accounted for as a transaction between entities under common control.

During the three months ended September 30, 2018 and 2017, respectively, Lucera had $0.2 million and $0.3 million in related party revenues from Cantor. During the nine months ended September 30, 2018 and 2017, respectively, Lucera had $0.6 million and

$1.0 million in related party revenues from Cantor. These revenues are included in “Data, software and post-trade” in the Company’s unaudited condensed consolidated statements of operations.

Clearing Agreement with Cantor

The Company receives certain clearing services from Cantor pursuant to its clearing agreement. These clearing services are provided in exchange for payment by the Company of third-party clearing costs and allocated costs. The costs associated with these payments are included as part of “Fees to related parties” in the Company’s unaudited condensed consolidated statements of operations. The costs for these services for the three and nine months ended September 30, 2018 are included as part of the charges to BGC for services provided by Cantor and its affiliates as discussed in “Services Agreements” above.

Other Agreements with Cantor

The Company is authorized to enter into short-term arrangements with Cantor to cover any failed U.S. Treasury securities transactions and to share equally in any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of September 30, 2018, Cantor facilitated Repurchase Agreements between the Company and Cantor in the amount of $0.2 million for the purpose of financing fails. As of December 31, 2017, the Company had no Repurchase Agreements.

To more effectively manage the Company’s exposure to changes in foreign exchange rates, the Company and Cantor have agreed to jointly manage the exposure. As a result, the Company is authorized to divide the quarterly allocation of any profit or loss relating to foreign exchange currency hedging between Cantor and the Company. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of Cantor and the Company is utilized to determine the shares of profit or loss allocated to each for the period. During the three months ended September 30, 2018 and 2017, the Company recognized its share of foreign exchange losses of $1.5 million and foreign exchange gains of $46 thousand, respectively. During the nine months ended September 30, 2018 and 2017, the Company recognized its share of foreign exchange losses of $3.1 million and $2.8 million, respectively. These losses are included as part of “Other expenses” in the Company’s unaudited condensed consolidated statements of operations.

Pursuant to the separation agreement relating to the Company’s acquisition of certain BGC businesses from Cantor in 2008, Cantor has a right, subject to certain conditions, to be the Company’s customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from the Company without any cost. Any future related-party transactions or arrangements between the Company and Cantor are subject to the prior approval by the Company’s Audit Committee. During the three months ended September 30, 2018 and 2017, the Company recorded revenues from Cantor entities of $59 thousand and $82 thousand, respectively, related to commissions paid to the Company by Cantor. During the nine months ended September 30, 2018 and 2017, the Company recorded revenues from Cantor entities of $194 thousand and $224 thousand, respectively, related to commissions paid to the Company by Cantor. These revenues are included as part of “Commissions” in the Company’s unaudited condensed consolidated statements of operations.

In March 2009, the Company and Cantor were authorized to utilize each other’s brokers to provide brokerage services for securities not brokered by such entity, so long as, unless otherwise agreed, such brokerage services were provided in the ordinary course and on terms no less favorable to the receiving party than such services are provided to typical third-party customers.

In August 2013, the Audit Committee authorized the Company to invest up to $350.0 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used by the Company from time to time as a

liquidity management vehicle. The notes are backed by assets of highly rated banks. The Company is entitled to invest in the program so long as the program meets investment policy guidelines, including policies related to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to the Company on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of September 30, 2018 and December 31, 2017, the Company did not have any investments in the program.

On June 5, 2015, the Company entered into an agreement with Cantor providing Cantor, CF Group Management, Inc. (“CFGM”) and other Cantor affiliates entitled to hold BGC Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34,649,693 shares of BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of exchangeable limited partnership units owned in BGC Holdings and Newmark Holdings (as a result of the Newmark IPO and the Separation and Distribution Agreement), are already included in the Company’s fully diluted share count and will not increase Cantor’s current maximum potential voting power in the common equity. The exchange agreement will enable the Cantor entities to acquire the same number of shares of BGC Class B common stock that they are already entitled to acquire without having to exchange its exchangeable limited partnership units in BGC Holdings and Newmark Holdings. The Company’s Audit Committee and full Board of Directors determined that it was in the best interests of the Company and its stockholders to approve the exchange agreement because it will help ensure that Cantor retains

its exchangeable limited partnership units in BGC Holdings and Newmark Holdings, which is the same partnership in which the Company's partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees.

Under the exchange agreement, Cantor and CFGM have the right to exchange 11,039,011 shares of BGC Class A common stock owned by them as of September 30, 2018 for the same number of shares of BGC Class B common stock. Cantor would also have the right to exchange any shares of BGC Class A common stock subsequently acquired by it for shares of BGC Class B common stock, up to 34,649,693 shares of BGC Class B common stock.

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

In relation to the Newmark IPO, on December 13, 2017, Newmark entered into a similar exchange agreement with Cantor, CFGM, BGC and other Cantor affiliates entitled to hold Newmark Class B common stock, providing the right to exchange from time to time shares of Class A common stock of Newmark now owned or hereafter acquired, as applicable, on a one-for-one basis for shares of Newmark Class B common stock, up to the number of shares of Newmark Class B common stock that are authorized but unissued under Newmark's certificate of incorporation. The Newmark Audit Committee and Board of Directors have determined that the exchange agreement is in the best interests of Newmark and its stockholders because, among other things, it will help ensure that Cantor retains its exchangeable limited partnership units in Newmark Holdings, which is the same partnership in which Newmark's partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees.

On April 21, 2017, the Company entered into a $150.0 million revolving credit facility (the "Credit Facility") with an affiliate of Cantor. BGC agreed to lend $150.0 million under the Credit Facility to such affiliate (the "Loan"). On September 8, 2017, the outstanding balance of $150.0 million was repaid in its entirety. The Credit Facility was terminated as of March 19, 2018, therefore there were no borrowings outstanding as of September 30, 2018. The Company did not record any interest income related to the Loan for the three and nine months ended September 30, 2018. The Company recorded interest income related to the loan of $1.3 million for the three and nine months ended September 30, 2017.

On March 19, 2018, the Company entered into the BGC Credit Agreement with Cantor ("BGC Credit Agreement"). The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender's discretion in an aggregate principal amount up to $250.0 million outstanding at any time. The BGC Credit Agreement replaced the Credit Facility described above and was approved by the Audit Committee of BGC. On August 6, 2018, the Company entered into an amendment to the BGC Credit Agreement, which increased the aggregate principal amount that can be loaned to the other party or any of its subsidiaries from $250.0 million to $400.0 million that can be outstanding at any time. The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2019, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal to the higher of BGC's or Cantor's short-term borrowing rate in effect at such time plus 1.00%. As of September 30, 2018, there was $80.0 million of borrowings by BGC outstanding under this agreement. The interest on this agreement as of September 30, 2018 was LIBOR plus 3.25%, which may be adjusted based on the higher of the Company's or Cantor's short-term borrowing rate then in effect. As of September 30, 2018, the interest rate on this facility was 5.51%. For the three and nine months ended September 30, 2018, the Company recorded interest expense of $1.4 million and $3.9 million, respectively, related to this agreement.

As part of the Company's cash management process, the Company may enter into tri-party reverse repurchase agreements and other short-term investments, some of which may be with Cantor. As of September 30, 2018 and December 31, 2017, the Company had no reverse repurchase agreements.

On February 9, 2016, the Audit Committee of the Board of Directors authorized the Company to enter into an arrangement with Cantor in which the Company would provide dedicated development services to Cantor at a cost to the Company not to exceed $1.4 million per year for the purpose of Cantor developing the capacity to provide quotations in certain securities from time to time. The services are terminable by either party at any time and will be provided on the terms and conditions set forth in the existing Administrative Services Agreement. The Company did not provide development services to Cantor in the nine months ended September 30, 2018 and twelve months ended December 31, 2017 under this arrangement.

In July 2016, the Audit Committee of the Company authorized the Company to provide real estate and related services, including real estate advice, brokerage, property or facilities management, appraisals and valuations and other services, to Cantor on

rates and terms no less favorable to the Company than those charged to third-party customers. The Company and Cantor expect to enter into these arrangements from time to time. The Company did not provide any such real estate and related services in the nine months ended September 30, 2018 and 2017.

In June 2018, the Audit Committee authorized management to enter into certain data sharing arrangements with its affiliates, including Cantor, provided such arrangements are subject to all applicable privacy and other rules and regulations, contractual restrictions and other applicable law and agreements.

Receivables from and Payables to Related Broker-Dealers

Amounts due to or from Cantor and Freedom International Brokerage, one of the Company's equity method investments, are for transactional revenues under a technology and services agreement with Freedom International Brokerage as well as for open derivative contracts. These are included as part of "Receivables from broker-dealers, clearing organizations, customers and related broker-dealers" or "Payables to broker-dealers, clearing organizations, customers and related broker-dealers" in the Company's unaudited condensed consolidated statements of financial condition. As of September 30, 2018 and December 31, 2017, the Company had receivables from Freedom International Brokerage of $1.4 million and $1.3 million, respectively. As of September 30, 2018 and December 31, 2017, the Company had $3.0 million and $0.8 million, respectively, in receivables from Cantor related to open derivative contracts. As of September 30, 2018 and December 31, 2017, the Company had $2.4 million and $2.8 million, respectively, in payables to Cantor related to open derivative contracts. As of September 30, 2018 and December 31, 2017, the Company had $15.0 million in payables to and $0.5 million in receivables from, respectively, Cantor related to fails and equity trades pending settlement.

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

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

As of September 30, 2018 and December 31, 2017, the aggregate balance of employee loans, net, was $466.9 million and $335.7 million, respectively, and is included as "Loans, forgivable loans and other receivables from employees and partners, net" in the Company's unaudited condensed consolidated statements of financial condition. Compensation expense for the above-mentioned employee loans for the three months ended September 30, 2018 and 2017 was $6.9 million and $26.0 million, respectively. Compensation expense for the above-mentioned employee loans for the nine months ended September 30, 2018 and 2017 was $23.7 million and $43.2 million, respectively. The compensation expense related to these employee loans is included as part of "Compensation and employee benefits" in the Company's unaudited condensed consolidated statements of operations.

Interest income on the above-mentioned employee loans for the three months ended September 30, 2018 and 2017 was $2.2 million and $1.7 million, respectively. Interest income on the above-mentioned employee loans for the nine months ended September 30, 2018 and 2017 was $5.8 million and $4.8 million, respectively. The interest income related to these employee loans is included as part of "Interest income" in the Company's unaudited condensed consolidated statements of operations.

Controlled Equity Offerings and Other Transactions with CF&Co

As discussed in Note 6—"Stock Transactions and Unit Redemptions," the Company has entered into the April 2017 Sales Agreement and the March 2018 Sales Agreement with CF&Co, as the Company's sales agent. During the three months

ended September 30, 2018, the Company sold 2.0 million shares under its sales agreements for aggregate proceeds of $23.1 million, at a weighted-average price of $11.48 per share. During the three months ended September 30, 2017, the Company sold 1.1 million shares under the April 2017 Sales Agreement for aggregate proceeds of $15.1 million, at a weighted-average price of $13.24 per share. For the three months ended September 30, 2018 and 2017, the Company was charged approximately $0.5 million and $0.3 million, respectively, for services provided by CF&Co related to the Company's sales agreement. During the nine months ended September 30, 2018, the Company sold 32.6 million shares under its sales agreements for aggregate proceeds of $434.9 million, at a weighted-average price of $13.34 per share. During the nine months ended September 30, 2017, the Company sold 5.4 million shares under the April 2017 Sales Agreement for aggregate proceeds of $62.9 million, at a weighted-average price of $11.62 per share. For the nine months ended September 30, 2018 and 2017, the Company was charged approximately $8.7 million and $1.3 million, respectively, for services provided by CF&Co related to the Company's sales agreement. The net proceeds of the shares sold are included as part of "Additional paid-in capital" in the Company's unaudited condensed consolidated statements of financial condition.

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

On October 3, 2014, management was granted approval by the Company's Board of Directors and Audit Committee to enter into stock loan transactions with CF&Co utilizing shares of Nasdaq stock or other equities. Such stock loan transactions will bear market terms and rates. As of September 30, 2018, the Company had Securities loaned transactions of $66.3 million with CF&Co. The fair value of the securities lent was $66.3 million (see Note 8—"Collateralized Transactions"). As of September 30, 2018, the cash collateral received from CF&Co bore interest rates ranging from 2.7% to 3.0%. As of December 31, 2017, the Company had Securities loaned transactions of $202.3 million with Cantor. The market value of the securities lent was $204.1 million (see Note 8—"Collateralized Transactions"). As of December 31, 2017, the cash collateral received from CF&Co bore interest rates ranging from 1.9% to 4.3%. Securities loaned transactions are included in "Securities loaned" in the Company's unaudited condensed consolidated statements of financial condition.

On May 27, 2016, the Company issued an aggregate of $300.0 million principal amount of 5.125% Senior Notes due 2021 (the "5.125% Senior Notes"). In connection with this issuance of 5.125% Senior Notes, the Company recorded approximately $0.5 million in underwriting fees payable to CF&Co and $18 thousand to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes. Cantor purchased $14.9 million of such senior notes and still holds such notes as of September 30, 2018.

On July 24, 2018, the Company issued an aggregate of $450.0 million principal amount of 5.375% Senior Notes due 2023 (the "5.375% Senior Notes due 2023"). The 5.375% Senior Notes due 2023 are general senior unsecured obligations of the Company. In connection with this issuance of 5.375% Senior Notes due 2023, the Company recorded approximately $0.2 million in underwriting fees payable to CF&Co. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes.

Under rules adopted by the Commodity Futures Trading Commission (the "CFTC"), all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the National Futures Association and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered Futures Commission Merchant. From time to time, the Company's foreign-based brokers engage in interest rate swap transactions with U.S.-based counterparties, and therefore the Company is subject to the CFTC requirements. CF&Co has entered into guarantees on behalf of the Company, and the Company is required to indemnify CF&Co for the amounts, if any, paid by CF&Co on behalf of the Company pursuant to this arrangement. During the three months ended September 30, 2018 and 2017, the Company recorded fees of $31.3 thousand, with respect to these guarantees. During the nine months ended September 30, 2018 and 2017, the Company recorded fees of $93.8 thousand, with respect to these guarantees. These fees were included in "Fees to related parties" in the Company's unaudited condensed consolidated statements of operations.

On June 18, 2018 and September 26, 2018, the Company entered into transactions related to the monetization of the shares of Nasdaq that we expect to receive in 2019 through 2022 as part of the Company's sale of its eSpeed business to Nasdaq (see "Liquidity and Capital Resources" in the Management's Discussion and Analysis included in Part I, Item 2 of this Quarterly Report on Form 10-Q for more information). The Company recorded approximately $4.0 million in fees for services provided by CF&Co related to these monetization transactions. These fees were recorded as a deduction from the carrying amount of the EPUs.

Transactions with Cantor Commercial Real Estate Company, L.P.

On October 29, 2013, the Audit Committee of the Board of Directors authorized the Company to enter into agreements from time to time with Cantor and/or its affiliates, including Cantor Commercial Real Estate Company, L.P. ("CCRE"), to provide services, including finding and reviewing suitable acquisition or partner candidates, structuring transactions, negotiating and due diligence services, in connection with the Company's acquisition and other business strategies in commercial real estate and other businesses. Such services are provided at fees not to exceed the fully-allocated cost of such services, plus 10%. In connection with this agreement, the Company did not recognize any expense for the three and nine months ended September 30, 2018 and 2017.

The Company also has a referral agreement in place with CCRE, in which the Company's brokers are incentivized to refer business to CCRE through a revenue-share agreement. In connection with this revenue-share agreement, the Company recognized revenues of $0.3 million and $14 thousand for the three months ended September 30, 2018 and 2017, respectively. The Company recognized revenues of $0.3 million and $0.1 million for the nine months ended September 30, 2018 and 2017, respectively. This revenue was recorded as part of "Commissions" in the Company's unaudited condensed consolidated statements of operations.

The Company also has a revenue-share agreement with CCRE, in which the Company pays CCRE for referrals for leasing or other services. The Company did not make any payments under this agreement to CCRE for the three and nine months ended September 30, 2018 and 2017, respectively.

In addition, the Company has a loan referral agreement in place with CCRE, in which either party can refer a loan to the other. There was no revenue recognized from these referrals for the three months ended September 30, 2018 and $1.5 million for the three months ended September 30, 2017. The Company recognized $2.2 million and $2.2 million for the nine months ended September 30, 2018 and 2017, respectively. These revenue from referrals are recognized in Gains from mortgage banking activities/originations, net in our consolidated condensed consolidated statements of operations. These referrals fees are net of the broker fees and commissions to CCRE of $33 thousand and $0.3 million for the three months ended September 30, 2018 and 2017, respectively, and $0.8 million and $0.7 million for the nine months ended September 30, 2018 and 2017, respectively.

On September 8, 2017, the Company completed the Berkeley Point Acquisition, for an acquisition price of $875.0 million, with $3.2 million of the acquisition price paid in units of BGC Holdings, pursuant to a Transaction Agreement, dated as of July 17, 2017, with Cantor and certain of Cantor's affiliates, including CCRE and Cantor Commercial Real Estate Sponsor, L.P., the general partner of CCRE. In accordance with this Transaction Agreement, Berkeley Point made a distribution of $89.1 million to CCRE related to the Berkeley Point Acquisition, for the amount that Berkeley Point's net assets, inclusive of certain fair value adjustments, exceeded $508.6 million.

On March 11, 2015, the Company and CCRE entered into a note receivable/payable that allows for advances to or from CCRE at an interest rate of 1 month LIBOR plus 1.0%. On September 8, 2017, the note receivable/payable was terminated and all outstanding advances due were paid off. The Company recognized interest income of $0.2 million for the three and nine months ended September 30, 2017. The Company recognized interest expense of $0.3 million for the three months ended September 30, 2017, and $2.4 million for the nine months ended September 30, 2017.

For the nine months ended September 30, 2018, the Company purchased the primary servicing rights for $0.9 billion of loans originated by CCRE for $1.5 million. For the nine months ended September 30, 2017, the Company purchased the primary servicing rights for $0.3 billion of loans originated by CCRE for $0.6 million. The Company also services loans for CCRE on a "fee for service" basis, generally prior to a loan's sale or securitization, and for which no mortgage servicing right is recognized. The Company recognized $0.9 million for the three months ended September 30, 2018 and $0.9 million for the three months ended September 30, 2017, and $2.8 million and $2.7 million for the nine months ended September 30, 2018 and 2017, respectively, of servicing revenue from (excludes interest and placement fees) loans purchased from CCRE on a "fee for service" basis, which was included as part of "Servicing fees" in our consolidated condensed consolidated statements of operations.

For information with respect to the Company's $100 million investment in a newly formed joint venture with Cantor, see "CF Real Estate Finance Holdings, L.P." above.

Cantor Rights to Purchase Limited Partnership Interests from BGC Holdings and Newmark Holdings

Cantor has the right to purchase limited partnership interests (Cantor units) from BGC Holdings and Newmark Holdings upon redemption of non-exchangeable FPUs redeemed by BGC Holdings and Newmark Holdings upon termination or bankruptcy of the founding/working partner. In addition, pursuant to Article Eight, Section 8.08, of the Second Amended and Restated BGC Holdings Limited Partnership Agreement (previously the "Sixth Amendment") and Article Eight, Section 8.08, of the Amended and Restated Newmark Holdings Limited Partnership Agreement, where either current, terminating, or terminated partners are permitted by the Company to exchange any portion of their FPUs and Cantor consents to such exchangeability, the Company shall offer to Cantor the opportunity for Cantor to purchase the same number of new exchangeable limited partnership interests (Cantor units) in BGC Holdings and Newmark Holdings at the price that Cantor would have paid for the FPUs had the Company redeemed them. Any such Cantor units purchased by Cantor are currently exchangeable for up to 34,649,693 shares of BGC Class B common

stock or, at Cantor's election or if there are no such additional shares of BGC Class B common stock, shares of BGC Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

On November 7, 2017, the Company issued exchange rights with respect to, and Cantor purchased, in transactions exempt from registration pursuant to Section 4(a)(2) of the Securities Act, an aggregate of 1,179,788 exchangeable limited partnership units in BGC Holdings, as follows: In connection with the redemption by BGC Holdings of an aggregate of 823,178 non-exchangeable founding partner units from founding partners of BGC Holdings for an aggregate consideration of $2.8 million, Cantor purchased 823,178 exchangeable limited partnership units from BGC Holdings for an aggregate of $2.8 million. In addition, pursuant to the Sixth Amendment, on November 7, 2017, Cantor purchased 356,610 exchangeable limited partnership units from BGC Holdings for an aggregate consideration of $1.1 million in connection with the grant of exchangeability and exchange for 356,610 founding partner units. As a result of the Newmark IPO and the related Separation and Distribution Agreement, the aggregate exchangeable limited

partnership units represent 1,179,788 and 536,267 exchangeable limited partnership units in BGC Holdings and Newmark Holdings, respectively.

As of September 30, 2018, there were 1,178,869 FPUs in BGC Holdings and 535,849 FPUs in Newmark Holdings remaining, which the partnerships had the right to redeem or exchange and with respect to which Cantor had the right to purchase an equivalent number of Cantor units.

Transactions with Executive Officers and Directors

On March 11, 2018, as part of 2017 year-end compensation, the BGC Compensation Committee authorized the Company to issue Mr. Lutnick $30.0 million of our Class A common stock, less applicable taxes and withholdings, based on a price of $14.33 per share, which was the closing price of our Class A common stock on the trading day prior to the date of issuance, which resulted in the net issuance of 979,344 shares of our Class A common stock. In exchange, the following equivalent units were redeemed and cancelled: an aggregate of 2,348,479 non-exchangeable limited partnership units of BGC Holdings consisting of 1,637,215 non-exchangeable BGC Holdings PSUs and 711,264 BGC Holdings PPSUs, having various determination prices per unit based on the date of the grant, and associated non-exchangeable limited partnership units of Newmark Holdings consisting of 774,566 of non-exchangeable Newmark Holdings PSUs and 336,499 of non-exchangeable Newmark Holdings PPSUs.

On November 29, 2017, Mr. Lutnick exercised an employee stock option with respect to 1,000,000 shares of Class A common stock at an exercise price of $16.24 per share. The net exercise of the option resulted in 147,448 shares of the Company's Class A common stock being issued to Mr. Lutnick.

On October 4, 2017, Mr. Dalton exercised a stock option with respect to 7,085 shares of Class A common stock at an exercise price of $15.30 per share.

On January 31, 2017, the BGC Compensation Committee approved the acceleration of the lapse of restrictions on transferability with respect to 167,654 shares of restricted stock held by Mr. Lynn. On the same date, the Company repurchased the shares from Mr. Lynn at $11.07 per share, the closing price of our Class A common stock on such date.

Transactions with Relief Fund

During the year ended December 31, 2015, the Company committed to make charitable contributions to the Cantor Fitzgerald Relief Fund in the amount of $40.0 million, which the Company recorded in "Other expenses" in the Company's unaudited condensed consolidated statements of operations for the year ended December 31, 2015. As of September 30, 2018 and December 31, 2017, the remaining liability associated with this commitment was $30.7 million, which is included in "Accounts payable, accrued and other liabilities" in the Company's unaudited condensed consolidated statements of financial condition.

Other Transactions

The Company is authorized to enter into loans, investments or other credit support arrangements for Aqua Securities L.P. ("Aqua"), an alternative electronic trading platform that offers new pools of block liquidity to the global equities markets; such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On October 27, 2015, the Company's Board of Directors and Audit Committee increased the authorized amount by an additional $4.0 million, to $16.2 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method of accounting. During the three months ended September 30, 2018 and 2017, the Company made $0.2 million and $0.7

million, respectively, in cash contributions to Aqua. During the nine months ended September 30, 2018 and 2017, the Company made $0.6 million and $1.3 million, respectively, in cash contributions to Aqua. These contributions are recorded as part of "Investments" in the Company's unaudited condensed consolidated statements of financial condition.

The Company has also entered into a Subordinated Loan Agreement with Aqua, whereby the Company loaned Aqua the principal sum of $980 thousand. The scheduled maturity date on the subordinated loan is September 1, 2020, and the current rate of interest on the loan is three month LIBOR plus 600 basis points. The loan to Aqua is recorded as part of "Receivables from related parties" in the Company's unaudited condensed consolidated statements of financial condition.

18. Investments

Equity Method Investments

The carrying value of the Company's equity method investments was $136.1 million as of September 30, 2018 and $135.6 million as of December 31, 2017, and is included in "Investments" in the Company's unaudited condensed consolidated statements of financial condition.

The Company recognized gains of $1.4 million and $2.1 million related to its equity method investments for the three months ended September 30, 2018 and 2017, respectively. The Company recognized gains of $10.0 million and $4.0 million related to its equity method investments for the nine months ended September 30, 2018 and 2017, respectively. The Company's share of the gains or losses is reflected in "Gains (losses) on equity method investments" in the Company's unaudited condensed consolidated statements of operations.

On September 8, 2017, the Company invested $100.0 million in Real Estate LP, which is controlled and managed by Cantor. As of September 30, 2018, the Company's investment is accounted for under the equity method. There were no gains recognized for the three months ended September 30, 2018 and a $5.0 million gain recognized for the nine months ended September 30, 2018.

See Note 17—"Related Party Transactions," for information regarding related party transactions with unconsolidated entities included in the Company's unaudited condensed consolidated financial statements.

Investments Carried Under Measurements Alternative

The Company had previously acquired investments for which it did not have the ability to exert significant influence over operating and financial policies of the investees. Prior to January 1, 2018, these investments were accounted for using the cost method in accordance with U.S. GAAP guidance, Investments—Other. The carrying value of the cost method investments was $6.2 million and is included in "Investments" in the Company's unaudited condensed consolidated statements of financial condition as of December 31, 2017. The Company did not recognize any gain or loss relating to cost method investments for the three and nine months ended September 30, 2017.

Effective January 1, 2018, these investments are accounted for using the measurement alternative in accordance with the new guidance on recognition and measurement. The carrying value of these investments was $28.8 million and is included in "Investments" in the Company's unaudited condensed statements of financial condition as of September 30, 2018. The Company did not recognize any gains, losses, or impairments relating to investments carried under the measurement alternative for the three and nine months ended September 30, 2018.

In addition, the Company owns membership shares, which are included in "Other Assets" in the Company's unaudited condensed consolidated statements of financial condition as of September 30, 2018 and December 31, 2017. Prior to January 1, 2018, these shares were accounted for using the cost method in accordance with U.S. GAAP guidance, Investments—Other. Effective January 1, 2018, these shares are accounted for using the measurement alternative in accordance with the new guidance on recognition and measurement. The Company recognized $18.2 million and $38.7 million unrealized gains (upward adjustment) to reflect observable transactions for these shares during the three and nine months ended September 30, 2018, respectfully. The unrealized gains are reflected in "Other Income" in the Company's unaudited condensed consolidated statements of operations.

Investments in Variable Interest Entities

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

The following table sets forth the Company's investment in its unconsolidated VIEs and the maximum exposure to loss with respect to such entities as of September 30, 2018 and December 31, 2017 (in thousands).

	September 30, 2018		December 31, 2017	
	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities[1]	$ 106,642	$ 107,622	$ 103,892	$ 104,872

[1] The Company has entered into a subordinated loan agreement with Aqua, whereby the Company agreed to lend the principal sum of $980.0 thousand. As of September 30, 2018 and December 31, 2017, the Company's maximum exposure to loss with respect to its unconsolidated VIEs includes the sum of its equity investments in its unconsolidated VIEs and the $980.0 thousand subordinated loan to Aqua.

Consolidated VIE

The Company is invested in a limited liability company that is focused on developing a proprietary trading technology. The limited liability company is a VIE and the Company determined that it is the primary beneficiary of this VIE because the Company, through GFI, was the provider of the majority of this VIE's start-up capital and has the power to direct the activities of this VIE that most significantly impact its economic performance, primarily through its voting percentage and consent rights on the activities that would most significantly influence the entity. The consolidated VIE had total assets of $7.3 million and $5.9 million as of September 30, 2018 and December 31, 2017, respectively, which primarily consisted of clearing margin. There were no material restrictions on the consolidated VIE's assets. The consolidated VIE had total liabilities of $0.9 million and $1.6 million as of September 30, 2018 and December 31, 2017, respectively. The Company's exposure to economic loss on this VIE was approximately $3.5 million and $2.4 million as of September 30, 2018 and December 31, 2017, respectively.

19. Fixed Assets, Net

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

	September 30, 2018	December 31, 2017
Computer and communications equipment	$ 155,946	$ 151,499
Software, including software development costs	201,119	164,011
Leasehold improvements and other fixed assets	200,485	179,178
	557,550	494,688
Less: accumulated depreciation and amortization	(341,419)	(305,341)
Fixed assets, net	$ 216,131	$ 189,347

Depreciation expense was $7.8 million and $7.5 million for the three months ended September 30, 2018 and 2017, respectively. Depreciation expense was $23.0 million and $22.9 million for the nine months ended September 30, 2018 and 2017, respectively. Depreciation is included as part of "Occupancy and equipment" in the Company's unaudited condensed consolidated statements of operations.

The Company has approximately $7.5 million of asset retirement obligations related to certain of its leasehold improvements. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. The liability is discounted and accretion expense is recognized using the credit adjusted risk-free interest rate in effect when the liability was initially recognized.

For the three months ended September 30, 2018 and 2017, software development costs totaling $14.4 million and $13.5 million, respectively, were capitalized. Amortization of software development costs totaled $7.5 million and $4.7 million for the three months ended September 30, 2018 and 2017. For the nine months ended September 30, 2018 and 2017, software development costs totaling $38.5 million and $27.8 million, respectively, were capitalized. Amortization of software development costs totaled $19.0 million and $15.3 million for the nine months ended September 30, 2018 and 2017, respectively. Amortization of software development costs is included as part of "Occupancy and equipment" in the Company's unaudited condensed consolidated statements of operations.

Impairment charges of $0.7 million and $0.5 million were recorded for the three months ended September 30, 2018 and 2017, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges of $0.7 million and $1.2 million were recorded for the nine months ended September 30, 2018 and 2017, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. The impairment charges for the nine months ended September 30, 2018 and 2017 were related to the Financial Services segment.

Impairment charges related to capitalized software and fixed assets are reflected in "Occupancy and equipment" in the Company's unaudited condensed consolidated statements of operations.

20. Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2018 were as follows (in thousands):

	Financial Services	Real Estate Services	Total
Balance at December 31, 2017	$468,050	$477,532	$945,582
Acquisitions	—	38,439	38,439
Measurement period adjustments	12	(2,444)	(2,432)
Cumulative translation adjustment	(1,962)	—	(1,962)
Balance at September 30, 2018	$466,100	$513,527	$979,627

During the nine months ended September 30, 2018, the Company recognized goodwill of approximately $38.4 million which was allocated to the Company's Real Estate Services Segment. See Note 4—"Acquisitions" for more information. Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with U.S. GAAP guidance on Goodwill and Other Intangible Assets.

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

	September 30, 2018			
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Customer-related	$204,735	$ 39,047	$ 165,688	12.9
Technology	24,024	12,326	11,698	3.4
Noncompete agreements	36,535	20,886	15,649	2.4
Patents	10,412	10,272	140	7.9
All other	22,466	13,502	8,964	7.8
Total definite life intangible assets	298,172	96,033	202,139	11.3
Indefinite life intangible assets:				
Trade names	83,912	—	83,912	N/A
Licenses	7,929	—	7,929	N/A
Total indefinite life intangible assets	91,841	—	91,841	N/A
Total	$390,013	$ 96,033	$ 293,980	11.3

	December 31, 2017			
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Customer-related	$203,743	$ 27,820	$ 175,923	13.7
Technology	24,025	9,741	14,284	4.2
Noncompete agreements	34,333	16,180	18,153	2.7
Patents	10,629	10,049	580	3.6
All other	19,795	9,691	10,104	9.2
Total definite life intangible assets	292,525	73,481	219,044	11.9
Indefinite life intangible assets:				
Trade names	84,048	—	84,048	N/A
Licenses	7,929	—	7,929	N/A
Total indefinite life intangible assets	91,977	—	91,977	N/A
Total	$384,502	$ 73,481	$ 311,021	11.9

Intangible amortization expense was $7.3 million and $8.0 million for the three months ended September 30, 2018 and 2017, respectively. Intangible amortization expense was $23.6 million and $23.0 million for the nine months ended September 30, 2018 and 2017, respectively. Intangible amortization is included as part of “Other expenses” in the Company’s unaudited condensed consolidated statements of operations.

There was no impairment charge for the Company’s indefinite life intangibles for the three and nine months ended September 30, 2018. There was a $6.3 million impairment charge for the Company’s indefinite life intangibles for the three and nine months ended September 30, 2017.

The estimated future amortization expense of definite life intangible assets as of September 30, 2018 is as follows (in millions):

2018	$7.1
2019	28.4
2020	23.7
2021	19.5
2022	14.7
2023 and thereafter	108.7
Total	$202.1

21. Notes Payable, Other and Short-term Borrowings

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

	September 30, 2018	December 31, 2017
Unsecured senior revolving credit agreement	$ 125,000	$ —
Unsecured converted Term Loan	132,456	397,310
Unsecured senior term loan credit agreement	—	270,710
8.125% Senior Notes	—	109,396
5.375% Senior Notes	298,801	298,064
8.375% Senior Notes	—	242,474
5.125% Senior Notes	297,611	296,996
5.375% Senior Notes due 2023	444,450	—
Collateralized borrowings	24,712	35,559
Total Notes payable and other borrowings	1,323,030	1,650,509
Short-term borrowings	4,995	6,046
Total Notes payable, other and short-term borrowings	$ 1,328,025	$ 1,656,555

Unsecured Senior Revolving Credit and Converted Term Loan Agreement

On September 8, 2017, the Company entered into a committed unsecured senior revolving credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders. The revolving credit agreement provides for revolving loans of up to $400.0 million. The maturity date of the facility is September 8, 2019. On November 22,

2017, the Company and Newmark entered into an amendment to the unsecured senior revolving credit agreement. Pursuant to the amendment, the then-outstanding borrowings of the Company under the revolving credit facility were converted into a term loan. There was no change in the maturity date or interest rate. Effective December 13, 2017, Newmark assumed the obligations of the Company as borrower under the Converted Term Loan. The Converted Term Loan is guaranteed by the Company. The Company remains a borrower under, and retains access to, the revolving credit facility for any future draws, subject to availability which increases as Newmark repays the Converted Term Loan. Borrowings under the Converted Term Loan bear interest at either LIBOR or a defined base rate plus an additional margin which ranges from 50 basis points to 325 basis points depending on the Company's debt rating as determined by S&P and Fitch and whether such loan is a LIBOR loan or a base rate loan. As there were amounts outstanding under the senior term loan as of December 31, 2017, the pricing increased by 50 basis points. Also, since there were amounts outstanding under the senior term loan as of June 30, 2018, the pricing increased by an additional 75 basis points (125 basis points in the aggregate) until the senior term loan is paid in full. From and after the repayment in full of the senior term loan, the pricing shall return to the levels previously described.

During the nine months ended September 30, 2018, the Company repaid $266.1 million of the Converted Term Loan. Subsequent to the repayment, the Company borrowed an additional $125.0 million from the committed unsecured senior revolving credit agreement. As of September 30, 2018, there were $125.0 million of borrowings outstanding under the unsecured senior revolving credit agreement. The approximated fair value of the unsecured senior revolving credit agreement was $125.0 million as of

September 30, 2018. As of September 30, 2018, there were $134.0 million of borrowings outstanding under the Converted Term Loan. The carrying value of the Converted Term Loan as of September 30, 2018 was $132.5 million, net of deferred financing costs of $1.5 million. The approximated fair value of the Converted Term Loan as of September 30, 2018 and December 31, 2017 was $132.5 million and $397.3 million, respectively. As of September 30, 2018, the interest rate on the revolving credit agreement was 4.35% and the interest rate on the Converted Term Loan was 4.41%. The Company recorded interest expense related to the Converted Term Loan of $3.1 million and $12.1 million for the three and nine months ended September 30, 2018, respectively. The Company recorded interest expense related to the unsecured senior revolving credit agreement of $0.8 million for both the three and nine months ended September 30, 2018. As of October 15, 2018, BGC repaid the $125.0 million of borrowings outstanding under the unsecured senior revolving credit agreement. In addition, on November 6, 2018, Newmark repaid the remaining $134.0 million outstanding principal amount of the Converted Term Loan using proceeds from the sale of its 6.125% Senior Notes. See Note 31—"Subsequent Events" for additional information.

Unsecured Senior Term Loan Credit Agreement

On September 8, 2017, the Company entered into a committed unsecured senior term loan credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders. The term loan credit agreement provides for loans of up to $575.0 million. The maturity date of the agreement is September 8, 2019. On November 22, 2017, the Company and Newmark entered into an amendment to the unsecured senior term loan credit agreement. Pursuant to the term loan amendment and effective as of December 13, 2017, Newmark assumed the obligations of the Company as borrower under the senior term loan. The senior term loan is guaranteed by the Company. There was no change in the maturity date or interest rate. Borrowings under the senior term loan bear interest at either LIBOR or a defined base rate plus an additional margin which ranges from 50 basis points to 325 basis points depending on the Company's debt rating as determined by S&P and Fitch and whether such loan is a LIBOR loan or a base rate loan. As there were amounts outstanding under the senior term loan as of December 31, 2017, the pricing increased by 50 basis points. From and after the repayment in full of the senior term loan, the pricing shall return to the levels previously described. The senior term loan is also subject to mandatory prepayment from 100% of net cash proceeds of all material asset sales and debt and equity issuances by Newmark and its subsidiaries (subject to certain customary exceptions, including sales under the Company's CEO sales program). The net proceeds from the Newmark initial public offering were used to partially repay $304.3 million of the senior term loan. During the nine months ended September 30, 2018, the Company repaid the outstanding balance of $270.7 million on the senior term loan, at which point the facility was terminated. Therefore, there were no borrowings outstanding as of September 30, 2018. The approximated fair value of the senior term loan as of December 31, 2017 was $270.7 million. The Company recorded interest expense related to the senior term loan of $2.6 million for the nine months ended September 30, 2018. The Company recorded interest expense related to the senior term loan of $1.5 million for both the three and nine months ended September 30, 2017.

Senior Notes

The Company's Senior Notes are recorded at amortized cost. As of September 30, 2018 and December 31, 2017, the carrying amounts and estimated fair values of the Company's Senior Notes were as follows (in thousands):

	September 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
8.125% Senior Notes	$—	$—	$109,396	$116,550

5.375% Senior Notes	298,801	305,040	298,064	313,125
8.375% Senior Notes	—	—	242,474	247,200
5.125% Senior Notes	297,611	305,895	296,996	315,375
5.375% Senior Notes due 2023	444,450	449,096	—	—
Total	$1,040,862	$1,060,031	$946,930	$992,250

The fair values of the Senior Notes were determined using observable market prices as these securities are traded and based on whether they are deemed to be actively traded, the 8.125% Senior Notes are considered Level 1 and the 5.375% Senior Notes, 8.375% Senior Notes, and 5.125% Senior Notes are considered Level 2 within the fair value hierarchy.

8.125% Senior Notes

On June 26, 2012, the Company issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042 (the "8.125% Senior Notes"). The 8.125% Senior Notes are senior unsecured obligations of the Company. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company's 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.” The Company used the proceeds to repay short-term borrowings under its 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. The issuance costs are amortized as interest cost, and the carrying value of the 8.125% Senior Notes will accrete up to the face amount over the term of the 8.125% Senior Notes. On August 1, 2018, the Company’s Board of Directors approved the redemption of the outstanding $112.5 million principal amount of its 8.125% Senior Notes, and on August 3, 2018, the Company delivered a notice of redemption to the holders of the outstanding $112.5 million aggregate principal amount of the 8.125% Senior Notes, which were redeemed on September 5, 2018. The Company recorded interest expense related to the 8.125% Senior Notes of $4.7 million and $2.3 million for the three months ended September 30, 2018 and 2017, respectively. The Company recorded interest expense related to the 8.125% Senior Notes of $9.3 million and 6.9 million for the three and nine months ended September 30, 2018 and 2017, respectively.

5.375% Senior Notes

On December 9, 2014, the Company issued an aggregate of $300.0 million principal amount of 5.375% Senior Notes due 2019 (the “5.375% Senior Notes”). The 5.375% Senior Notes are general senior unsecured obligations of the Company. These Senior Notes bear interest at a rate of 5.375% per year, payable in cash on June 9 and December 9 of each year, commencing June 9, 2015. The interest rate payable on the notes will be subject to adjustments from time to time based on the debt rating assigned by specified rating agencies to the notes, as set forth in the Indenture. The 5.375% Senior Notes will mature on December 9, 2019. The Company may redeem some or all of the notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the Indenture). If a “Change of Control Triggering Event” (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date.

The initial carrying value of the 5.375% Senior Notes was $295.1 million, net of the discount and debt issuance costs of $4.9 million. The issuance costs are amortized as interest cost, and the carrying value of the 5.375% Senior Notes will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 5.375% Senior Notes of $4.3 million for both the three months ended September 30, 2018 and 2017. The Company recorded interest expense related to the 5.375% Senior Notes of $12.8 million for both the nine months ended September 30, 2018 and 2017.

8.375% Senior Notes

As part of the GFI acquisition, the Company assumed $240.0 million in aggregate principal amount of 8.375% Senior Notes due July 2018 (the “8.375% Senior Notes”). Interest on these notes is payable, semi-annually in arrears on the 19th of January and July. Due to the cumulative effect of downgrades to the credit rating of GFI’s 8.375% Senior Notes, the 8.375% Senior Notes were subjected to 200 basis points penalty interest. On April 28, 2015, a subsidiary of the Company purchased from GFI approximately 43.0 million new shares of GFI common stock. This increased BGC’s ownership to approximately 67% of GFI’s outstanding common stock and gave the Company the ability to control the timing and process with respect to a full merger which was completed on January 12, 2016. Also on July 10, 2015, the Company guaranteed the obligations of GFI under the 8.375% Senior Notes. These actions resulted in upgrades of the credit ratings of GFI’s 8.375% Senior Notes by Moody’s Investors Service, Fitch Ratings Inc. and Standard & Poor’s, which reduced the penalty interest to 25 basis points effective July 19, 2015. On November 4, 2015, GFI, BGC and the Trustee entered into the First Supplemental Indenture supplementing the Indenture and incorporating BGC’s guarantee of the Notes (the “First Supplemental Indenture”). In addition, on January 13, 2016, Moody’s further upgraded the credit rating on GFI’s 8.375% Senior Notes, eliminating the penalty interest. On July 19, 2018, the Company repaid the $240.0 million principal anount of its 8.375% Senior Notes upon their maturity. The Company recorded interest expense related to the 8.375% Senior Notes of $1.0 million and $5.0 million for the three

months ended September 30, 2018 and 2017, respectively. The Company recorded interest expense related to the 8.375% Senior Notes of $11.1 million and $15.1 million for the nine months ended September 30, 2018 and 2017, respectively.

5.125% Senior Notes

On May 27, 2016, the Company issued an aggregate of $300.0 million principal amount of 5.125% Senior Notes due 2021 (the "5.125% Senior Notes"). The 5.125% Senior Notes are general senior unsecured obligations of the Company. These Senior Notes bear interest at a rate of 5.125% per year, payable in cash on May 27 and November 27 of each year, commencing November 27, 2016. The 5.125% Senior Notes will mature on May 27, 2021. The Company may redeem some or all of the notes at any time or from time to time for cash at certain "make-whole" redemption prices (as set forth in the Indenture). If a "Change of Control Triggering Event" (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date.

The initial carrying value of the 5.125% Senior Notes was $295.8 million, net of the discount and debt issuance costs of $4.2 million. The issuance costs are amortized as interest expense and the carrying value of the 5.125% Senior Notes will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 5.125% Senior Notes of $4.1 million and $4.0 million for the three months ended September 30, 2018 and 2017, respectively. The Company recorded interest expense related to the 5.125% Senior Notes of $12.1 million for both the nine months ended September 30, 2018 and 2017.

5.375% Senior Notes due 2023

On July 24, 2018, the Company issued an aggregate of $450.0 million principal amount of 5.375% Senior Notes due 2023 (the "5.375% Senior Notes due 2023"). The 5.375% Senior Notes due 2023 are general senior unsecured obligations of the Company. These 5.375% Senior Notes due 2023 bear interest at a rate of 5.375% per year, payable in cash on January 24 and July 24 of each year, commencing January 24, 2019. The 5.375% Senior Notes due 2023 will mature on July 24, 2023. The Company may redeem some or all of the 5.375% Senior Notes due 2023 at any time or from time to time for cash at certain "make-whole" redemption prices (as set forth in the indenture related to the 5.375% Senior Notes due 2023). If a "Change of Control Triggering Event" (as defined in the indenture related to the 5.375% Senior Notes due 2023) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.375% Senior Notes due 2023 was $444.2 million, net of the discount and debt issuance costs of $5.8 million. The issuance costs are amortized as interest expense and the carrying value of the 5.375% Senior Notes due 2023 will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 5.375% Senior Notes due 2023 of $4.6 million for both the three and nine months ended September 30, 2018. The Company did not record any interest expense related to the 5.375% Senior Notes due 2023 for the three and nine months ended September 30, 2017.

Collateralized Borrowings

On March 13, 2015, the Company entered into a secured loan arrangement of $28.2 million under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.70% and matures on March 13, 2019. As of September 30, 2018, the Company had $3.7 million outstanding related to this secured loan arrangement, which includes $25.0 thousand of deferred financing costs. As of September 30, 2018 and December 31, 2017, the carrying value of the secured loan arrangement approximated the fair value. The value of the fixed assets pledged as of September 30, 2018 was $0.1 million. The Company recorded interest expense related to this secured loan arrangement of $0.1 million for both the three months ended September 30, 2018 and 2017. The Company recorded interest expense related to this secured loan arrangement of $0.2 million and $0.4 million for the nine months ended September 30, 2018 and 2017, respectively.

On May 31, 2017, the Company entered into a secured loan arrangement of $29.9 million under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.44% and matures on May 31, 2021. As of September 30, 2018, the Company had $21.0 million outstanding related to this secured loan arrangement. As of September 30, 2018 and December 31, 2017, the carrying value of the secured loan arrangement approximated the fair value. The value of the fixed assets pledged as of September 30, 2018 was $8.9 million. The Company recorded interest expense related to this secured loan arrangement of $0.2 million and $0.3 million for the three months ended September 30, 2018 and 2017 respectively. The Company recorded interest expense of $0.6 million and $0.3 million for the nine months ended September 30, 2018 and 2017, respectively.

Short-term Borrowings

On February 25, 2016, the Company entered into a committed unsecured credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders. Several of the Company's domestic non-regulated subsidiaries are parties to the credit agreement as guarantors. The credit agreement provides for revolving loans of $150.0 million, with the option to increase the aggregate loans to $200.0 million. Borrowings under this facility bear interest at either LIBOR or a defined base rate plus an additional margin which ranges from 50 basis points to 250 basis points depending on the Company's debt rating as determined by S&P and Fitch and whether such loan is a LIBOR loan or a base rate loan. This facility was terminated on September 8, 2017, at which point the outstanding balance of $150.0 million was repaid. There were no borrowings outstanding under the facility as of September 30, 2018 and as of December 31, 2017. The Company did not record interest expense related to the credit facility for the three or nine months ended September 30, 2018. The Company recorded interest expense related to the credit facility of $1.2 million and $2.4 million for the three and nine months ended September 30, 2017.

On August 22, 2017, the Company entered into a committed unsecured loan agreement with Itau Unibanco S.A. The credit agreement provides for short term loans of up to $5.0 million (BRL 20.0 million). The maturity date of the agreement is November 20, 2018. Borrowings under this facility bear interest at the Brazilian Interbank offering rate plus 3.30%. As of September 30, 2018, there were $5.0 million (BRL 20.0 million) of borrowings outstanding under the facility. As of September 30, 2018 and December 31, 2017, the carrying value of the loan agreement approximated the fair value. As of September 30, 2018, the interest rate was 9.8%. The

Company recorded interest expense related to the loan of $0.1 million and $0.4 million for the three and nine months ended September 30, 2018, respectively. The Company recorded interest expense related to the loan of $0.1 million for both the three and nine months ended September 30, 2017.

On August 23, 2017, the Company entered into a committed unsecured credit agreement with Itau Unibanco S.A. The credit agreement provides for an intra-day overdraft credit line up to $12.4 million (BRL 50.0 million). The maturity date of the agreement is December 14, 2018. This facility bears a fee of 1.00% per year. As of September 30, 2018, there were no borrowings outstanding under this facility. The Company recorded bank fees related to the agreement of $32 thousand and $0.1 million for the three and nine months ended September 30, 2018, respectively. The Company recorded bank fees related to the agreement of $0.1 million for both the three and nine months ended September 30, 2017, respectively.

22. Compensation

The Company's Compensation Committee may grant various equity-based and partnership awards, including restricted stock units, restricted stock, stock options, limited partnership units and exchange rights for shares of the Company's Class A common stock upon exchange of limited partnership units. Upon vesting of RSUs, issuance of restricted stock, exercise of employee stock options and exchange of limited partnership units, the Company generally issues new shares of the Company's Class A common stock.

On June 22, 2016, at the Annual Meeting of Stockholders of the Company, the stockholders approved the Seventh Amended and Restated Long Term Incentive Plan (the "Equity Plan") to increase from 350 million to 400 million the aggregate number of shares of Class A common stock of the Company that may be delivered or cash-settled pursuant to awards granted during the life of the Equity Plan. As of September 30, 2018, remaining capacity under the Equity Plan was 173.1 million BGC shares. On June 6, 2017, at the Annual Meeting of Stockholders of the Company, the Company's stockholders approved the Company's Second Amended and Restated Incentive Bonus Compensation Plan (the "Incentive Plan") to approve the material terms of the performance goals under the Incentive Plan for compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended, including an amendment to those performance goals in order to broaden the stock price performance goal to include dividends and/or total stockholder return. On December 13, 2017, immediately prior to the IPO, BGC as Newmark's then sole stockholder approved the Newmark Group, Inc. Long Term Incentive Plan (the "Newmark Equity Plan"). Under the Newmark Equity Plan, Newmark may issue up to 400.0 million aggregate shares of its Class A common stock, of which 50.0 million is registered, that may be delivered or cash-settled pursuant to awards granted during the life of the Newmark Equity Plan. As of September 30, 2018, the remaining capacity under the Newmark Equity Plan was 399.6 million Newmark shares. In addition, as of September 30, 2018, there are 11.2 million exchangeable Newmark units that, contingent upon the spin-off of Newmark, will be able to be exchanged for shares of Newmark Class A common stock.

Limited Partnership Units

A summary of the activity associated with BGC Holdings limited partnership units is as follows:

	Number of Units
Balance at December 31, 2017	123,631,195
Granted	28,836,257
Redeemed/exchanged units	(13,897,224)
Forfeited units	(38,689)

Balance at September 30, 2018	138,531,539

As of September 30, 2018 and December 31, 2017, the Company had 138.5 million and 123.6 million BGC Holdings limited partnership units outstanding, respectively. In addition, there were 64.5 million and 56.2 million limited partnership units in Newmark Holdings outstanding as of September 30, 2018 and December 31, 2017, respectively. The 8.3 million increase in Newmark Holdings limited partnership units for the nine months ended September 30, 2018, is the result of 15.5 million limited partnership units in Newmark Holdings granted, (7.2 million) limited partnership units in Newmark Holdings redeemed/exchanged, and (17.6 thousand) limited partnership units in Newmark Holdings forfeited.

As a result of the Newmark IPO and the related Separation and Distribution Agreement, in order for a partner to exchange a BGC Holdings limited partnership unit into BGC Class A common stock, such partner must exchange both a BGC Holdings limited partnership unit and a number of Newmark Holdings limited partnership units equal to a BGC Holdings limited partnership unit multiplied by the distribution ratio and divided by the exchange ratio. Certain standalone BGC Holdings limited partnership units that do not have corresponding Newmark Holdings limited partnership units, may only become exchangeable into BGC Class A common stock once the Newmark spin-off has occurred (see Note 2—"Limited Partnership Interests" for further details on the Separation and Distribution Agreement).

During the three months ended September 30, 2018, the Company granted exchangeability on 1.9 million and 1.0 million limited partnership units in BGC Holdings and Newmark Holdings, respectively, and during the three months ended September 30, 2017, the Company granted exchangeability on 1.8 million limited partnership units in BGC Holdings. During the nine months ended September 30, 2018, the Company granted exchangeability on 14.7 million and 6.1 million limited partnership units in BGC Holdings and Newmark Holdings, respectively, and during the nine months ended September 30, 2017, the Company granted exchangeability on 10.7 million limited partnership units in BGC Holdings. The Company incurred non-cash compensation expense related to the grant of exchangeability of $23.5 million and $19.8 million for the three months ended September 30, 2018 and 2017, respectively, and $176.6 million and $111.9 million for the nine months ended September 30, 2018 and 2017, respectively. This expense is included within "Allocations of net income and grant of exchangeability to limited partnership units and FPUs" in the Company's unaudited condensed consolidated statements of operations.

As of September 30, 2018 and December 31, 2017, the number of share-equivalent limited partnership units exchangeable into shares of BGC Class A common stock at the discretion of the unit holder was 24.0 million and 20.0 million, respectively. The number of share-equivalent limited partnership units exchangeable into shares of BGC Class A common stock as of September 30, 2018 comprises 24.0 million and 11.4 million limited partnership units in BGC Holdings and Newmark Holdings, respectively, exchangeable together into 24.0 million shares of BGC Class A common stock as described above. Due to the change in the distribution ratio during 2018 there are also 1.0 million standalone BGC Holdings exchangeable limited partnership units as of September 30, 2018. The number of share-equivalent limited partnership units exchangeable into shares of BGC Class A common stock as of December 31, 2017 comprises 20.0 million and 9.1 million of limited partnership units in BGC Holdings and Newmark Holdings, respectively, exchangeable together into 20.0 million shares of BGC Class A common stock.

As of September 30, 2018, the notional value of the BGC limited partnership units with a post-termination pay-out amount held by executives and non-executive employees, awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses, was approximately $118.0 million. The number of outstanding limited partnership units with a post-termination pay-out represent 11.1 million limited partnership units in BGC Holdings and 5.2 million limited partnership units in Newmark Holdings, of which approximately 4.3 million units in BGC Holdings and 2.0 million units in Newmark Holdings were unvested. As of September 30, 2018, the aggregate estimated fair value of these limited partnership units was approximately $32.6 million. In addition, beginning January 1, 2018, the Company began granting standalone limited partnership units in Newmark Holdings to Newmark employees. As of September 30, 2018, the notional value of the Newmark limited partnership units with a post-termination pay-out amount held by executives and non-executive employees, awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses, was approximately $62.3 million. The number of outstanding limited partnership units with a post-termination pay-out represent 4.2 million limited partnership units in Newmark Holdings, of which approximately 2.7 million units in Newmark Holdings were unvested. As of September 30, 2018, the aggregate estimated fair value of these limited partnership units was approximately $6.0 million.

As of December 31, 2017, the notional value of the BGC limited partnership units with a post-termination pay-out amount held by executives and non-executive employees, awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses, was approximately $242.1 million. The number of outstanding limited partnership units with a post-termination pay-out as of December 31, 2017 was approximately 24.1 million, of which approximately 13.3 million were unvested. As of December 31, 2017, the number of outstanding limited partnership units with a post-termination pay-out represent 24.1 million and 11.0 million of limited partnership units in BGC Holdings and Newmark Holdings, respectively, of which approximately 13.3 million and 6.0 million units in BGC Holdings and Newmark Holdings, respectively, were unvested. As of December 31,

2017, the aggregate estimated fair value of these limited partnership units was approximately $45.7 million.

The liability for limited partnership units with a post-termination payout held by executives and non-executive employees is included in "Accrued compensation" on the Company's unaudited condensed consolidated statements of financial condition.

Certain of the limited partnership units with a post-termination pay-out have been granted in connection with the Company's acquisitions. As of September 30, 2018 and December 31, 2017, the aggregate estimated fair value of these acquisition-related limited partnership units was $16.1 million and $20.6 million, respectively. The liability for such acquisition-related limited partnership units is included in "Accounts payable, accrued and other liabilities" on the Company's unaudited condensed consolidated statements of financial condition.

Compensation expense related to limited partnership units with a post-termination pay-out amount or a stated vesting schedule is recognized over the stated service period. These units generally vest between three and five years from the date of grant. The Company recognized compensation expense (benefit) related to these limited partnership units of $1.1 million and $6.6 million for the three months ended September 30, 2018 and 2017, respectively. The Company recognized compensation expense (benefit) related to these limited partnership units of $(6.2) million and $19.0 million for the nine months ended September 30, 2018 and 2017, respectively. This expense is included in "Compensation and employee benefits" in the Company's unaudited condensed consolidated statements of operations.

Certain limited partnership units generally receive quarterly allocations of net income, which are cash distributed on a quarterly basis and generally contingent upon services being provided by the unit holders. The allocation of income to limited partnership units and FPUs was $44.4 million and $28.6 million for the three months ended September 30, 2018 and 2017, respectively. The allocation of income to limited partnership units and FPUs was $63.1 million and $50.0 million for the nine months ended September 30, 2018 and 2017, respectively. This expense is included within "Allocations of net income and grant of exchangeability to limited partnership units and FPUs" in the Company's unaudited condensed consolidated statements of operations.

Restricted Stock Units

A summary of the activity associated with BGC RSUs is as follows:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (Years)
Balance at December 31, 2017	1,409,747	$ 8.76	1.68
Granted	460,402	12.37	
Delivered units	(626,576)	8.59	
Forfeited units	(120,110)	10.38	
Balance at September 30, 2018	1,123,463	$ 10.16	1.71

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

During the nine months ended September 30, 2018 and 2017, the Company granted 0.5 million and 0.8 million, respectively, of BGC RSUs with aggregate estimated grant date fair values of approximately $5.7 million and $7.8 million, respectively, to employees and directors. These BGC RSUs were awarded in lieu of cash compensation for salaries, commissions, fees, and/or discretionary or guaranteed bonuses. BGC RSUs granted to these individuals generally vest over a two- to four-year period.

For BGC RSUs that vested during the nine months ended September 30, 2018 and 2017, the Company withheld shares valued at $2.2 million and $2.3 million, respectively, to pay taxes due at the time of vesting.

As of September 30, 2018 and December 31, 2017, the aggregate estimated grant date fair value of outstanding BGC RSUs was approximately $11.4 million and $12.3 million, respectively.

Compensation expense related to BGC RSUs was approximately $1.2 million and $1.6 million, respectively, for the three months ended September 30, 2018 and 2017. Compensation expense related to BGC RSUs was approximately

$4.9 million and $4.3 million, respectively, for the nine months ended September 30, 2018 and 2017. As of September 30, 2018, there was approximately $12.6 million of total unrecognized compensation expense related to unvested BGC RSUs.

Beginning January 1, 2018, the Company began granting Newmark RSUs to Newmark employees. The fair value is determined on the date of grant based on the market value of Newmark Class A common stock in the same fashion as described above, and the awards vest ratably over a 2to3 year vesting period into shares of Newmark Class A common stock. During the three months ended September 30, 2018, the Company granted approximately 53 thousand Newmark RSUs with aggregate estimated grant date fair values of approximately $0.6 million. During the nine months ended September 30, 2018, the Company granted approximately 265 thousand of Newmark RSUs with aggregate estimated grant date fair values of approximately $3.8 million. As of September 30, 2018, the aggregate estimated grant date fair value of outstanding Newmark RSUs was approximately $3.7 million with a weighted-average grant date fair value per share of $14.19 and a weighted-average remaining contractual term of 2.46 years.

Restricted Stock

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

nine months ended September 30, 2018 and 2017, 194 thousand BGC shares and 107 thousand BGC shares, respectively, were forfeited in connection with this clause. During the nine months ended September 30, 2018 and 2017, the Company released the restrictions with respect to approximately 1.2 million and 2.1 million of such BGC shares, respectively. As of September 30, 2018, there were 7.7 million of such restricted BGC shares outstanding.

Deferred Compensation

The Company maintains a Deferred Cash Award Program for GFI, which provides for the grant of deferred cash incentive compensation to eligible employees. The Company may pay certain bonuses in the form of deferred cash compensation awards, which generally vest over a future service period. In addition, prior to the completion of the tender offer, GFI’s outstanding RSUs were converted into the right to receive an amount in cash equal to $6.10 per unit, with such cash payable on and subject to the terms and conditions of the original vesting schedule of each RSU. The total compensation expense, net of forfeitures, recognized in relation to the deferred cash compensation awards was $1.3 million and $1.0 million for the three months ended September 30, 2018 and 2017, respectively. The total compensation expense, net of forfeitures, recognized in relation to the deferred cash compensation awards was $3.8 million and $7.2 million for the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, the total liability for the deferred cash compensation awards was $4.4 million, which is included in “Accrued compensation” on the Company’s unaudited condensed consolidated statements of financial condition. Total unrecognized compensation cost related to deferred cash compensation, prior to the consideration of forfeitures, was approximately $3.1 million and is expected to be recognized over a weighted-average period of 1.52 years. The Company also maintains a similar deferred cash award program for Berkeley Point, in which it pays certain bonuses in the form of deferred cash compensation awards, which also generally vest over a future service period. The total compensation expense recognized in relation to Berkeley Point’s deferred cash compensation awards was $0.4 million and $(0.3) million for the three months ended September 30, 2018 and 2017, respectively. The total compensation expense recognized in relation to Berkeley Point’s deferred cash compensation awards was $1.7 million and $0.1 million for the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and December 31, 2017, the total liability for the deferred cash compensation awards was $1.2 million and $0.4 million, respectively, which is included in “Accrued compensation” on the Company’s consolidated statements of financial condition.

In December 2017, the Company recognized compensation expense of $40.3 million in relation to the grant of deferred BGC and Newmark Class A common stock, which was approved by the Board of Directors. During the nine months ended September 30, 2018, the Company issued 1.0 million BGC Class A common stock and 0.3 million Newmark Class A common stock pursuant to these awards.

23. Commitments, Contingencies and Guarantees

Contingencies

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

Employment, Competitor-Related and Other Litigation

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

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

Letter of Credit Agreements

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which it transacted, that are used in lieu of margin and deposits with those clearing organizations. For both September 30, 2018 and December 31, 2017, the Company was contingently liable for $1.0 million under these letters of credit.

Risk and Uncertainties

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

Insurance

The Company is self-insured for health care claims, up to a stop-loss amount for eligible participating employees and qualified dependents in the United States, subject to deductibles and limitations. The Company's liability for claims incurred but not reported is determined based on an estimate of the ultimate aggregate liability for claims incurred. The estimate is calculated from actual claim rates and adjusted periodically as necessary. The Company has accrued $5.9 million in health care claims as of September 30, 2018. The Company does not expect the impact of the health care claims to have a material impact on its financial condition, results of operations or cash flows.

Guarantees

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

Indemnifications

In connection with the sale of eSpeed, the Company has indemnified Nasdaq for amounts over a defined threshold against damages arising from breaches of representations, warranties and covenants. In addition, in connection with the acquisition of GFI, the Company has indemnified the directors and officers of GFI. As of September 30, 2018, no contingent liability has been recorded in the Company's unaudited condensed consolidated statements of financial condition for these indemnifications, as the potential for being required to make payments under these indemnifications is remote.

Contractual Obligations

As of September 30, 2018 and December 31, 2017, the Company was committed to fund approximately $444.0 million and $243.8 million, respectively, which is the total remaining draws on construction loans originated by the Company under the HUD 221(d)4, 220 and 232 programs, rate locked loans that have not been funded, forward commitments, as well as the funding for credit facilities. In addition, the Company has corresponding commitments to sell these loans to various investors as they are funded.

24. Income Taxes

The Company's unaudited condensed consolidated financial statements include U.S. federal, state and local income taxes on the Company's allocable share of the U.S. results of operations, as well as taxes payable to jurisdictions outside the U.S. In addition, certain of the Company's entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax ("UBT") in New York City. Therefore, the tax liability or benefit related to the partnership income or loss, except for UBT, rests with the partners (see Note 2—"Limited Partnership Interests" for discussion of partnership interests), rather than the partnership entity. Income taxes are accounted for using the asset and liability method, as prescribed in U.S. GAAP 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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary

differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized.

Provisional amounts in effective rate

On December 22, 2017, “H.R.1”, formally known as the “Tax Cuts and Jobs Act” (the “Tax Act”) was signed into law in the U.S. The Tax Act is expected to have a favorable impact on the Company’s effective tax rate and net income as reported under generally accepted accounting principles both in the first fiscal quarter of 2018 and subsequent reporting periods to which the Tax Act is effective. The Company is applying the guidance in SAB118 when accounting for the enactment-date effects of the Tax Act. As of September 30, 2018, the Company has not completed its accounting for all of the tax effects of the Tax Act. The Company will continue to make and refine its calculations as additional analysis is completed. The final impact of the Tax Act may differ from the Company’s estimate for the provision for income taxes, possibly materially, due to, among other factors, changes in interpretations, additional guidance that may be issued, unexpected negative changes in business and market conditions that could reduce certain tax benefits, and actions taken by the Company as a result of the Tax Act.

The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company recorded a provisional amount of $84.3 million as of December 31, 2017. As of September 30, 2018, the Company is still analyzing certain aspects of the Tax Act and refining its calculations, which could potentially affect the measurement of these balances or give rise to new deferred tax amounts.

The one-time transition tax is based on the Company’s total post-1986 earnings and profits (E&P). The Company has recorded a provisional amount for the one-time transition tax liability net of foreign tax credits of $36.6 million as of December 31, 2017. As the Company continues to refine its E&P analysis as well as finalize the amounts held in cash or other specified assets, it will refine its calculations of the one-time transition tax, which could affect the measurement of this liability. As of September 30, 2018, except for the cash proceeds from the sale of Trayport, the Company’s intention to permanently reinvest these undistributed pre-tax foreign earnings in the Company’s foreign operations remains unchanged. However, this policy will be further re-evaluated and assessed based on the Company’s overall business needs and requirements.

Because of the complexity of the new Global Intangible Low-Taxed Income (“GILTI”) tax rules, the Company continues to evaluate this provision of the Tax Act. Under U.S. GAAP, the Company can elect an accounting policy choice to either (a) treat future taxes related to GILTI as a current period expense when incurred (“period cost method”) or (b) factor amounts related to GILTI into the Company’s measurement of its deferred taxes (“deferred method”). The Company’s accounting for the effects of the GILTI tax law provisions is incomplete at this time, and, therefore, the Company is not yet able to reasonably estimate the effect of this provision of the Tax Act nor has an accounting policy decision been made with respect to GILTI. As of September 30, 2018, because the Company is still evaluating the GILTI provisions as well as future taxable income that may be subject to GILTI, the Company shall include GILTI related to current-year operations, if any, only in the Estimated Annualized Effective Tax Rate and have not provided additional GILTI on deferred items.

Pursuant to U.S. GAAP guidance, Accounting for Uncertainty in Income Taxes, the Company provides 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. As of September 30, 2018, the Company had $5.5 million of unrecognized tax benefits, all of which would affect the Company’s effective tax rate if recognized. As of December 31, 2017, the Company’s unrecognized tax benefits, excluding related interest and penalties, were $7.1 million, all of which, if recognized, would affect the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in “Provision for income taxes” in the Company’s consolidated statements of operations. As of September 30, 2018, the Company had approximately $1.7 million of accrued interest and penalties related to

uncertain tax positions. As of December 31, 2017, the Company had $2.7 million of accrued interest and penalties related to uncertain tax positions.

25. Financial Guarantee Liability

The Company shares risk of loss for loans originated under the Fannie Mae DUS and Freddie Mac TAH programs and could incur losses in the event of defaults under or foreclosure of these loans. Under the guarantee, the Company’s maximum contingent liability to the extent of actual losses incurred is approximately 33% of the outstanding principal balance on Fannie Mae DUS or Freddie TAH loans. Risk sharing percentages are established on a loan by loan basis when originated with most loans at 33% and “modified” loans at lower percentages. Under certain circumstances, risk sharing percentages can be revised subsequent to origination or the Company could be required to repurchase the loan. In the event of a loss resulting from a catastrophic event that is not required to be covered by borrowers’ insurance policies, the Company can recover the loss under its mortgage impairment insurance policy. Any potential recovery is subject to the policy’s deductibles and limits.

As of September 30, 2018, the credit risk loans being serviced by the Company on behalf of Fannie Mae and Freddie Mac had outstanding principal balances of approximately $19.9 billion with a maximum potential loss of approximately $5.6 billion, of which $82.3 million is covered by the Credit Enhancement Agreement (see Note 14—“Credit Enhancement Receivable, Credit Enhancement Deposit and Contingent Liability”).

As of December 31, 2017, the credit risk loans being serviced by the Company on behalf of Fannie Mae and Freddie Mac had outstanding principal balances of approximately $18.8 billion with a maximum potential loss of approximately $5.3 billion, of which $1.2 billion is covered by the Credit Enhancement Agreement (see Note 14—“Credit Enhancement Receivable, Credit Enhancement Deposit and Contingent Liability”).

As of September 30, 2018 and December 31, 2017, the estimated liability under the guarantee liability, included as part of “Accounts payable, accrued and other liabilities” in the unaudited condensed consolidated statements of financial condition, was as follows (in thousands):

Balance at December 31, 2016	$(413)
Reversal of provision	359
Balance at December 31, 2017	$(54)
Reversal of provision	3
Balance at September 30, 2018	$(51)

In order to monitor and mitigate potential losses, the Company uses an internally developed loan rating scorecard for determining which loans meet the Company’s criteria to be placed on a watch list. The Company also calculates default probabilities based on internal ratings and expected losses on a loan by loan basis. This methodology uses a number of factors including, but not limited to, debt service coverage ratios, collateral valuation, the condition of the underlying assets, borrower strength and market conditions.

See Note 14—“Credit Enhancement Receivable, Credit Enhancement Deposit and Contingent Liability” for further explanation of credit protection provided by DB Cayman. The provisions for risk sharing, included in “Other expenses” in the accompanying unaudited condensed consolidated statements of operations, was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Increase (decrease) to financial guarantee liability	$ 4	$ (134)	$ (3)	$ (347)
Decrease (increase) to credit enhancement asset	—	1	10	145
Increase (decrease) to contingent liability	(1)	—	—	6
Total provision for risk-sharing obligations	$ 3	$ (133)	$ 7	$ (196)

26. Concentrations of Credit Risk

The lending activities of the Company create credit risk in the event that counterparties do not fulfill their contractual payment obligations. In particular, the Company is exposed to credit risk related to the Fannie Mae DUS and Freddie Mac TAH loans. As of September 30, 2018, 26% and 16% of the $5.6 billion maximum loss was for properties located in California and Texas, respectively. As of December 31, 2017, 26% and 15% of the $5.3 billion maximum loss was for properties located in California and Texas, respectively. See Note 25—“Financial Guarantee Liability” for

additional information.

27. Escrow and Custodial Funds

In conjunction with the servicing of multi-family and commercial loans, the Company holds escrow and other custodial funds. Escrow funds are held at unaffiliated financial institutions generally in the form of cash and cash equivalents. These funds amounted to approximately $1.2 billion, as of September 30, 2018 and $0.8 billion as of December 31, 2017. These funds are held for the benefit of the Company’s borrowers and are segregated in custodial bank accounts. These amounts are excluded from the assets and liabilities of the Company.

28. Regulatory Requirements

Financial Services

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

Certain U.S. subsidiaries of the Company are registered as U.S. broker-dealers or Futures Commissions Merchants subject to Rule 15c3-1 of the SEC and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants' assets be kept in relatively liquid form. As of September 30, 2018, the Company's U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain European subsidiaries of the Company are regulated by the Financial Conduct Authority (the "FCA") and must maintain financial resources (as defined by the FCA) in excess of the total financial resources requirement of the FCA. As of September 30, 2018, the European subsidiaries had financial resources in excess of their requirements.

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

In addition, the Company's Swap Execution Facilities ("SEFs"), BGC Derivative Markets and GFI Swaps Exchange, are required to maintain financial resources to cover operating costs for at least one year, keeping at least enough cash or highly liquid securities to cover six months' operating costs.

The regulatory requirements described above may restrict the Company's ability to withdraw capital from its regulated subsidiaries. As of September 30, 2018, our regulated subsidiaries held $535.3 million of net assets. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of $308.2 million.

Real Estate Services

As a result of the Berkeley Point Acquisition, the Company is now subject to various capital requirements in connection with seller/servicer agreements that the Company has entered into with the various GSEs. Failure to maintain minimum capital requirements could result in the Company's inability to originate and service loans for the respective GSEs and could have a direct material adverse effect on the Company's consolidated financial statements. Management believes that the Company met all capital requirements as of September 30, 2018. As of September 30, 2018, the most restrictive capital requirement was Fannie Mae's net worth requirement. The Company exceeded the minimum requirement by $475.1 million.

Certain of the Company's agreements with Fannie Mae allow the Company to originate and service loans under Fannie Mae's DUS Program. These agreements require the Company to maintain sufficient collateral to meet Fannie Mae's restricted and operational liquidity requirements based on a pre-established formula. Certain of the Company's agreements with Freddie Mac allow the Company to service loans under Freddie Mac's TAH Program. These agreements require the Company to pledge sufficient collateral to meet Freddie Mac's liquidity requirement of 8% of the outstanding principal of TAH loans serviced by the Company. Management believes that as of September 30, 2018 that the Company met all liquidity requirements.

In addition, as a servicer for Fannie Mae, GNMA and FHA, the Company is required to advance to investors any uncollected principal and interest due from borrowers. As of September 30, 2018 and December 31, 2017, outstanding borrower advances were approximately $440.0 thousand and $120.4 thousand, respectively, and are included in "Other assets" in the accompanying consolidated statements of financial condition.

29.Segment and Geographic Information

Segment Information

The Company determines its business segments based on the products and services provided and reflect the manner in which financial information is evaluated by management. The Company's operations consist of two reportable segments, Financial Services and Real Estate Services.

The Company's Financial Services segment specializes in the brokerage of a broad range of products, including fixed income (rates and credit), foreign exchange, equities, insurance, energy and commodities, and futures. It also provides a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post trade, information, and other back-office services to a broad range of financial and non-financial institutions. The Company's Real Estate Services segment offers commercial real estate tenants, owners, investors and developers a wide range of services, including leasing and corporate advisory, investment

sales and real estate finance, consulting, project and development management, property and facilities management, and multifamily lending through government-sponsored and government-funded loan programs, as well as the servicing of the loans that it originates and other commercial real estate loans.

The Company evaluates the performance and reviews the results of its segments based on each segment's "Income (loss) from operations before income taxes."

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. Corporate expenses include non-cash compensation expenses (such as the grant of exchangeability to limited partnership units, and allocations of net income to limited partnership units and FPUs), 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. Corporate other income (losses), net includes gains or losses that are not considered part of the Company's ordinary, ongoing business, and the fair value adjustment of future earn-out payments.

During the third quarter of 2017, the Company transferred the right to receive the Nasdaq earn-out payments from the Financial Services segment to the Real Estate Services segment. As a result, effective from the third quarter of 2017, the Nasdaq payment is recorded as "Other income (loss)" in the Real Estate Services segment.

Certain financial information for the Company's segments is presented below. Certain reclassifications have been made to previously reported amounts to conform to the current presentation (see Note 1—"Organization and Basis of Presentation"). See Note 20—"Goodwill and Other Intangible Assets, Net," for goodwill by reportable segment.

Three months ended September 30, 2018 (in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$128,289	$—	$—	$128,289
Foreign exchange	90,683	—	—	90,683
Credit	67,111	—	—	67,111
Energy and commodities	57,974	—	—	57,974
Equities, insurance, and other asset classes	81,272	—	—	81,272
Leasing and other services	—	203,913	—	203,913
Real estate capital markets	—	115,436	—	115,436
Gains from mortgage banking activities/originations, net	—	51,972	—	51,972
Real estate management and other services	—	101,881	—	101,881
Servicing fees	—	34,948	—	34,948
Fees from related parties	—	307	6,821	7,128
Data, software and post-trade	16,547	—	—	16,547
Other revenues	3,876	79	199	4,154
Total non-interest revenues	445,752	508,536	7,020	961,308
Interest income	934	13,076	1,936	15,946
Total revenues	446,686	521,612	8,956	977,254

Interest expense	—	9,237	24,235	33,472
Non-interest expenses	345,889	396,897	92,056	834,842
Total expenses	345,889	406,134	116,291	868,314
Other income (losses), net:				
Gains (losses) on equity investments	—	—	1,344	1,344
Other income (losses)	(3,731)	93,995	18,512	108,776
Total other income (losses), net	(3,731)	93,995	19,856	110,120
Income (loss) from operations before income taxes	$97,066	$209,473	$(87,479)	$219,060

Three months ended September 30, 2017 (in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$123,041	$—	$—	$123,041
Foreign exchange	83,899	—	—	83,899
Credit	66,133	—	—	66,133
Energy and commodities	48,231	—	—	48,231
Equities, insurance, and other asset classes	79,657	—	—	79,657
Leasing and other services	—	158,604	—	158,604
Real estate capital markets	—	98,307	—	98,307
Gains from mortgage banking activities/originations, net	—	45,455	—	45,455
Real estate management and other services	—	60,798	—	60,798
Servicing fees	—	29,057	—	29,057
Fees from related parties	—	240	6,933	7,173
Data, software and post-trade	13,776	—	—	13,776
Other revenues	1,096	40	35	1,171
Total non-interest revenues	415,833	392,501	6,968	815,302
Interest income	824	6,915	3,987	11,726
Total revenues	416,657	399,416	10,955	827,028
Interest expense				