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ANNUAL AUDITED REPORT

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PART III

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| 8-201 |

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Was under 17 of the

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Cantor Fitzgerald & Co.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

110 East 59th Street

(No. and Street)

New York New York 10022

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Steven Bisgay 212-294-7849

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT REGISTERED PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young, LLP

(Name - if individual, state last, first, middle name)

5 Times Square New York New York 10036-6530

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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AFFIRMATION

I, Steven Bisgay, affirm that, to the best of my knowledge and belief the accompanying statement of financial condition pertaining to Cantor Fitzgerald & Co. (the "Partnership"), as of December 31, 2016, is true and correct. I further affirm that neither the Partnership nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Steven Bisgay
Chief Financial Officer



Notary Public

**Kimberley Y. Boston
Notary Public, State of New York
No. 01BO6345938
Qualified in New York County
Commission Expires August 1, 2020**

This report ** contains (check all applicable boxes):

- Facing Page
- Report of Independent Registered Public Accounting Firm.
- Statement of Financial Condition.
- Statement of Operations.
- Statement of Cash Flows.
- Statement of Changes in Partners' Capital.
- Statement of Changes in Subordinated Borrowings.
- Notes to Statement of Financial Condition
- Computation of Net Capital Pursuant to Rule 15c3-1.
- Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- Computation for Determination of PAB Reserve Requirements Pursuant to Rule 15c3-3
- Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- Computation of CFTC Minimum Net Capital Requirement
- Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts Under 4D(F) of the Commodity Exchange Act
- Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges
- Schedule of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts
- Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to Commission Regulation 30.7
- A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- A Reconciliation between the audited and unaudited Consolidated Statements of Financial Condition with respect to methods of consolidation.
- An Oath or Affirmation.
- A copy of the SIPC Supplemental Report.
- A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*



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New York, NY 10036-6530

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Report of Independent Registered Public Accounting Firm

The Partners of Cantor Fitzgerald & Co.:

We have audited the accompanying statement of financial condition of Cantor Fitzgerald & Co. (the "Partnership") as of December 31, 2016. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Cantor Fitzgerald & Co. at December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

February 28, 2017

Cantor Fitzgerald & Co.
Statement of Financial Condition

December 31, 2016

(In Thousands)

Assets

| | | |
|-----------------------------------------------------------------------------------------------|----|------------|
| Cash and cash equivalents | \$ | 430,145 |
| Cash and securities segregated under federal and other regulations | | 244,631 |
| Collateralized agreements: | | |
| Securities purchased under agreements to resell | \$ | 6,937,077 |
| Securities borrowed | | 405,069 |
| | | 7,342,146 |
| Financial instruments owned (includes \$2,045,536 pledged as collateral) | | 2,309,094 |
| Receivables from broker-dealers, clearing organizations, customers and related broker-dealers | | 524,512 |
| Receivables from related parties | | 7,068 |
| Fixed assets, net | | 3,714 |
| Other assets | | 13,577 |
| Total assets | \$ | 10,874,887 |

Liabilities, Subordinated Borrowings and Partners' Capital

| | | |
|------------------------------------------------------------------------------------------|----|------------|
| Financial instruments sold, not yet purchased | \$ | 1,607,693 |
| Collateralized financings: | | |
| Securities sold under agreements to repurchase | \$ | 7,780,458 |
| Securities loaned | | 194,340 |
| | | 7,974,798 |
| Payables to broker-dealers, clearing organizations, customers and related broker-dealers | | 638,388 |
| Accrued compensation | | 48,569 |
| Accounts payable and accrued liabilities | | 14,040 |
| Payables to related parties | | 13,680 |
| Total liabilities | | 10,297,168 |
| Commitments and contingencies (Note 6) | | |
| Subordinated borrowings | | 205,000 |
| Partners' capital: | | |
| General partner | | 368,992 |
| Limited partner | | 3,727 |
| Total partners' capital | | 372,719 |
| Total liabilities, subordinated borrowings and partners' capital | \$ | 10,874,887 |

See notes to the statement of financial condition

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition

December 31, 2016

1. General and Summary of Significant Accounting Policies

Description of Business – Cantor Fitzgerald & Co. (the “Partnership”) is a general partnership organized under the laws of the State of New York. The Partnership is a registered broker-dealer with the Securities Exchange Commission (“SEC”), and a futures commission merchant (“FCM”) registered with the Commodity Futures Trading Commission (“CFTC”); principally trading in equity, exchange-traded funds, corporate, government, mortgage backed and municipal securities, and financial futures. In addition, the Partnership is in the business of clearing for correspondent customers. The Partnership is a primary dealer in U.S. government securities. The Partnership is owned by Cantor Fitzgerald Securities (“CFS”) (94%), the managing general partner, a majority owned subsidiary of Cantor Fitzgerald, L.P (“CFLP” and together with its subsidiaries, “Cantor”) as well as CFLP CF&Co. I Holdings, L.P. (1%), the limited partner, and wholly owned subsidiary of CFLP and CFGM CF&Co Holdings, LLC, LLC (5%), which is a subsidiary of CF Group Management, Inc. (“CFGM”), the managing general partner of CFLP. In exchange for an indemnity from CFS, CFGM by a separate agreement with CFS, has assigned its entire 5% indirect interest in the Partnership to CFS.

Basis of Presentation – The statement of financial condition is presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates – Management makes estimates and assumptions that affect the reported amounts of the assets and liabilities and the disclosure of contingent assets and liabilities. Management believes that the estimates utilized in preparing the statement of financial condition are reasonable. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from the estimates included in the statement of financial condition.

Revenue Recognition – The Partnership derives its revenues primarily through principal transactions from brokerage services, commissions, fees from investment banking and advisory services, and interest.

Principal Transactions, net – Principal transaction revenues are derived primarily from matched principal transactions, whereby the Partnership simultaneously agrees to buy securities from one customer and sell them to another customer. Certain trading businesses are allowed to enter into unmatched principal transactions to facilitate a customer’s execution needs for transactions initiated by such customers. Revenues earned from principal transactions represent the spread between the buy and sell price of the security, commodity or derivative. Principal transaction revenues and related expenses are recognized on a trade date basis. Positions held as part of principal transactions are marked to market on a daily basis.

Commissions – Commissions are derived from agency brokerage transactions, whereby the Partnership connects buyers and sellers in the over-the-counter (“OTC”) and exchange markets and assists in the negotiation of the price and other material terms of transactions. Commission revenues and related expenses are recognized on a trade date basis.

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

1. General and Summary of Significant Accounting Policies (continued)

Investment Banking and Advisory Services, Net – Investment banking and advisory services includes underwriting revenues, fees for controlled equity offerings, and merger and acquisition advisory services, which are accrued when services for the transactions are substantially complete. Transaction related expenses are recognized when incurred.

Interest Income and Expense – The Partnership recognizes contractual interest on Financial instruments owned and Financial instruments sold, not yet purchased, on an accrual basis as a component of Interest income and expense. The Partnership accounts for short-term and long-term borrowings on an accrual basis with related interest recorded as Interest expense. In addition, the Partnership recognizes interest income related to Securities borrowed and Securities purchased under agreements to resell and Interest expense related to the Securities loaned and Securities sold under agreements to repurchase on an accrual basis.

Cash and Cash Equivalents – The Partnership considers all highly liquid investments with maturity dates of 90 days or less at the date of acquisition to be cash equivalents.

Cash and Securities Segregated Under Federal and Other Regulations – Cash and securities segregated under federal and other regulations are segregated for the protection of customers and for the proprietary accounts of brokers or dealers under the Commodity Exchange Act and Securities Exchange Act of 1934.

Financial instruments owned and Financial instruments sold, not yet purchased – Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value based on current listed market prices or broker quotes. Financial instruments owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the Partnership's statement of financial condition. Financial instrument transactions of the Partnership and the related principal transaction revenues are recorded on a trade date basis.

Fair Value – The Financial Accounting Standards Board (“FASB”) issued guidance on *Fair Value Measurement* that defines fair value as the price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and requires certain disclosures about such fair value measurements.

The 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.

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

1. General and Summary of Significant Accounting Policies (continued)

- 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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

In determining fair value, the Partnership separates Financial instruments owned and Financial instruments sold, not yet purchased into two categories: cash instruments and derivative contracts.

- Cash Instruments – Cash instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government securities and equities. Such instruments are generally classified within Level 1 of the fair value hierarchy. The Partnership does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price. The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include certain U.S. government securities, agency securities, corporate bonds and municipal obligations. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Derivative Contracts – 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 Partnership generally values exchange-traded derivatives using the closing price from the exchange. OTC derivatives typically fall within Level 2 of the fair value hierarchy. The Partnership generally values OTC derivatives 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 options, certain futures and To Be Announced agency mortgage backed securities (“TBAs”), model inputs can generally be verified and model selection does not involve significant

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

1. General and Summary of Significant Accounting Policies (continued)

management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy.

Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Collateralized agreements and financings – Collateralized agreements are securities purchased under agreements to resell (“reverse repurchase agreements”) and securities borrowed. Collateralized financings are securities sold under the agreement to repurchase (“repurchase agreements”) and securities loaned. The Partnership enters into these transactions to obtain financing, satisfy cash and securities segregated deposit requirements, and cover short sales.

- Reverse repurchase and Repurchase agreements – Reverse repurchase and Repurchase agreements are recorded at the contractual amount for which the securities will be repurchased or resold, including accrued interest. The Partnership nets certain reverse repurchase agreements and repurchase agreements when a legal right of offset exists under master netting arrangements, which are enforceable by law. It is the policy of the Partnership to obtain possession of collateral with a market value equal to, or in excess of, the principal amount loaned under reverse repurchased agreements. Collateral is valued daily and the Partnership may require counterparties to deposit additional collateral or return collateral pledged when appropriate.
- Securities borrowed and loaned transactions – Securities borrowed and Securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Partnership to deposit cash with the lender. Fees received or paid in connection with these activities are recorded as Interest income or Interest expense, respectively, and are recognized over the life of the transaction. The Partnership monitors the market value of securities borrowed and loaned on a daily basis and obtains or refunds additional collateral as necessary to ensure such transactions are adequately collateralized.

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 principal transactions,

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

1. General and Summary of Significant Accounting Policies (continued)

which have not yet settled. Also included in Receivables from and Payables to broker-dealers, clearing organizations, customers and related broker-dealers is cash deposited with various clearing organizations to conduct ongoing clearance activities, and commissions receivable. Payables to customers also include amounts due on customer margin deposits and free credit balances.

Fixed Assets, Net – Fixed assets are recorded at historical cost and depreciated over their estimated economic useful lives, generally three to five years, using the straight-line method. Leasehold improvements are amortized over their estimated economic useful lives or the remaining lease term, whichever is shorter. In accordance with FASB guidance, the Partnership capitalizes qualifying computer software costs incurred during the application development stage and amortizes them over an estimated useful life of three years on a straight-line basis.

Income Taxes – Income taxes are accounted for under FASB guidance, *Accounting for Income Taxes*, using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statement of financial condition 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. To the extent that it is more likely than not that deferred tax assets will not be recognized, a valuation allowance would be established to offset their benefit.

FASB guidance, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for income taxes by prescribing a “more likely than not” recognition threshold that a tax position is required to meet before being recognized in the statement of financial condition. In addition, the guidance clarifies the measurement of uncertain tax positions, classification of interest and penalties, and requires additional disclosures on tax reserves.

The Partnership is taxed as a U.S. partnership. Under applicable federal and state laws, the taxable income or loss of a general partnership is allocated to each partner based upon its ownership interest. Each partner’s tax status, in turn, determines the appropriate income tax for its allocated share of taxable income or loss. The Partnership is subject to the Unincorporated Business Tax (“UBT”) in New York City (“NYC”) for which it records an income tax provision.

Compensation Arrangements – CFLP provides awards to certain employees of the Partnership in the form of grant units. Grant units entitle the employees to participate in quarterly distributions of Cantor’s income and to receive certain post-termination payments. Grant units are accounted for under FASB guidance, which requires that the Partnership record an expense for distributions and for the change in value of the post-termination liability for such awards at each reporting period.

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

1. General and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which relates to disclosure of uncertainties about an entity's ability to continue as a going concern. This ASU provides additional guidance on management's responsibility to evaluate the condition of an entity and the required disclosures based on this assessment. The amendments in this update were effective for the year ending after December 15, 2016. The adoption of this FASB guidance did not have a material impact on the Partnership's statement of financial condition.

In January, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*, which relates to how an entity recognizes and measures financial assets and liabilities. The ASU will become effective on December 15, 2018; early adoption is not permitted. Management is currently evaluating the impact of the future adoption of the ASU on the Partnership's statement of financial condition.

2. Fair Value Measurement

The Partnership's Financial instruments owned and Financial instruments sold, not yet purchased consisted of the following (in thousands):

| | <u>Financial instruments owned</u> | <u>Financial instruments sold, not yet purchased</u> |
|------------------------------------------------|----------------------------------------|------------------------------------------------------------------|
| As of December 31, 2016 | | |
| U.S. government agencies and other obligations | \$ 928,515 | \$ 75,036 |
| Agency mortgage backed securities | 688,458 | 2,979 |
| Equities | 231,959 | 132,470 |
| Corporate bonds | 229,329 | 117,475 |
| U.S. government treasuries | 174,761 | 1,278,398 |
| Municipal bonds | 53,820 | 102 |
| Options | 2,238 | 16 |
| Futures | 14 | 1,217 |
| Total | <u>\$ 2,309,094</u> | <u>\$ 1,607,693</u> |

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

2. Fair Value Measurement (continued)

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under FASB guidance at December 31, 2016 (in thousands):

| Assets at fair value at December 31, 2016 | | | | |
|------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------------------|
| Description | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value |
| Financial instruments owned: | | | | |
| U.S. government agencies and other obligations | \$ — | \$ 928,515 | \$ — | \$ 928,515 |
| Agency mortgage backed securities | — | 688,458 | — | 688,458 |
| Equities | 231,959 | — | — | 231,959 |
| Corporate bonds | — | 229,329 | — | 229,329 |
| U.S. government treasuries | 174,761 | — | — | 174,761 |
| Municipal bonds | — | 53,820 | — | 53,820 |
| Options | 2,238 | — | — | 2,238 |
| Futures | — | 14 | — | 14 |
| Total | \$ 408,958 | \$ 1,900,136 | \$ — | \$ 2,309,094 |

| Liabilities at fair value at December 31, 2016 | | | | |
|------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------|---------------------|
| Description | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value |
| Financial instruments sold, not yet purchased: | | | | |
| U.S. government treasuries | \$ 1,278,398 | \$ — | \$ — | \$ 1,278,398 |
| Equities | 132,470 | — | — | 132,470 |
| Corporate bonds | — | 117,475 | — | 117,475 |
| U.S. government agencies and other obligations | — | 75,036 | — | 75,036 |
| Agency mortgage backed securities | — | 2,979 | — | 2,979 |
| Futures | — | 1,217 | — | 1,217 |
| Municipal bonds | — | 102 | — | 102 |
| Options | 16 | — | — | 16 |
| Total | \$ 1,410,884 | \$ 196,809 | \$ — | \$ 1,607,693 |

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

2. Fair Value Measurement (continued)

Derivative Contracts – The Partnership does not designate any derivative contracts as hedges for accounting purposes. FASB guidance requires that an entity recognize all derivative contracts as either assets or liabilities in the statement 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. The derivative contracts are recorded as part of Financial instruments owned and Financial instruments sold, not yet purchased in the Partnership’s statement of financial condition as follows (in thousands):

| As of December 31, 2016 | | | |
|-------------------------|--------------------|--------|-------------|
| Description | Notional Amount | Assets | Liabilities |
| TBAs | \$ 576,794 | \$ 324 | \$ 2,962 |
| Options | 11,247 | 2,238 | 16 |
| Futures | 811,155 | 14 | 1,217 |

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

Receivables from and Payables to broker-dealers and clearing organizations primarily represent amounts due on undelivered mortgage backed securities, government securities, equities and corporate bonds, cash on deposit with clearing organizations and receivables from clearing brokers.

At December 31, 2016, Receivables from and Payables to broker-dealers, clearing organizations, customers and related broker-dealers included in the following (in thousands):

| As of December 31, 2016 | Receivables | Payables |
|---------------------------------------------------------------------------|-------------------|-------------------|
| Customers | \$ 267,166 | \$ 394,177 |
| Clearing brokers and clearing organizations | 108,283 | 93,056 |
| Contract values of fails to deliver/receive | 76,512 | 111,396 |
| Other receivables/payables from broker-dealers and related broker-dealers | 38,522 | 39,759 |
| Pending trades, net | 30,634 | – |
| Accrued commissions receivable, net | 3,395 | – |
| Total | \$ 524,512 | \$ 638,388 |

As of December 31, 2016, the Partnership had a payable to an affiliate broker-dealer of \$6.2 million (see Note 7, “Related Party Transactions,” for additional information related to these payables).

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

3. Receivables from and Payables to Broker–Dealers, Clearing Organizations, Customers and Related Broker–Dealers (continued)

Receivables from and Payables to customers primarily represent open fails to deliver and fails to receive transactions, respectively. Substantially all open fails to deliver and fails to receive transactions as of December 31, 2016 have subsequently settled at the contracted amounts.

Receivables from and Payables to customers also include amounts due on cash transactions.

4. Securities Financing Transactions

The following tables show the gross and net amounts of recognized assets and liabilities at December 31, 2016 (in thousands):

| | As of December 31, 2016 | | | |
|-------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------|---------------------------------------------------------|----------------------|
| | Assets | | Liabilities | |
| | Securities purchased under agreements to resell | Securities borrowed | Securities sold under agreements to repurchase | Securities loaned |
| Gross amount | \$ 12,360,885 | \$ 1,229,333 | \$ 13,929,266 | \$ 293,604 |
| Less: gross amount offsets | 5,423,808 | 824,264 | 6,148,808 | 99,264 |
| Net amount presented in the Partnership's statement of financial condition | 6,937,077 | 405,069 | 7,780,458 | 194,340 |
| Less: amount not offset in the Partnership's statement of financial condition | | | | |
| Collateral ¹ | 6,937,077 | 405,069 | 7,780,458 | 194,340 |
| Net amount | \$ — | \$ — | \$ — | \$ — |

¹ Represents amounts which are not permitted to be offset on the Partnership's statement of financial condition in accordance with ASC 210-20 but which provide the Partnership with the right of offset in the event of default.

At December 31, 2016, the Partnership had accepted collateral that it is permitted by contract or custom to sell or repledge. Such collateral consisted primarily of securities received from customers and other broker–dealers in connection with both reverse repurchase agreements and securities borrowed. As of December 31, 2016, the gross fair value and the net fair value of such collateral were \$15.6 billion and \$9.5 billion, respectively. In conjunction with the Partnership's securities financing activities, collateral with a gross fair value of \$16.3 billion and a net fair value of \$10.2 billion was loaned to counterparties. Additionally, a portion of collateral received is used by the Partnership to cover short sales, to obtain financing, and to satisfy deposit requirements at clearing organizations. At December 31, 2016, collateral of \$1.5 billion had been delivered against securities sold short or repledged by the Partnership.

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

5. Fixed Assets, Net

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

| | December 31, 2016 |
|-------------------------------------------------|--------------------------|
| Leasehold improvements and other fixed assets | \$ 9,628 |
| Computer and communication equipment | 2,499 |
| Software, including software development costs | 800 |
| | 12,927 |
| Less: accumulated depreciation and amortization | 9,213 |
| Fixed assets, net | \$ 3,714 |

6. Commitments, Contingencies and Guarantees

Leases – The Partnership is obligated for minimum rental payments under various non-cancellable leases, principally for office space, expiring at various dates through 2025. As of December 31, 2016, the minimum lease payments under these arrangements were as follows (in thousands):

| Years Ending December 31, | Minimum Lease Payments |
|----------------------------------|-----------------------------------|
| 2017 | \$ 3,150 |
| 2018 | 2,956 |
| 2019 | 2,832 |
| 2020 | 1,840 |
| 2021 | 1,407 |
| 2022 and thereafter | 1,600 |
| Total | \$ 13,785 |

Certain of these leases contain escalation clauses that require payment of additional rent to the extent of increases in operating and other costs. The amounts in the above table do not include amounts related to such escalation clauses.

Guarantees – The Partnership is a member of various securities clearing organizations and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearing organizations or exchange, all other members would be required to meet the shortfall.

In addition, the Partnership has entered into non-financial guarantees on behalf of BGC Partners, Inc. (“BGCP”), a subsidiary of Cantor, for various U.S. and non-U.S. based brokers engaging in interest rate swap transactions with U.S.-based counterparties for regulatory purposes. BGCP is required to indemnify the Partnership for any amounts paid on their behalf pursuant to this

Cantor Fitzgerald & Co.

Notes to Statement of Financial Condition (continued)

December 31, 2016

6. Commitments, Contingencies and Guarantees (continued)

arrangement. The Partnership's liability under these arrangements is not quantifiable. However, the potential for the Partnership to be required to make payments under these arrangements is remote. Accordingly, no liability was required to be recorded in the Partnership's statement of financial condition.

Legal Matters - In the ordinary course of business, various legal actions are brought and may be pending against the Partnership. The Partnership 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 Partnership's business. Any such actions may result in judgments, settlements, fines, penalties, injunctions or other relief.

The Partnership 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 Partnership's statement of financial condition.

Risks and Uncertainties – The Partnership generates revenues by providing securities trading and brokerage 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, the Partnership's revenue could vary based on the transaction volume of the global financial markets. Additionally, the Partnership's financing is sensitive to interest rate fluctuations and could have an impact on the Partnership's overall profitability.

Financing – The Partnership has a commitment to provide a subordinated revolving line of credit of up to \$10.0 million to an affiliate. At December 31, 2016, there was an outstanding balance of \$4.0 million, which is included in Receivables from related parties in the Partnership's statement of financial condition. The scheduled maturity date on the borrowing is February 28, 2018.

At December 31, 2016, in connection with its financing activities, the Partnership had commitments to enter into or extend resale agreements. At December 31, 2016, there were \$0.2 billion in both repurchase commitments and resale commitments, all of which were entered into with an affiliate.

7. Related Party Transactions

The Partnership's Receivables from and Payables to related parties represent uncollateralized advances and amounts due to related parties for support services provided.

The Partnership provided investment banking services and clearing and settlement services for a fee, under contractual agreements, to affiliates.

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Notes to Statement of Financial Condition (continued)

December 31, 2016

7. Related Party Transactions (continued)

The Partnership has a commitment to provide a subordinated revolving line of credit to an affiliate and also has entered into guarantees on behalf of BGCP. See Note 6 (“Commitments, Contingencies, and Guarantees”) for further detail related to these transactions.

CFS and CFLP provide the Partnership with administrative services and other support for which they charge the Partnership based on the cost of providing such services. Such support includes allocations for utilization of fixed assets, accounting, treasury, operations, human resources and legal services. Under an Amended and Restated Joint Services Agreement between the Partnership and BGCP, BGCP provides network, data center, server administration support, and other technology services to the Partnership. BGCP charges the Partnership for these services commensurate with the cost of providing these services.

An affiliate of the Partnership enters into various agreements with certain of its employees whereby these employees receive forgivable loans.

8. Grant Units

CFLP provides grant units to certain employees of the Partnership that entitle the employees to participate in quarterly distributions of Cantor’s income and to receive post-termination payments equal to the notional value of the grant generally in four equal yearly installments after the employee’s termination provided that the employee has not engaged in any competitive activity with the Partnership or its affiliates prior to the date each payment is due. Typically, the grant units vest during the period of requisite service up to four years. Under FASB guidance the grant units are re-measured at the end of every reporting period, and accordingly, any changes in the fair value of such post-termination payments are allocated to the Partnership. At December 31, 2016, the related grant liability is recorded on CFLP.

9. Regulatory Requirements

As a registered broker-dealer, the Partnership is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”). The Partnership has elected to compute its net capital using the alternative method, which requires the Partnership to maintain minimum net capital equal to the greater of \$250, or 2% of aggregate debit balances included in SEC Customer Protection Rule (“Rule 15c3-3”) customer reserve computation, plus excess margin collected on resale agreements, as defined. As a registered futures commission merchant, the Partnership is subject to Regulation 1.17 of the Commodity Futures Trading Commission (“CFTC”), which requires the Partnership to maintain minimum adjusted net capital equal to the greater of 8% of customer and non-customer risk maintenance margin requirement, or \$1.0 million. At December 31, 2016, the Partnership had net capital, as defined, of \$317.1 million, which was \$312.2 million in excess of its required net capital.

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Notes to Statement of Financial Condition (continued)

December 31, 2016

9. Regulatory Requirements (continued)

The Partnership is also subject to Rule 15c3-3. For the December 31, 2016 customer reserve computation, the Partnership segregated qualified securities with a value of \$214.2 million into a special reserve account in addition to \$150.4 million in cash and money markets for the exclusive benefit of customers, which is included in Cash and securities segregated under federal and other regulations in the Partnership's statement of financial condition.

The Partnership is also required to perform a computation of reserve requirements for Proprietary Accounts of Broker-Dealers ("PAB") pursuant to Rule 15c3-3. For the December 31, 2016 PAB reserve computation, the Partnership segregated qualified securities with a value of \$22.8 million into a special reserve account for the exclusive benefit of PAB customers.

As a registered futures commission merchant, the Partnership is required to perform computations of the requirements of Section 4d(2) and Regulation 30.7 under the Commodity Exchange Act. As of December 31, 2016, assets segregated, secured and held in separate accounts totaled \$5.0 million, all of which was cash and exceeded requirements by \$5.0 million.

10. Financial Instruments and Off-Balance Sheet Risk

Trading Activities – The Partnership's trading activities include providing securities brokerage services to institutional clients and other broker-dealers. To facilitate customer transactions, the Partnership will take principal positions in financial instruments, such as equities, corporate obligations, government and mortgage backed securities, options and warrants.

Market Risk – Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, or other factors will result in losses for a specified position. In order to facilitate customer transactions, the Partnership enters into transactions to purchase long inventory securities and sell securities not yet purchased, which are recorded as assets and liabilities in the Partnership's statement of financial condition. The Partnership is exposed to the risk that potential market price changes may cause the ultimate asset or liability for such commitments to differ from the amount recognized in the Partnership's statement of financial condition.

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Notes to Statement of Financial Condition (continued)

December 31, 2016

10. Financial Instruments and Off-Balance Sheet Risk (continued)

The Partnership does not act as a dealer or trader of complex derivatives such as swaps, collars, and caps. However, the Partnership may, from time to time, enter into foreign exchange forwards, TBAs and futures contracts to facilitate customer transactions and provide an economic hedge for the Partnership's trading inventory against interest and foreign currency fluctuations. The Partnership also enters into option contracts to facilitate customer transactions and to hedge against adverse market fluctuations of equity investments.

Counterparty Credit Risk – Credit risk arises from the possibility that a counterparty to a transaction might fail to perform according to the terms of the contract, which could result in the Partnership incurring losses. As a securities broker-dealer, the Partnership is engaged in various securities trading and brokerage activities, servicing a diverse group of domestic and foreign corporations, governments and institutional and individual investors. A substantial portion of the Partnership's transactions are fully collateralized and are executed with and on behalf of institutional investors including major brokers and dealers and other commercial banks, insurance companies, pension plans, and other financial institutions. The Partnership's exposure to the risk of incurring losses associated with the non-performance of these counterparties in fulfilling their contractual obligations pursuant to securities and commodities transactions can be directly impacted by volatile trading markets, which may impair the counterparties' ability to satisfy their obligations to the Partnership. The Partnership monitors counterparty activity daily and does not anticipate non-performance by counterparties. The Partnership has a policy of periodically reviewing the creditworthiness of each counterparty with which it conducts business.

Customer Activities – The Partnership's customer activities include the execution, settlement, custody, and financing of various securities and commodities transactions on behalf of customers. These activities may expose the Partnership to risk in the event a customer is unable to fulfill its contractual obligations and the Partnership has to purchase or sell the financial instrument underlying the contract at a loss.

The Partnership seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Partnership monitors required margin levels daily and, pursuant to guidelines, requires the customer to deposit additional collateral, or to reduce positions, when necessary.

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Notes to Statement of Financial Condition (continued)

December 31, 2016

10. Financial Instruments and Off-Balance Sheet Risk (continued)

The Partnership's customer financing and securities settlement activities require the Partnership to pledge customer securities as collateral in support of various secured financing sources, such as bank loans. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Partnership may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Partnership controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Partnership establishes credit limits for such activities and monitors compliance on a daily basis.

11. Collateralized Borrowings

The Partnership has a \$150.0 million committed, secured bank facility that permits the Partnership to finance a broad array of U.S. fixed income and equity securities. The facility is structured as a 364 day senior secured revolving credit facility involving two banks. The borrowings are guaranteed by CFLP. The facility is used on a periodic basis to finance inventory. The facility is set to mature on May 3, 2017. There were no borrowings outstanding under the facility at December 31, 2016. The interest rate on this facility is one month LIBOR plus 125 basis points.

12. Subordinated Borrowings

During June 2011, the Partnership entered into two subordinated borrowing agreements with CFLP and CFS in the amounts of \$1.3 million and \$128.7 million, respectively. The rate of interest on both borrowings is three month LIBOR plus 600 basis points, maturing June 15, 2018.

During December 2013, the Partnership entered into an additional subordinated borrowing agreement with CFLP in the amount of \$75.0 million. The rate of interest on the borrowing is three month LIBOR plus 600 basis points, maturing December 31, 2018.

These borrowings are subordinated to the claims of general creditors, approved by FINRA and other regulators, and are included in the Partnership's calculation of net capital and the capital requirements under FINRA Rule 4120.

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Notes to Statement of Financial Condition (continued)

December 31, 2016

13. Income Taxes

As of December 31, 2016, the Partnership had net deferred tax assets of \$ 2,455, which consists primarily of book-tax differences related to grant units and forgivable loans. The Partnership had an effective tax rate of 2.21%, which is different from the NYC UBT statutory rate of 4.0% due primarily to business income allocated outside of NYC.

The Partnership analyzed its tax positions with respect to applicable income tax issues for open tax years (in each respective jurisdiction) and determined that there were no material tax liabilities as of December 31, 2016. As of December 31, 2016, the Partnership did not accrue any interest or penalties. The Partnership is presently under UBT examination for the 2006 through 2010 years. The Partnership is presently not under examination by the United States federal authorities and is no longer subject to examination by US federal and state and local authorities for the years prior to 2013 and 2011, respectively.

14. Subsequent Events

The Partnership has evaluated subsequent events through the date the statement of financial condition was issued. There have been no material subsequent events that would require recognition in the statement of financial condition or disclosure in the notes to the statement of financial condition.



STATEMENT OF FINANCIAL CONDITION

Cantor Fitzgerald & Co.

December 31, 2016

With Report of Independent Registered Public Accounting Firm