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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File No: 000-51103

GFI GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**80-0006224** (I.R.S. Employer Identification No.)
55 Water Street, New York, NY (Address of principal executive offices)	**10041** (Zip Code)

Registrant's telephone number, including area code: **(212) 968-4100**

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 x NO o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(In thousands, except share and per share amounts)

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 209,759	$ 245,879
Cash and securities segregated under federal and other regulations	46,145	12,756
Commissions receivable, net of allowance for doubtful accounts of $1,344 and $1,453 at September 30, 2012 and December 31, 2011, respectively	93,373	94,971
Receivables from brokers, dealers and clearing organizations	604,912	251,794
Property, equipment and leasehold improvements, net of depreciation and amortization of $165,250 and $150,850 at September 30, 2012 and December 31, 2011, respectively	59,053	61,947
Goodwill	268,612	266,506
Intangible assets, net	50,928	58,027
Other assets	188,951	198,669
TOTAL ASSETS	$ 1,521,733	$ 1,190,549
Liabilities and stockholders' equity		
LIABILITIES		
Accrued compensation	$ 69,100	$ 127,089
Accounts payable and accrued expenses	41,463	56,547
Payables to brokers, dealers and clearing organizations	362,783	89,529
Payables to clearing services customers	263,685	120,909
Long-term obligations	250,000	250,000
Other liabilities	90,838	97,563
Total Liabilities	$ 1,077,869	$ 741,637
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 5,000,000 shares authorized, none outstanding at September 30, 2012 and December 31, 2011	—	—
Common stock, $0.01 par value; 400,000,000 shares authorized; 134,621,089 and 131,669,676 shares issued at September 30, 2012 and December 31, 2011, respectively	1,346	1,317
Additional paid in capital	367,813	365,835
Retained earnings	144,592	160,934
Treasury stock, 16,487,182 and 14,145,038 shares of common stock at cost, at September 30, 2012 and December 31, 2011, respectively	(72,414)	(73,919)
Accumulated other comprehensive income (loss)	1,021	(6,955)
Total Stockholders' Equity	442,358	447,212
Non-controlling interests	1,506	1,700
Total Equity	443,864	448,912
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,521,733	$ 1,190,549

See notes to condensed consolidated financial statements

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GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share amounts)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues				
Agency commissions	$ 112,239	$ 151,446	$ 380,276	$ 435,442
Principal transactions	50,278	61,711	164,830	186,673
Total brokerage revenues	162,517	213,157	545,106	622,115
Clearing services revenues	30,545	31,872	88,307	87,222
Interest income from clearing services	422	606	1,325	1,618
Equity in net earnings of unconsolidated businesses	2,344	4,260	6,242	9,943
Software, analytics and market data	21,204	18,837	61,671	54,328
Other income	2,356	7,230	14,642	5,917
Total revenues	219,388	275,962	717,293	781,143
Interest and transaction-based expenses				
Transaction fees on clearing services	29,420	30,388	84,988	84,209
Transaction fees on brokerage services	5,734	6,673	18,012	19,357
Interest expense from clearing services	82	439	680	1,382
Total interest and transaction-based expenses	35,236	37,500	103,680	104,948
Revenues, net of interest and transaction-based expenses	184,152	238,462	613,613	676,195
Expenses				
Compensation and employee benefits	130,499	159,980	421,927	466,300
Communications and market data	15,269	15,187	46,629	45,364
Travel and promotion	7,973	9,723	27,347	30,124
Rent and occupancy	7,083	6,322	20,759	18,183
Depreciation and amortization	9,246	9,990	27,502	29,665
Professional fees	5,925	6,866	17,470	19,641
Interest on borrowings	6,738	12,035	20,080	18,247
Other expenses	8,586	9,353	23,730	21,559
Total other expenses	191,319	229,456	605,444	649,083
(Loss) Income before provision for income taxes	(7,167)	9,006	8,169	27,112
Provision for income taxes	1,638	2,884	6,699	7,592
Net (loss) income before attribution to non-controlling stockholders	(8,805)	6,122	1,470	19,520
Less: Net (loss) income attributable to non-controlling interests	(112)	57	51	558
GFI's net (loss) income	$ (8,693)	$ 6,065	$ 1,419	$ 18,962
(Loss) Earnings per share available to common stockholders				
Basic	$ (0.08)	$ 0.05	$ 0.01	$ 0.16
Diluted	$ (0.08)	$ 0.05	$ 0.01	$ 0.15
Weighted average shares outstanding				
Basic	115,541,373	117,717,234	116,073,488	119,187,808
Diluted	115,541,373	125,420,736	123,570,110	127,052,814

Dividends declared per share of common stock	$ 0.05	$ 0.05	$ 0.15	$ 0.15

See notes to condensed consolidated financial statements

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GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
(In thousands)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net (loss) income before attribution to non-controlling stockholders	$ (8,805)	$ 6,122	$ 1,470	$ 19,520
Other comprehensive income (loss):				
Foreign currency translation adjustment	6,041	(4,125)	7,721	(2,246)
Unrealized gain (loss) on available-for-sale securities, net of tax(1)	343	(742)	266	(997)
Total other comprehensive income (loss)	6,384	(4,867)	7,987	(3,243)
Comprehensive (loss) income including non-controlling stockholders	(2,421)	1,255	9,457	16,277
Comprehensive (loss) income attributable to non-controlling stockholders	(111)	57	62	429
GFI's comprehensive (loss) income	$ (2,310)	$ 1,198	$ 9,395	$ 15,848

(1) Amounts are net of provision for (benefit from) income taxes of $116 and $(275) for the three months ended September 30, 2012 and 2011, respectively. Amounts are net of provision for (benefit from) income taxes of $79 and $(373) for the nine months ended September 30, 2012 and 2011, respectively.

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GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before attribution to non-controlling stockholders	$ 1,470	$ 19,520
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	27,502	29,665
Share-based compensation	24,666	23,186
Tax expense (benefit) related to share-based compensation	2,141	(425)
Amortization of prepaid bonuses and forgivable loans	19,727	18,412
Benefit from deferred taxes	(5,536)	(11,895)
(Gains) losses on foreign exchange derivative contracts, net	(3,327)	3,154
Gains from equity method investments, net	(319)	(2,958)
Amortization of loan fees	1,633	1,162
Provision for doubtful accounts	(49)	5
Impairment of investments	5,362	2,255
Mark-to-market of future purchase commitment	(9,098)	2,738
Other non-cash charges, net	2,521	602
Decrease (increase) in operating assets:		
Cash and securities segregated under federal and other regulations	(25,223)	14,914
Commissions receivable	1,651	(17,486)
Receivables from brokers, dealers and clearing organizations	(361,284)	(840,722)
Other assets	(21,377)	(34,938)
(Decrease) increase in operating liabilities:		
Accrued compensation	(57,989)	(11,895)
Accounts payable and accrued expenses	(15,093)	(1,695)
Payables to brokers, dealers and clearing organizations	273,254	564,746
Payables to clearing services customers	142,776	198,909
Other liabilities	7,710	24,839
Cash provided by (used in) operating activities	11,118	(17,907)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business acquisitions, net of cash acquired, and purchases of intangible and other assets	—	(3,300)
Proceeds from other investments	1,106	1,062
Proceeds from notes receivable	—	882
Purchases of other investments	(3,121)	(6,875)
Purchase of property, equipment and leasehold improvements	(3,964)	(7,491)
Payments for internally developed software	(8,679)	(10,349)
Proceeds on foreign exchange derivative contracts	5,774	4,081
Payments on foreign exchange derivative contracts	(2,201)	(10,255)
Issuance of notes receivable	—	(2,953)
Cash used in investing activities	(11,085)	(35,198)

See notes to condensed consolidated financial statements

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GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
(In thousands)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	185,000	55,000
Repayment of short-term borrowings	(185,000)	(190,000)
Proceeds from long-term obligations	—	250,000
Repayment of long-term obligations	—	(60,000)
Purchases of treasury stock	(9,939)	(25,868)
Cash dividends paid to common stockholders	(17,761)	(18,260)
Cash dividends paid to non-controlling interests	(256)	(817)
Payment of loan fees	(134)	(8,832)
Proceeds from exercise of stock options	—	73
Cash paid for taxes on vested restricted stock units	(9,182)	(8,577)
Payment of contingent consideration liabilities	(478)	(1,486)
Tax (expense) benefit related to share-based compensation	(2,141)	425
Cash used in financing activities	(39,891)	(8,342)
Effects of exchange rate changes on cash and cash equivalents	3,738	77
DECREASE IN CASH AND CASH EQUIVALENTS	(36,120)	(61,370)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	245,879	313,875
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 209,759	$ 252,505
SUPPLEMENTAL DISCLOSURE:		
Interest paid	$ 24,094	$ 15,261
Cash paid for income taxes	$ 9,649	$ 19,099
Cash received from income tax refunds	$ 1,512	$ 8,026

Non-Cash Investing and Financing Activities:

The Company did not have any non-cash investing and financing activity during the nine months ended September 30, 2012 and 2011, respectively.

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GFI GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands)

	Common Stock	Additional Paid In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comp. Income (loss)	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Balance, January 1, 2012	$ 1,317	$ 365,835	$ (73,919)	$ 160,934	$ (6,955)	$ 447,212	$ 1,700	$ 448,912
Purchase of treasury stock	—	—	(9,939)	—	—	(9,939)	—	(9,939)
Issuance of treasury stock	—	(11,435)	11,444	—	—	9	—	9
Issuance of common stock for exercise of stock options and vesting of restricted stock units	29	(6)	—	—	—	23	—	23
Withholding of restricted stock units in satisfaction of tax requirements	—	(9,182)	—	—	—	(9,182)	—	(9,182)
Tax expense associated with share-based awards	—	(2,141)	—	—	—	(2,141)	—	(2,141)
Foreign currency translation adjustment	—	—	—	—	7,710	7,710	11	7,721
Unrealized gain on available-for-sale securities, net of tax	—	—	—	—	266	266	—	266
Dividends to stockholders	—	—	—	(17,761)	—	(17,761)	(256)	(18,017)
Share-based compensation	—	24,742	—	—	—	24,742	—	24,742
Net income	—	—	—	1,419	—	1,419	51	1,470
Balance, September 30, 2012	$ 1,346	$ 367,813	$ (72,414)	$ 144,592	$ 1,021	$ 442,358	$ 1,506	$ 443,864

See notes to condensed consolidated financial statements

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GFI GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In thousands except share and per share amounts)

1. ORGANIZATION AND BUSINESS

The Condensed Consolidated Financial Statements include the accounts of GFI Group Inc. and its subsidiaries (collectively, "GFI" or the "Company"). The Company, through its subsidiaries, provides wholesale brokerage and trade execution services, clearing services and trading system software products to institutional clients in markets for a range of fixed income, financial, equity and commodity instruments. The Company complements its brokerage and trade execution capabilities with value-added services, such as market data and analytical software products for trader and back-office support, which it licenses primarily to companies in the financial services industry. As of September 30, 2012, Jersey Partners, Inc. ("JPI") owned approximately 41% of the Company's outstanding shares of common stock. The Company's chief executive officer, Michael Gooch, is the controlling shareholder of JPI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation— The Company's Condensed Consolidated Financial Statements (Unaudited) are prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingencies in the Condensed Consolidated Financial Statements. Certain estimates and assumptions relate to the accounting for acquired goodwill and intangible assets, fair value measurements, compensation accruals, tax liabilities and the potential outcome of litigation matters. Management believes that the estimates utilized in the preparation of the Condensed Consolidated Financial Statements are reasonable and prudent. Actual results could differ materially from these estimates.

These Condensed Consolidated Financial Statements are unaudited and should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. References to the Company's "2011 Form 10-K" are to the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The condensed consolidated financial information as of December 31, 2011 presented in this Form 10-Q has been derived from audited Consolidated Financial Statements not included herein.

These unaudited Condensed Consolidated Financial Statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

Certain amounts in the Condensed Consolidated Statement of Financial Position as of December 31, 2011 and Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 have been reclassified to conform to the current year presentation.

During the fourth quarter of 2011, the Company segregated the classification of Amortization of prepaid bonuses and forgivable loans and mark-to-market of the future purchase commitment from Other assets and Other liabilities, respectively, within the Condensed Consolidated Statements of Cash Flows.

Consolidation Policies— The Condensed Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries and subsidiaries that are treated as such and other entities in which the Company has a controlling financial interest. For consolidated subsidiaries that are less than wholly-owned, equity interests that are not owned by the Company are referred to as non-controlling interests. The portion of net income attributable to non-controlling interests for such subsidiaries is presented as Net income attributable to non-controlling interests on the Condensed Consolidated Statements of Operations, and the portion of the stockholders' equity of such subsidiaries is presented as Non-controlling interests in the Condensed Consolidated Statements of Financial Condition. All intercompany transactions and balances have been eliminated.

Variable Interest Entities—The Company determines whether the Company holds any interests in entities deemed to be a variable interest entity ("VIE"). A VIE is an entity that either (i) has equity investors that lack certain essential characteristics of a controlling financial interest or (ii) does not have sufficient equity to finance its activities without additional subordinated financial support from other parties. If an entity has either of these characteristics, it is considered a VIE and must be consolidated by its primary beneficiary. The primary beneficiary is the party that has both (i) the power to direct the activities of the VIE that most significantly impact the economic performance of the entity and (ii) the obligation to absorb losses of the entity that could be potentially significant to the VIE or the right to receive benefits from the entity that could be

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GFI GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
(In thousands except share and per share amounts)

potentially significant. As of September 30, 2012, the Company holds interests in certain variable interest entities (“VIEs”). One of these VIEs is consolidated because it was determined that the Company is the primary beneficiary of this VIE. The remaining VIEs are not consolidated as it was determined that the Company is not the primary beneficiary. The Company reassesses its initial evaluation of whether an entity is a VIE when certain events occur. The Company reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances. See Note 15 for disclosures on Variable Interest Entities.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash and highly liquid investments with maturities, when purchased, of three months or less.

Cash and Securities Segregated Under Federal and Other Regulations—The Company holds cash and securities representing funds received in connection with customer trading activities. The Company’s subsidiaries are required to satisfy regulations mandated by their primary regulators to segregate or set aside cash or equivalent securities to satisfy regulations, promulgated to protect customer assets.

Commissions Receivable—Commissions receivable represents amounts due from brokers, dealers, banks and other financial and nonfinancial institutions for the execution of securities, commodities, foreign exchange and other derivative brokerage transactions. In estimating the allowance for doubtful accounts, management considers the length of time receivables are past due and historical experience. In addition, if the Company is aware of a client’s inability to meet its financial obligations, a specific provision for doubtful accounts is recorded in the amount of the estimated losses that will result from the inability of that client to meet its financial obligation.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations— Receivables from and payables to brokers, dealers and clearing organizations primarily represent principal transactions for which the stated settlement dates have not yet been reached and principal transactions which have not settled as of their stated settlement dates, cash, including deposits, held at clearing organizations and exchanges in support of the Company’s clearing business and to facilitate settlement and clearance of matched principal transactions, as well as the spread on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges.

Property, Equipment and Leasehold Improvements—Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method, generally over three to seven years. Property and equipment are depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the remaining term of the respective lease to which they relate or the remaining useful life of the leasehold improvement. Internal and external costs incurred in developing or obtaining computer software for internal use are capitalized in accordance with Accounting Standards Codification (“ASC”) 350 *Intangibles—Goodwill and Other* (“ASC 350”), and are amortized on a straight-line basis over the estimated useful life of the software, generally three years. General and administrative costs related to developing or obtaining such software are expensed as incurred.

Goodwill and Intangible Assets—Goodwill represents the excess of the purchase price allocation over the fair value of tangible and identifiable intangible net assets acquired. The goodwill associated with each business combination is allocated to the related reporting units, which are determined based on how the Company’s businesses are managed and how they are reviewed by the Company’s chief operating decision maker. Other intangible assets are recorded at their fair value upon completion of a business combination or certain other transactions.

In accordance with ASC 350, goodwill and other intangible assets with indefinite lives are not amortized, but instead are periodically tested for impairment. The Company reviews goodwill and other intangible assets with indefinite lives for impairment on an annual basis as of November 1 of each fiscal year or whenever an event occurs or circumstances change that could reduce the fair value of a reporting unit below its carrying amount.

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives. See Note 5 for further information.

Prepaid Bonuses and Forgivable Employee Loans—Prepaid bonuses and forgivable loans to employees are stated at historical value net of amortization when the agreement between the Company and the employee provides for the return of proportionate amounts of the bonus or loan outstanding if employment is terminated in certain circumstances prior to the end

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GFI GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
(In thousands except share and per share amounts)

of the term of the agreement. Amortization is calculated using the straight-line method over the term of the contract, which is generally two to four years, and is recorded in Compensation and employee benefits. The Company generally expects to recover the unamortized portion of prepaid bonuses and forgivable loans when employees voluntarily terminate their employment or if their employment is terminated for cause prior to the end of the term of the agreement. The prepaid bonuses and forgivable loans are included in Other assets in the Condensed Consolidated Statements of Financial Condition. At September 30, 2012 and December 31, 2011, the Company had prepaid bonuses of $34,666 and $36,797, respectively. At September 30, 2012 and December 31, 2011, the Company had forgivable employee loans and advances to employees of $33,120 and $23,909, respectively. Amortization of prepaid bonuses and forgivable employee loans for the nine months ended September 30, 2012 and 2011 was $19,727 and $18,412, respectively and is included within Compensation and employee benefits.

Investments— When the Company does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for under the equity method of accounting in accordance with ASC 323-10, *Investments—Equity Method and Joint Ventures* ("ASC 323-10"). Significant influence generally exists when the Company owns 20% to 50% of the entity's common stock or in-substance common stock. The Company initially records the investment at cost and adjusts the carrying amount each period to recognize its share of the earnings and losses of the investee based on the percentage of ownership. At September 30, 2012 and December 31, 2011, the Company had equity method investments with a carrying value of $26,948 and $28,997, respectively, included within Other assets. Investments for which the Company does not have the ability to exert significant influence over operating and financial policies are generally accounted for using the cost method of accounting in accordance with ASC 325-10, *Investments—Other* ("ASC 325-10"). At September 30, 2012 and December 31, 2011, the Company had cost method investments of $4,659 and $4,059, respectively, included within Other assets. The Company monitors its equity and cost method investments for indicators of impairment each reporting period.

During the nine months ended September 30, 2011, the Company recorded a $1,863 loss related to the accounting impact of an increased ownership stake in an equity method investment previously accounted for under the cost method.

The Company accounts for its marketable equity securities and its debt securities in accordance with ASC 320-10, *Investments—Debt and Equity Securities*. Investments that are owned by the Company's broker-dealer subsidiaries are recorded at fair value with realized and unrealized gains and losses reported in net income. Investments designated as available-for-sale that are owned by the Company's non broker-dealer subsidiaries are recorded at fair value with unrealized gains or losses reported as a separate component of other comprehensive income, net of tax. The fair value of the Company's available-for-sale securities was $3,361 and $8,263 as of September 30, 2012 and December 31, 2011, respectively, included within Other assets.

Fair Value of Financial Instruments—In accordance with ASC 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10"), the Company estimates fair values of financial instruments using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment in interpreting market data and, accordingly, changes in assumptions or in market conditions could adversely affect the estimates. The Company also discloses the fair value of its financial instruments in accordance with the fair value hierarchy as set forth by ASC 820-10.

Trading securities are reported at fair value, with gains and losses resulting from changes in fair value recognized in Other income. See Note 13 for further information.

Fair Value Option—In accordance with ASC 825-10-25, *Financial Instruments - Recognition*, the Company has elected the fair value option to account for its future commitment to purchase the remaining 30% equity interest in The

Kyte Group Limited and Kyte Capital Management Limited (collectively “Kyte”). See Note 4 for further discussion regarding this future purchase commitment.

The fair value option election allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Any change in fair value for assets and liabilities for which the election is made is to be recognized in earnings as they occur. The fair value option election is permitted on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument.

The primary reason for electing the fair value option on the future commitment to purchase the remaining 30% equity

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GFI GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
(In thousands except share and per share amounts)

interest in Kyte is to timely reflect economic events in earnings, as management's assessment of the future purchase commitment value is driven by Kyte's earnings subsequent to the initial acquisition date and net present value at a specific point in time.

Derivative Financial Instruments—The Company enters into derivative transactions for a variety of reasons, including managing its exposure to risk arising from changes in foreign currency, facilitating customer trading activities and, in certain instances, to engage in principal trading for the Company's own account. Derivative assets and liabilities are carried on the Condensed Consolidated Statements of Financial Condition at fair value, with changes in the fair value recognized in the Condensed Consolidated Statements of Operations. Contracts entered into to manage risk arising from changes in foreign currency are recognized in Other income and contracts entered into to facilitate customer transactions and principal trading are recognized in Principal transactions. Derivatives are reported on a net-by-counterparty basis when management believes that a legal and enforceable right of offset exists under these agreements. See Note 14 for further information.

Payables to Clearing Services Customers—Payables to clearing services customers include amounts due on cash and margin transactions, including futures contracts transacted on behalf of customers.

Brokerage Transactions—The Company provides brokerage services to its clients in the form of either agency or principal transactions.

Agency Commissions—In agency transactions, the Company charges commissions for executing transactions between buyers and sellers. Agency commission revenues and related expenses are recognized on a trade date basis.

Principal Transactions—Principal transactions revenue is primarily derived from matched principal and principal trading transactions. Principal transactions revenues and related expenses are recognized on a trade date basis. The Company earns revenue from principal transactions on the spread between the buy and sell price of the security that is brokered. In matched principal transactions, the Company simultaneously agrees to buy instruments from one customer and sell them to another customer.

In the normal course of its matched principal and principal trading businesses, the Company may hold securities positions overnight. These positions are marked to market on a daily basis.

Clearing Services Revenues—The Company charges fees to customers for clearing services provided for cash and derivative transactions. Clearing services revenues are recorded on a trade date basis as customer transactions occur and are presented net of any customer negotiated rebates.

Software, Analytics and Market Data Revenue Recognition— Software revenue consists primarily of fees charged for Trayport electronic trading software, which are typically billed on a subscription basis and are recognized ratably over the term of the subscription period, which ranges from one to five years. Analytics revenue consists primarily of software license fees for Fenics pricing tools which are typically billed on a subscription basis, and is recognized ratably over the term of the subscription period, which is generally three years. Market data revenue primarily consists of subscription fees and fees from customized one-time sales. Market data subscription fees are recognized on a straight-line basis over the term of the subscription period, which ranges from one to two years. Market data revenue from customized one-time sales is recognized upon delivery of the data.

The Company markets its software, analytics and market data products through its direct sales force and, in some cases, indirectly through resellers. In general, the Company's license agreements for such products do not provide for a right of return.

Other Income—Included within Other income on the Company's Condensed Consolidated Statements of Operations are revaluations of foreign currency derivative contracts, realized and unrealized transaction gains and losses on certain foreign currency denominated items, and gains and losses on certain investments, and interest income earned on short-term investments.

Compensation and Employee Benefits—The Company's compensation and employee benefits have both a fixed and variable component. Base salaries and benefit costs are primarily fixed for all employees while bonuses constitute the

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variable portion of compensation and employee benefits. The Company may pay certain performance bonuses in restricted stock units ("RSUs"). The Company also may grant sign-on and retention bonuses for certain newly-hired or existing employees who agree to long-term employment agreements.

Share-Based Compensation—The Company's share-based compensation consists of RSUs. The Company accounts for share-based compensation in accordance with ASC 718 *Compensation— Stock Compensation* ("ASC 718"). This accounting guidance requires measurement of compensation expense for equity-based awards at fair value and recognition of compensation expense over the service period, net of estimated forfeitures. In all periods presented, the only share-based compensation expense recognized by the Company has been RSUs. The Company determines the fair value of RSUs based on the number of units granted and the grant date fair value of the Company's common stock, measured as of the closing price on the date of grant. See Note 10 for further information.

Income Taxes— In accordance with ASC 740, *Income Taxes*, the Company provides for income taxes using the asset and liability method under which deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences and carryforwards that result from events that have been recognized either in the financial statements or the income tax returns, but not both. The measurement of current and deferred income tax assets and liabilities is based on provisions of enacted tax laws. Valuation allowances are recognized if, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized. Management applies the more likely than not criteria prior to recognizing a financial statement benefit for a tax position taken (or expected to be taken) in a tax return. The Company recognizes interest and/or penalties related to income tax matters in interest expense and other expense, respectively.

The increase in the Company's effective tax rate for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011 was primarily due to (i) additional U.S. tax expense related to certain international profits, which did not result in an increase to current cash taxes payable at period end, (ii) a shift in the geographic mix of the Company's earnings to jurisdictions with higher tax rates and (iii) the establishment of valuation allowances against deferred tax assets in jurisdictions where the Company has determined they are unlikely to be utilized. Partially offsetting these increases was the impact of a decrease in the statutory corporate income tax rate in the U.K.

Treasury Stock—The Company accounts for Treasury stock using the cost method. Treasury stock held by the Company may be reissued with respect to vested RSUs in qualified jurisdictions. The Company's policy is to account for these shares as a reduction of Treasury stock on a first-in, first-out basis.

Foreign Currency Translation Adjustments and Transactions— Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at the period end rates of exchange, and revenue and expenses are translated at the average rates of exchange for the period. Gains or losses resulting from translating foreign currency financial statements are reflected in foreign currency translation adjustments and are reported as a separate component of comprehensive (loss) income and included in accumulated other comprehensive income (loss) in stockholders' equity. Net (losses) gains resulting from remeasurement of foreign currency transactions and balances were $(1,113) and $(2,735), respectively, for the three months ended September 30, 2012 and 2011, and $(3,835) and $1,311, respectively, for the nine months ended September 30, 2012 and 2011, and are included in Other income in the Condensed Consolidated Statement of Operations.

Recent Accounting Pronouncements—In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04 *Fair Value Measurement (Topic 820) Amendments to Achieve*

Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (“ASU 2011-04”). ASU 2011-04 amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments result in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The amendments in ASU 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on the Company’s Condensed Consolidated Financial Statements and the Company has included the disclosures required by this guidance in Note 13.

In June 2011, the FASB issued ASU No. 2011-05 *Comprehensive Income (Topic 220) Presentation of Comprehensive Income* (“ASU 2011-05”). The main objective of ASU 2011-05 is to improve the comparability, consistency, and transparency of financial reporting and increase the prominence of items reported in other comprehensive income (“OCI”) by

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eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard requires entities to report the components of comprehensive income in either (1) a single continuous statement of comprehensive income or (2) in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI. The amendments in ASU 2011-05 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of ASU 2011-05 did not have a material impact on the Company's Condensed Consolidated Financial Statements as the Company was previously in compliance with the presentation requirements of this ASU.

In September 2011, the FASB issued ASU No. 2011-08 *Intangibles — Goodwill and Other (Topic 350)* ("ASU 2011-08") which amends current guidance to allow entities to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. After assessing qualitative factors, if an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, no further testing is necessary. If an entity determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then the traditional two-step goodwill impairment test must be performed. The amendments in ASU 2011-08 are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company early adopted ASU 2011-08 effective the fourth quarter of 2011. The adoption of ASU 2011-08 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11"). ASU 2011-11 requires additional disclosure about financial instruments and derivatives instruments that are subject to netting arrangements to assist users of the financial statements in understanding the effect of those arrangements on its financial position. The new disclosures are required for reporting periods beginning on or after January 1, 2013, including retrospectively for all comparative periods presented. The Company is evaluating the effect of this guidance and does not expect the adoption of ASU 2011-11 to have a material impact on the Company's Condensed Consolidated Financial Statements.

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles — Goodwill and Other (Topic 350):* Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"). The amended guidance simplifies how entities test for impairment of indefinite-lived intangible assets. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount as a basis for determining if performing a quantitative test is necessary. The amendments do not change the measurement of impairment losses. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company does not expect the adoption of ASU 2012-02 to have a material impact on its Condensed Consolidated Financial Statements.

3. RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to brokers, dealers and clearing organizations consisted of the following:

	September 30, 2012	December 31, 2011
Receivables from brokers, dealers and clearing organizations:		
Contract value of fails to deliver	$ 343,709	$ 86,097
Receivables from and deposits with clearing organizations and financial institutions	261,203	165,303

Net pending trades	—	394
Total	$ 604,912	$ 251,794
Payables to brokers, dealers and clearing organizations:		
Contract value of fails to receive	$ 326,156	$ 87,254
Balance payable to clearing organizations and financial institutions	20,744	2,275
Net pending trades	15,883	—
Total	$ 362,783	$ 89,529

Substantially all fail to deliver and fail to receive balances at September 30, 2012 and December 31, 2011 have

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subsequently settled at the contracted amounts.

In addition to the balances above, the Company had Payables to clearing services customers of $263,685 and $120,909 at September 30, 2012 and December 31, 2011, respectively. These amounts represent cash payable to the Company's clearing customers that is held at the Company's third party general clearing members and are included within Cash and cash equivalents, Cash and securities segregated under federal and other regulations or Receivables from brokers, dealers and clearing organizations.

4. ACQUISITIONS

The Kyte Group Limited and Kyte Capital Management Limited

On July 1, 2010, the Company acquired a 70% equity ownership interest in each of The Kyte Group Limited and Kyte Capital Management Limited (collectively "Kyte"). The Company will acquire the residual 30% equity interest in Kyte for an additional cash payment to be made in or about the third quarter of 2013 in an amount to be determined pursuant to a formula based on Kyte's post-acquisition earnings. Kyte has been included in the Condensed Consolidated Financial Statements as a wholly-owned subsidiary since the acquisition date, with a liability recorded for the future payment to be made in 2013. Included as part of the purchase price is £5,000 (or approximately $7,592) that was deposited into an escrow account with a third-party escrow agent and 1,339,158 contingently issuable shares of the Company's common stock, all of which will be delivered to the selling shareholders of Kyte upon the satisfaction of certain conditions related to one of Kyte's investments in a third party. As part of the purchase agreement, over the period from initial acquisition to when the Company will acquire the residual 30% equity interest in Kyte, the Company agreed to make up to £20,000 available to Kyte Capital Management Limited for investments in new trading entities subject to certain approvals.

The future purchase commitment requires the Company to pay an additional cash payment based on the performance of Kyte during the three year period ending June 30, 2013. The Company elected the fair value option for this purchase commitment as of the date of acquisition and determined the fair value using the income approach. Subsequent changes in the fair value of the future purchase commitment are recorded in Other income in the Condensed Consolidated Statements of Operations. The fair value of the future purchase commitment at the acquisition date was $19,264, which assumed a 17.7% discount rate and was recorded as a liability within Other liabilities. In applying the income approach, the Company used forecasted financial information for Kyte for the remaining period ending June 30, 2013.

The fair value of the future purchase commitment and the discount rate used in its estimated fair value as of September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012	December 31, 2011
Fair Value of Future Purchase Commitment (included within Other liabilities)	$ 3,644	$ 12,562
Discount Rate	16.0%	16.0%

The amount of the future purchase commitment accrued in the Condensed Consolidated Statements of Financial Condition at September 30, 2012 decreased from December 31, 2011, primarily due to differences between previous forecasts and actual results for the first nine months of 2012, as well as changes to the forecasted performance for Kyte for the remaining period ending June 30, 2013, slightly offset by an increase in the net present value of the liability due to the passage of time.

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5. GOODWILL AND INTANGIBLE ASSETS

Goodwill—Changes in the carrying amount of the Company's goodwill for the three months ended September 30, 2012 were as follows:

	December 31, 2011	Goodwill acquired	Foreign currency translation	September 30, 2012
Goodwill				
Americas Brokerage	$ 83,289	$ —	$ —	$ 83,289
EMEA Brokerage	13,851	—	481	14,332
Asia Brokerage	—	—	—	—
Clearing and Backed Trading	40,675	—	1,625	42,300
All Other	128,691	—	—	128,691
	$ 266,506	$ —	$ 2,106	$ 268,612

Goodwill is required to be tested for impairment at least annually and more frequently when indicators of impairment exist. All of the Company's goodwill is allocated to its reporting units and the goodwill impairment tests are performed at the reporting unit level. As discussed in Note 2, based on the results of the annual impairment test, no goodwill impairment was recognized during the year ended December 31, 2011. Subsequent to December 31, 2011, no events or changes in circumstances occurred which would indicate any goodwill impairment.

Intangible Assets—Intangible assets consisted of the following:

	September 30, 2012			December 31, 2011		
	Gross amount	Accumulated amortization and foreign currency translation	Net carrying value	Gross amount	Accumulated amortization and foreign currency translation	Net carrying value
Amortized intangible assets:						
Customer relationships	$ 77,426	$ 33,764	$ 43,662	$ 77,151	$ 27,606	$ 49,545
Trade names	8,951	6,059	2,892	8,951	5,719	3,232
Core technology	6,400	5,556	844	6,400	4,777	1,623
Non compete agreements	3,874	3,611	263	3,874	3,463	411
Favorable lease agreements	620	480	140	620	420	200
Patents	3,131	599	2,532	3,131	225	2,906
Licenses	537	52	485	—	—	—
Unamortized intangible assets:						
Proprietary knowledge	110	—	110	110	—	110
Total	$ 101,049	$ 50,121	$ 50,928	$ 100,237	$ 42,210	$ 58,027

In July 2011, the Company completed an asset purchase of certain patents from a third party for consideration in the amount of $3,100. The patents have a weighted-average useful life of approximately 6 years.

Amortization expense for three months ended September 30, 2012 and 2011 was $2,922 and $3,130, respectively. Amortization expense for nine months ended September 30, 2012 and 2011 was $8,762 and $9,235, respectively.

At September 30, 2012, expected amortization expense for the definite lived intangible assets is as follows:

2012 (remaining three months)	$ 2,537
2013	9,435
2014	8,688
2015	8,592
2016	6,575
Thereafter	14,991
Total	$ 50,818

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6. OTHER ASSETS AND OTHER LIABILITIES

Other assets consisted of the following:

	September 30, 2012	December 31, 2011
Prepaid bonuses	$ 34,666	$ 36,797
Deferred tax assets	43,706	47,617
Investments accounted for under the cost method and equity method (1)	31,607	33,059
Forgivable employee loans and advances to employees	33,120	23,909
Software inventory, net	5,605	6,909
Financial instruments owned	5,778	6,864
Deferred financing fees (1)	8,616	10,290
Other (1)	25,853	33,224
Total Other assets	$ 188,951	$ 198,669

(1) Balances as of December 31, 2011 have been reclassified for comparative presentation.

During the fourth quarter of 2011, the Company exchanged its membership interests in a third party brokerage firm with a proprietary trading platform for a convertible senior secured promissory note (the "Note") due in 2016 with a face value of $14,059. At the Company's discretion, the Note may be converted into a 49% membership interest in this third party brokerage firm. Upon the exchange of its membership interests, the Company recognized a loss of $4,094 for the difference between the book value of the membership interests and the fair value of the Note. During the second quarter of 2012, the Company modified the Note by reducing its face value from $14,059 to $5,000 and changing the percentage of membership interests the Note may be converted into, which may vary depending on whether this third party brokerage firm can raise additional capital. The Company accounted for the Note as an available-for-sale security. Due to these modifications, the Company recorded a $2,700 impairment charge in the first quarter of 2012 in accordance with ASC 310-40 *Troubled Debt Restructurings by Creditors*.

During the three months ended September 2012, the third party brokerage firm notified the Company that they had immediate liquidity concerns and that there was the prospect of insolvency in the near future. In accordance with ASC 320-10 *Investments—Debt and Equity Securities*, the Company determined that the Note had been impaired and, therefore, the Note was written down to its estimated fair value, which was concluded to be zero. The Company recorded the following impairment charges related to its investment in this third party brokerage firm:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Impairment charges (Included within Other expenses)	$ 2,662	$ 2,255	$ 5,362	$ 2,255

Other liabilities consisted of the following:

	September 30,	December 31,

	2012	2011
Deferred revenues	$ 7,644	$ 16,879
Payroll related liabilities	32,359	16,364
Future purchase commitment and contingent consideration liabilities	4,453	13,681
Deferred tax liabilities	8,459	14,962
Unrecognized tax benefits	11,187	11,187
Financial instruments sold, not yet purchased	2,616	976
Other	24,120	23,514
Total Other liabilities	$ 90,838	$ 97,563

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7. SHORT-TERM BORROWINGS AND LONG-TERM OBLIGATIONS

The Company had outstanding Long-term obligations as of September 30, 2012 and December 31, 2011 as follows:

	Maturity Date	September 30, 2012	December 31, 2011
Long-term obligations:			
8.375% Senior Notes	July 2018	$ 250,000	$ 250,000

8.375% Senior Notes

In July 2011, the Company issued $250,000 in aggregate principal amount of 8.375% Senior Notes (the "8.375% Senior Notes") due 2018 in a private offering (the "Offering") to qualified institutional buyers pursuant to Rule 144A and to certain persons in offshore transactions pursuant to Regulation S, each under the Securities Act of 1933, as amended (the "Securities Act"). The notes were priced to investors at 100% of their principal amount, and mature in July 2018. Interest on these notes is payable semi-annually in arrears on the 19th of January and July. Transaction costs of approximately $9,100 related to the 8.375% Senior Notes was deferred and is being amortized over the term of the notes. On December 21, 2011, the Company completed an exchange offer for the 8.375% Senior Notes whereby it exchanged $250,000 in aggregate principal amount of the 8.375% Senior Notes for 8.375% Senior Notes that are registered under the Securities Act. On April 23, 2012, Standard & Poor's lowered its credit rating on the Company's 8.375% Senior Notes one notch to BB+, which, pursuant to the terms of the 8.375% Senior Notes, increased the applicable per annum interest rate, effective July 19, 2012, by 25 basis points, equating to an additional $625 of interest per annum. At September 30, 2012 and December 31, 2011, unamortized deferred financing fees related to the 8.375% Senior Notes of $7,530 and $8,552, respectively, were recorded within Other assets and the Company was in compliance with all applicable covenants.

Credit Agreement

In December 2010, the Company entered into a second amended and restated credit agreement (as amended and restated, the "Credit Agreement") with Bank of America, N.A. and certain other lenders. The Credit Agreement matures on December 20, 2013 and provides for maximum borrowings of up to $129,500, which includes up to $50,000 for letters of credit. Revolving loans may be either base rate loans or Eurocurrency rate loans. Eurocurrency rate loans bear interest at the annualized rate of one-month LIBOR plus the application margin, letter of credit fees per annum are equal to the applicable margin times the outstanding amount drawn under such letter of credit and base rate loans bear interest at a rate per annum equal to a prime rate plus the applicable margin in effect for that interest period. As long as no default has occurred under the Credit Agreement, the applicable margin for both the base rate and Eurocurrency rate loans is based on a matrix that varies with a ratio of outstanding debt to EBITDA, as defined in the Credit Agreement.

In July 2011, the Company used $135,319 of the net proceeds from the Offering of the 8.375% Senior Notes to repay all then outstanding amounts under the Credit Agreement, including accrued and unpaid interest. As a result of the Offering, the available borrowing capacity under the Credit Agreement decreased from $200,000 to approximately $129,500.

The Company had outstanding borrowings under its Credit Agreement as of September 30, 2012 and December 31, 2011 as follows:

September 30,	December 31,

	2012	2011
Loans Available (1)	$ 129,500	$ 129,500
Loans Outstanding	$ —	$ —

(1) Amounts available include up to $50,000 for letters of credit as of September 30, 2012 and December 31, 2011.

At September 30, 2012 and December 31, 2011, unamortized deferred financing fees related to the Credit Agreement were $1,086 and $1,738, respectively.

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The Credit Agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants at September 30, 2012 and December 31, 2011.

8. STOCKHOLDERS' EQUITY

In August 2007, the Company's Board of Directors authorized the Company to implement a stock repurchase program to repurchase a limited number of shares of the Company's common stock. Under the repurchase plan, the Board of Directors authorized the Company to repurchase shares of the Company's common stock on the open market in such amounts as determined by the Company's management provided that such amounts do not exceed, during any calendar year, the number of shares issued upon exercise of stock options plus the number of shares underlying grants of RSUs that are granted during such calendar year, or which management reasonably anticipates will be granted in such calendar year. During the three months ended September 30, 2012, the Company repurchased 1,413,067 shares of its common stock on the open market at an average price of $3.25 per share for a total cost of $4,641, including sales commissions. During the nine months ended September 30, 2012, the Company repurchased 3,107,469 shares of its common stock on the open market at an average price of $3.17 per share for a total cost of $9,939, including sales commissions. During the three months ended September 30, 2011, the Company repurchased 3,207,433 shares of its common stock on the open market at an average price of $4.40 per share for a total cost of $14,215, including sales commissions. During the nine months ended September 30, 2011, the Company repurchased 5,650,000 shares of its common stock on the open market at an average price of $4.55 per share for a total cost of $25,868, including sales commissions. The repurchased shares were recorded at cost as treasury stock in the Condensed Consolidated Statements of Financial Condition.

During the three months ended September 30, 2012 and 2011, the Company reissued 62,421 and 13,391 shares of its Treasury stock, respectively, in relation to the settlement of vested RSUs. During the nine months ended September 30, 2012 and 2011, the Company reissued 765,325 and 218,087 shares of its Treasury stock, respectively, in relation to the settlement of vested RSUs. The reissuance of these shares is accounted for as a reduction of Treasury stock on a first-in, first-out basis. The total amounts reduced from Treasury stock relating to the settlement of RSUs during the three months ended September 30, 2012 and 2011 were $144 and $235, respectively. The total amounts reduced from Treasury stock relating to the settlement of RSUs during the nine months ended September 30, 2012 and 2011 were $11,444 and $3,882, respectively.

On each of March 30, May 31, and August 31, 2012, the Company paid a cash dividend of $0.05 per share, which, based upon the number of shares outstanding on the record date for such dividends, totaled $5,897, $5,991, and $5,873, respectively. On each of March 31, May 31, and August 31, 2011, the Company paid a cash dividend of $0.05 per share, which, based upon the number of shares outstanding on the record date for such dividends, totaled $6,100, $6,205 and $5,955, respectively. The dividends were reflected as reductions of retained earnings in the Condensed Consolidated Statements of Financial Condition.

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9. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for common stock is calculated by dividing net (loss) income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted (loss) earnings per share is calculated by dividing net (loss) income by the sum of: (i) the weighted average number of shares outstanding, (ii) outstanding stock options and RSUs (using the "treasury stock" method when the impact of such options and RSUs would be dilutive), and (iii) any contingently issuable shares when dilutive.

Basic and diluted (loss) earnings per share for the three and nine months ended September 30, 2012 and 2011 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic (loss) earnings per share				
GFI's net (loss) income	$ (8,693)	$ 6,065	$ 1,419	$ 18,962
Weighted average common shares outstanding	115,541,373	117,717,234	116,073,488	119,187,808
Basic (loss) earnings per share	$ (0.08)	$ 0.05	$ 0.01	$ 0.16
Diluted (loss) earnings per share				
GFI's net (loss) income	$ (8,693)	$ 6,065	$ 1,419	$ 18,962
Weighted average common shares outstanding	115,541,373	117,717,234	116,073,488	119,187,808
Effect of dilutive options, RSUs, restricted stock, and other contingently issuable shares	—	7,703,502	7,496,622	7,865,006
Weighted average shares outstanding and common stock equivalents	115,541,373	125,420,736	123,570,110	127,052,814
Diluted (loss) earnings per share	$ (0.08)	$ 0.05	$ 0.01	$ 0.15

Excluded from the computation of diluted (loss) earnings per share because their effect would be anti-dilutive were the following: (i) 7,341,891 RSUs and 77,476 stock options for the three months ended September 30, 2012, (ii) 2,323,669 RSUs and 96,424 stock options for the three months ended September 30, 2011, (iii) 8,433,605 RSUs and 77,476 stock options for the nine months ended September 30, 2012 and (iv) 2,974,954 RSUs and 103,248 stock options for the nine months ended September 30, 2011.

Included in the computation of diluted (loss) earnings per share, but not in the computation of basic (loss) earnings per share, as the conditions for issuance were not satisfied as of the respective reporting period were 3,682,916 contingently issuable shares for the three and nine months ended September 30, 2012 and 3,959,541 contingently issuable shares for the three and nine months ended September 30, 2011.

As a result of the net loss for the three months ended September 30, 2012, the following were excluded from the computation of diluted loss per share for that period: common shares underlying options to purchase 39,715 shares of common stock, 3,130,644 RSUs, and 3,682,916 shares that were contingently issuable.

10. SHARE-BASED COMPENSATION

The Company issues RSUs to its employees under the GFI Group Inc. 2008 Equity Incentive Plan, which was approved by the Company's stockholders on June 11, 2008 (as amended, the "2008 Equity Incentive Plan"). The 2008 Equity Incentive Plan was subsequently amended at each of the Company's annual stockholders meetings since the Plan was initially approved in order to increase the number of shares of common stock available for grant under the Plan. Prior to June 11, 2008, the Company issued RSUs under the GFI Group Inc. 2004 Equity Incentive Plan (the "2004 Equity Incentive Plan").

The 2008 Equity Incentive Plan permits the grant of non-qualified stock options, stock appreciation rights, shares of restricted stock, restricted stock units and performance units to employees, non-employee directors or consultants. The Company issues shares from authorized but unissued shares, which are reserved for issuance upon the vesting of RSUs granted pursuant to the 2008 Equity Incentive Plan. As of September 30, 2012, there were 11,077,540 shares of common stock available for future grants of awards under this plan. The fair value of RSUs is based on the closing price of the

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Company's common stock on the date of grant and is recorded as compensation expense over the service period, net of estimated forfeitures.

The following is a summary of RSU transactions under both the 2008 Equity Incentive Plan and the 2004 Equity Incentive Plan during the nine months ended September 30, 2012:

	RSUs	Weighted-Average Grant Date Fair Value
Outstanding December 31, 2011	17,957,726	$ 4.84
Granted	8,162,555	3.56
Vested	(6,148,033)	4.88
Cancelled	(410,641)	4.96
Outstanding September 30, 2012	19,561,607	$ 4.29

The weighted average grant-date fair value of RSUs granted for the nine months ended September 30, 2012 was $3.56 per unit, compared with $4.78 per unit for the same period in the prior year. Total compensation expense and related income tax benefits recognized in relation to RSUs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Compensation expense	$ 7,751	$ 7,777	$ 24,653	$ 23,186
Income tax benefits	$ 2,359	$ 2,489	$ 7,506	$ 6,495

At September 30, 2012, total unrecognized compensation cost related to the RSUs prior to the consideration of expected forfeitures was approximately $64,769 and is expected to be recognized over a weighted-average period of 1.95 years. The total fair value of RSUs vested during the nine months ended September 30, 2012 and 2011 was $30,021 and $23,756, respectively.

As of September 30, 2012, the Company had stock options outstanding under two plans: the GFI Group 2002 Stock Option Plan (the "GFI Group 2002 Plan") and the GFInet Inc. 2000 Stock Option Plan (the "GFInet 2000 Plan"). No additional grants will be made under these plans. Under each plan: options were granted to employees, non-employee directors or consultants to the Company; both incentive and non-qualified stock options were available for grant; options were issued with terms up to ten years from date of grant; and options were generally issued with an exercise price equal to or greater than the fair market value at the time the option was granted. In addition to these terms, both the GFI Group 2002 Plan and the GFInet 2000 Plan contained events that had to occur prior to any options becoming exercisable. Under both plans, the options became exercisable upon the completion of the Company's initial public offering, which occurred in January 2005. Options outstanding under both plans are exercisable for shares of the Company's common stock. The Company issues shares from the authorized but unissued shares reserved for issuance under the GFI Group 2002 Plan or the GFInet 2000 Plan, respectively, upon the exercise of option grants under such plans.

The following is a summary of stock options outstanding under both the GFI Group 2002 Plan and the GFInet 2000 Plan as of September 30, 2012:

	GFI Group 2002 Plan	GFInet 2000 Plan

	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding December 31, 2011	585,748	$ 3.28	16,844	$ 2.97
Exercised	(10,528)	2.97	—	—
Outstanding September 30, 2012	575,220	$ 3.29	16,844	$ 2.97

During the nine months ended September 30, 2011, there were 4,212 stock options exercised under the GFI Group 2002 Plan and 23,252 stock options exercised and 52,152 stock options expired under the GFInet 2000 Plan.

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11. COMMITMENTS AND CONTINGENCIES

***Purchase Obligations*—**The Company has various unconditional purchase obligations. These obligations are for the purchase of market data from a number of information service providers during the normal course of business. As of September 30, 2012, the Company had total purchase commitments for market data of approximately $26,986 with $22,005 due within the next twelve months and $4,981 due between one to three years. Additionally, the Company had other purchase commitments of $5,326, primarily related to network implementations in the U.S. and U.K., and $724 for hosting and software license agreements. Of these other purchase commitments, approximately $2,594 are due within the next twelve months.

In connection with the acquisition of 70% of the equity ownership interests in Kyte, the Company agreed to purchase the residual 30% equity interest in Kyte for an additional cash payment in an amount to be determined pursuant to a formula based on Kyte's earnings, such payment to be made following June 30, 2013. See Note 4 to the Condensed Consolidated Financial Statements for further information.

Contingencies—In the normal course of business, the Company and certain subsidiaries included in the condensed consolidated financial statements are, and have been in the past, involved in various lawsuits and proceedings and are, and have been in the past, involved in certain regulatory examinations. These legal proceedings are at varying stages of adjudication, arbitration or investigation and involve a wide variety of claims. In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories, the Company generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties, if any, relating to each matter may be.

The Company is subject to the possibility of losses from these various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. In accordance with applicable accounting guidelines, an accrual is made when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. Where a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. Several of the Company's European subsidiaries are currently defending a claim that they improperly hired a number of employees of a competitor over the course of several months. The claim was filed almost a year after the Company hired the employees and notwithstanding that none of the employees breached their employment agreements with the competitor. Although the case is in its preliminary stages, the claimant is seeking a multi-million dollar award. The Company intends to vigorously defend against this action and believes that it has substantial defenses to the claims asserted against it.

The Company is subject to regular examinations by various tax authorities in jurisdictions in which the Company has significant business operations. The Company regularly assesses the likelihood of additional tax assessments that may result from these examinations in each of the tax jurisdictions. A tax accrual has been established, which the Company believes to be adequate in relation to the potential for additional tax assessments. Once established, the accrual may be adjusted based on new information or events. The imposition of additional tax assessments, penalties or fines by a tax authority could have a material impact on the Company's effective tax rate.

Additionally, the Company has recorded reserves for certain contingencies to which it may have exposure, such as contingencies related to the employer portion of National Insurance Contributions in the U.K.

Based on currently available information, the outcome of the Company's outstanding legal proceedings are not expected to have a material adverse impact on the Company's financial statements. However, the outcome of any such matters may be material to the Company's results of operations or cash flows in a given period. It is not presently possible to determine the Company's ultimate exposure to these matters and there is no assurance that the resolution of the Company's outstanding matters will not significantly exceed any reserves accrued by the Company.

Risks and Uncertainties— The Company primarily generates its revenues by executing and facilitating transactions for counterparties. Revenues for these services are transaction based. As a result, the Company's revenues will likely vary based upon the trading volumes of the various securities, commodities, foreign exchange and other derivative markets in which the Company provides its services.

Guarantees— The Company, through its subsidiaries, is a member of certain exchanges and clearing houses. Under the membership agreements, members are generally required to guarantee certain obligations. To mitigate the performance risks

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of its members, the exchanges and clearing houses may, from time to time, require members to post collateral, as well as meet certain minimum financial standards. The Company's maximum potential liability under these arrangements cannot be quantified. However, management believes that the potential for the Company to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Statements of Financial Condition for these arrangements.

12. MARKET AND CREDIT RISKS

Disclosure regarding the Company's financial instruments with market and credit risks are described in "Note 15—Market and Credit Risks" of the Notes to the Consolidated Financial Statements contained in the Company's 2011 Form 10-K. There have been no material changes to these risks during the nine months ended September 30, 2012.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain of the Company's assets and liabilities are carried at fair value or contracted amounts that approximate fair value. Assets and liabilities that are recorded at contracted amounts approximating fair value consist primarily of receivables from and payables to brokers, dealers and clearing organizations and payables to clearing services customers. These receivables and payables to brokers, dealers and clearing organizations are short-term in nature, and following September 30, 2012, substantially all have settled at the contracted amounts. The Company's marketable equity securities are recorded at fair value based on their quoted market price. The Company's investments that are accounted for under the cost and equity methods are investments in companies that are not publicly traded and for which no established market for their securities exists. The fair value of these investments is only estimated if there are identified events or changes in circumstances that may have a significant adverse effect on the carrying value of the investment.

The Company's financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820-10. In accordance with ASC 820-10, the Company has categorized its financial assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below.

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted prices for identifiable assets or liabilities in an active market that the company has the ability to access at the measurement date (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. Level 2 inputs include the following:

- Quoted prices for identifiable or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds which trade infrequently);

- Inputs other than quoted prices that are observable for substantially the full term of the asset or liability (examples include interest rate and currency swaps), and

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Company's debt obligations are carried at historical amounts. The fair value of the Company's Long-term obligations, categorized within Level 2 of the fair value hierarchy, was estimated using market rates of interest available to the Company for debt obligations of similar types as of September 30, 2012 and December 31, 2011 as follows:

	September 30, 2012	December 31, 2011
Long-term obligations, at estimated fair value:		
8.375% Senior Notes	$ 222,498	$ 231,250

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Valuation Techniques

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis are as follows:

U.S. Treasury Securities — U.S. Treasury securities are valued using quoted market prices. Valuation adjustments are not applied. Accordingly, U.S. Treasury securities are generally categorized in Level 1 of the fair value hierarchy.

Equity Securities — Equity securities include mostly exchange-traded corporate equity securities and are valued based on quoted market prices. Accordingly, exchange-traded equity securities are generally categorized in Level 1 of the fair value hierarchy. Non-exchange traded equity securities are measured primarily using broker quotations, pricing service data from external providers and prices observed for recently executed market transactions. Non-exchange traded equity securities are generally categorized within Level 2 of the fair value hierarchy.

Corporate Bonds — Corporate bonds are measured primarily using broker quotations, pricing service data from external providers and prices observed for recently executed market transactions. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Foreign government bonds — Foreign government bonds are mostly valued using quoted market prices. Accordingly, foreign government bonds are generally categorized in Level 1 of the fair value hierarchy.

Derivative Contracts — Derivative contracts include instruments such as foreign exchange, commodity, fixed income and equity derivative contracts.

Listed Derivative Contracts — Listed derivatives that are actively traded are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy.

OTC Derivative Contracts — OTC derivative contracts include forwards, swaps, and options contracts related to foreign currencies. Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be either observed or modeled using a series of techniques and model inputs from comparable benchmarks, including closed-form analytic formulas, such as the Black-Scholes option-pricing model, and simulation models or a combination thereof. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgment, and the pricing inputs are observed from actively quoted markets. In the case of more established derivative products, the pricing models used by the Company are widely accepted by the financial services industry. OTC derivative products valued by the Company using pricing models generally fall into this category and are categorized in Level 2 of the fair value hierarchy.

Equity warrants — Non-exchange traded equity warrants are classified within Level 3 of the fair value hierarchy and are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Convertible note receivable, available-for-sale — As discussed in Note 6, during the fourth quarter of 2011, the Company exchanged its membership interest in a third party brokerage firm for a convertible senior secured promissory note in that company. This security was previously measured using valuation techniques involving quoted prices of or market data for comparable companies, including credit ratings, peer company ratios and discounted cash flow analyses. As the inputs used in estimating the fair value of this convertible debt security were both unobservable and significant to the overall fair value measurement of this asset, the asset was categorized within Level 3 of the fair value hierarchy. During the three months ended September 30, 2012, the third party brokerage firm notified the Company that they had immediate liquidity concerns and that there was the prospect of insolvency in the near future. Based upon this information, the Company determined its estimated fair value of the convertible senior secured promissory note to be zero. See Note 6 for further details.

Future Purchase Commitment — In connection with the acquisition of 70% of the equity ownership interests in Kyte, the Company agreed to purchase the residual 30% equity interest in Kyte for an additional cash payment in an amount to be determined pursuant to a formula based on Kyte's earnings, such payment to be made following June 30, 2013. In applying the income approach, the Company assumed a 16.0% discount rate as of September 30, 2012 and December 31,

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2011, respectively, and used forecasted financial information for Kyte for the remaining period ended June 30, 2013. As the inputs used in estimating the fair value of this future purchase commitment were both unobservable and significant to the overall fair value measurement of this liability, the liability is categorized in Level 3 of the fair value hierarchy.

Contingent Consideration —The category consists primarily of contingent consideration related to the acquisition of a retail energy brokerage business, completed on November 1, 2009. This contingent liability is remeasured at fair value and is based on estimated future collections of accounts receivable of the business through October 31, 2013. As the inputs used in estimating the fair value of this contingent consideration are both unobservable and significant to the overall fair value measurement of this liability, the liability is categorized in Level 3 of the fair value hierarchy.

In the three and nine months ended September 30, 2012 and 2011, the Company did not have any material transfers amongst Level 1, Level 2, and Level 3.

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Financial Assets and Liabilities measured at fair value on a recurring basis as of September 30, 2012 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2012
Assets				
Receivables from brokers, dealers and clearing organizations:				
U.S. Treasury securities	$ 500	$ —	$ —	$ 500
Other assets: Financial instruments owned:				
Equity securities	$ 315	$ 199	$ —	$ 514
Corporate bonds	—	1,462	—	1,462
Foreign government bonds	983	—	—	983
Derivative contracts:				
Foreign exchange derivative contracts	$ —	$ 93,126	$ —	$ 93,126
Fixed income derivative contracts	684	—	—	684
Equity derivative contracts	3,542	—	666	4,208
Commodity derivative contracts	—	765	—	765
Netting (1)	(3,699)	(92,265)	—	(95,964)
Total derivative contracts	$ 527	$ 1,626	$ 666	$ 2,819
Total financial instruments owned	$ 1,825	$ 3,287	$ 666	$ 5,778
Other assets: Other:				
Equity security, available-for-sale	$ 3,362	$ —	$ —	$ 3,362
Convertible note receivable, available-for-sale	—	—	—	—
Total	$ 5,687	$ 3,287	$ 666	$ 9,640
Liabilities				
Other liabilities: Financial instruments sold, not yet purchased:				
Corporate bonds	$ —	$ 616	$ —	$ 616
Foreign government bonds	1,585	—	—	1,585
Derivative contracts:				
Foreign exchange derivative contracts	$ 70	$ 91,849	$ —	$ 91,919
Fixed income derivative contracts	301	—	—	301
Equity derivative contracts	3,398	—	—	3,398
Commodity derivative contracts	—	765	—	765
Netting (1)	(3,699)	(92,269)	—	(95,968)
Total derivative contracts	$ 70	$ 345	$ —	$ 415
Total financial instruments sold, not yet purchased	$ 1,655	$ 961	$ —	$ 2,616
Other liabilities: Future purchase commitment	$ —	$ —	$ 3,644	$ 3,644
Other liabilities: Contingent consideration	$ —	$ —	$ 809	$ 809
Total	$ 1,655	$ 961	$ 4,453	$ 7,069

(1) Represents the impact of netting on a net-by-counterparty basis.

Excluded from the table above is variation margin on long and short derivative contracts related to exchange traded futures and options in the amount of $2,644 and $120 which are included within Receivables from brokers, dealers and clearing organizations and Payables to brokers, dealers and clearing organizations, respectively.

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Financial Assets and Liabilities measured at fair value on a recurring basis as of December 31, 2011 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
Assets				
Receivables from brokers, dealers and clearing organizations:				
U.S. Treasury securities	$ 500	$ —	$ —	$ 500
Other assets: Financial instruments owned:				
Equity securities	$ 480	$ 208	$ —	$ 688
Derivative contracts:				
Foreign exchange derivative contracts	$ 16	$ 185,933	$ —	$ 185,949
Fixed income derivative contracts	1,628	—	—	1,628
Equity derivative contracts	1,453	—	1,937	3,390
Netting (1)	(1,210)	(183,581)	—	(184,791)
Total derivative contracts	$ 1,887	$ 2,352	$ 1,937	$ 6,176
Total financial instruments owned	$ 2,367	$ 2,560	$ 1,937	$ 6,864
Other assets: Other:				
Equity security, available-for-sale	$ 2,901	$ —	$ —	$ 2,901
Convertible note receivable, available-for-sale	$ —	$ —	$ 5,362	$ 5,362
Total	$ 5,768	$ 2,560	$ 7,299	$ 15,627
Liabilities				
Other liabilities: Financial instruments sold, not yet purchased:				
Equity securities	$ 129	$ 22	$ —	$ 151
Derivative contracts:				
Foreign exchange derivative contracts	$ 7	$ 184,354	$ —	$ 184,361
Fixed income derivative contracts	384	—	—	384
Equity derivative contracts	819	—	—	819
Netting (1)	(1,210)	(183,529)	—	(184,739)
Total derivative contracts	$ —	$ 825	$ —	$ 825
Total financial instruments sold, not yet purchased	$ 129	$ 847	$ —	$ 976
Other liabilities: Future purchase commitment	$ —	$ —	$ 12,562	$ 12,562
Other liabilities: Contingent consideration	$ —	$ —	$ 1,119	$ 1,119
Total	$ 129	$ 847	$ 13,681	$ 14,657

(1) Represents the impact of netting on a net-by-counterparty basis.

Excluded from the table above is variation margin on long and short derivative contracts related to exchange traded futures and options on futures in the amount of $1,125 which are included within Receivables from brokers, dealers and clearing organizations.

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Changes in Level 3 Financial Assets and Liabilities measured at fair value on a recurring basis for the three months ended September 30, 2012 are as follows:

	Beginning Balance	Total realized and unrealized gains (losses) included in Income (1)	Unrealized gains (losses) included in Other comprehensive (income) loss	Purchases	Issuances	Sales	Settlements	Ending Balance at September 30, 2012	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2012
Assets									
Other assets:									
Financial instruments owned:									
Equity derivative contracts	$ 2,375	$ (1,709)	$ —	$ —	$ —	$ —	$ —	$ 666	$ (1,709)
Other assets:									
Other:									
Convertible note receivable, available-for- sale	$ 2,662	$ (2,662)	$ —	$ —	$ —	—	$ —	$ —	$ (2,662)
Liabilities									
Other liabilities:									
Future purchase commitment:	$ 5,600	$ 2,081	$ (125)	$ —	$ —	$ —	$ —	$ 3,644	$ 2,081
Other liabilities:									
Contingent consideration:	$ 777	$ (168)	$ —	$ —	$ —	$ —	$ (136)	$ 809	$ (168)

(1) Realized and unrealized gains (losses) are reported in Other income in the Condensed Consolidated Statements of Operations.

Changes in Level 3 Financial Assets and Liabilities measured at fair value on a recurring basis for the three months September 30, 2011 are as follows:

	Beginning Balance	Total realized and unrealized gains (losses) included in Income (1)	Unrealized gains (losses) included in Other comprehensive (income) loss	Purchases	Issuances	Sales	Settlements	Ending Balance at September 30, 2011	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2011
Liabilities									
Other liabilities:									
Future purchase commitment:	$ 21,707	$ (1,175)	$ 678	$ —	$ —	$ —	$ —	$ 22,204	$ (1,175)
Other liabilities:									
Contingent consideration:	$ 1,518	$ —	$ —	$ —	$ —	$ —	$ (193)	$ 1,325	$ —

(1) Realized and unrealized gains (losses) are reported in Other income in the Condensed Consolidated Statements of Operations.

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	Beginning Balance	Total realized and unrealized gains(losses) included in Income (1)	Unrealized gains (losses) included in Other comprehensive (income) loss	Purchases	Issuances	Sales	Settlements	Ending Balance at September 30, 2012	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2012
Assets									
Other assets:									
Financial instruments owned:									
Equity derivative contracts	$ 1,937	$ (1,837)	$ —	$ 566	$ —	$ —	$ —	$ 666	$ (1,837)
Other assets:									
Other:									
Convertible note receivable, available-for- sale	$ 5,362	$ (5,362)	$ —	$ —	$ —	$ —	$ —	$ —	$ (5,362)
Liabilities									
Other liabilities:									
Future purchase commitment:	$ 12,562	$ 9,098	$ (180)	$ —	$ —	$ —	$ —	$ 3,644	$ 9,098
Other liabilities:									
Contingent consideration:	$ 1,119	$ (168)	$ —	$ —	$ —	$ —	$ (478)	$ 809	$ (168)

(1) Realized and unrealized gains (losses) are reported in Other income in the Condensed Consolidated Statements of Operations, except for the $5,362 impairment loss on the Convertible note receivable, available-for-sale, which was include within Other expenses in the Condensed Consolidated Statements of Operations

Changes in Level 3 Financial Assets and Liabilities measured at fair value on a recurring basis for the nine months September 30, 2011 are as follows:

	Beginning Balance	Total realized and unrealized gains (losses) included in Income (1)	Unrealized gains (losses) included in Other comprehensive (income) loss	Purchases	Issuances	Sales	Settlements	Ending Balance at September 30, 2011	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at September 30, 2011
Liabilities									
Other liabilities:									
Future purchase commitment	$ 19,604	$ (2,738)	$ 138	$ —	$ —	$ —	$ —	$ 22,204	$ (2,738)
Other liabilities:									
Contingent consideration:	$ 2,811	$ —	$ —	$ —	$ —	$ —	$ (1,486)	$ 1,325	$ —

(1) Realized and unrealized gains (losses) are reported in Other income in the Condensed Consolidated Statements of Operations.

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Quantitative Information about Level 3 Fair Value Measurements

The following table presents 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.

	Fair Value as of September 30, 2012	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average) (a)
Assets				
Equity derivative contracts	$ 666	Black-Scholes-Merton Model	Expected volatility	55%
			Estimated share price	$ 0.04
Convertible note receivable, available-for-sale	$ —	Discounted cash flow	Estimated credit spread	19%
		Black-Scholes-Merton Model	Expected volatility	45%
			Estimated price per convertible unit	(b)
Liabilities				
Future purchase commitment	$ 3,644	Present value of expected payments	Discount rate	16%
			Forecasted financial information	(c)

(a) As of September 30, 2012, each asset and liability type consists of one security.
(b) To determine the estimated price per convertible unit, the Company estimated the fair value of a non-controlling interest in the entity utilizing a discounted cash flow, appropriate discount rate and combined discount for lack of control and marketability.
(c) The Company's future purchase commitment is based on Kyte's projected earnings through June 30, 2013. In estimating the fair value, the Company utilized post-tax earnings for the remaining period through June 30, 2013.

Valuation Processes—Level 3 Measurements—Depending on the instrument, the Company utilizes a valuation technique, including discounted cash flow methods, option pricing methods and present value methods, as indicated above. Valuations are generally conducted by the Company, with consultation of a third-party valuation expert to develop the valuation model when the asset or liability is initially recorded. Each reporting period, the Company updates unobservable inputs utilizing relevant published information, where applicable. The Company has a formal process to review changes in fair value for satisfactory explanation.

Sensitivity Analysis—Level 3 Measurements

Equity derivative contracts - The significant unobservable inputs used in the fair value of the Company's equity derivative contracts are the expected volatility and an estimated share price. Significant increases (decreases) in expected volatility or estimated share price would result in a higher (lower) fair value measurement.

Convertible note receivable, available-for-sale - The significant unobservable inputs used in the fair value of the Company's convertible note receivable, available-for-sale, are an estimated credit spread, expected volatility and the estimated price per convertible unit. Significant increases (decreases) in expected volatility or estimated price per convertible unit would result in a higher (lower) fair value measurement. Significant increases (decreases) in the estimated credit spread would result in a lower (higher) fair value measurement.

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Future purchase commitment - The significant unobservable inputs used in the fair value of the Company's future purchase commitment for the residual 30% equity interest in Kyte are the discount rate and forecasted financial information. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would result in a higher (lower) fair value measurement.

For all significant unobservable inputs used in the fair value measurement of all Level 3 assets and liabilities, a change in one of the inputs would not necessarily result in a directionally similar change in the other.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses foreign exchange derivative contracts, including forward contracts and foreign currency swaps, to reduce the effects of fluctuations in certain assets and liabilities denominated in foreign currencies. The Company also hedges a portion of its foreign currency exposures on anticipated foreign currency denominated revenues and expenses by entering into forward foreign exchange contracts. As of September 30, 2012 and December 31, 2011, none of these contracts were designated as foreign currency cash flow hedges under ASC 815-10, *Derivatives and Hedging* ("ASC 815-10").

The Company provides brokerage services to its customers for exchange-traded and over-the-counter derivative products, which include futures, forwards and options contracts. The Company may enter into principal transactions for exchange-traded and over-the-counter derivative products to facilitate customer trading activities or to engage in principal trading for the Company's own account.

The Company monitors market risk exposure from its matched principal business and principal trading business by regularly monitoring its concentration of market risk to financial instruments, countries or counterparties and regularly monitoring trades that have not settled within prescribed settlement periods or volume thresholds. Additionally, market risks are monitored and mitigated by the use of the Company's proprietary, electronic risk monitoring system, which provides daily credit reports in each of the Company's geographic regions that analyze credit concentration and facilitates the regular monitoring of transactions against key risk indicators.

For certain derivative contracts, the Company has entered into agreements with counterparties that allow for the netting of positions. The Company reports these derivative contracts on a net-by-counterparty basis when management believes that a legal and enforceable right of offset exists under these agreements.

Fair values of derivative contracts on a gross and net basis as of September 30, 2012 and December 31, 2011 are as follows:

	September 30, 2012		December 31, 2011	
Derivatives not designated as hedging instruments under ASC 815-10	**Derivative Assets (1)**	**Derivative Liabilities(2)**	**Derivative Assets (1)**	**Derivative Liabilities(2)**
Foreign exchange derivative contracts	$ 93,348	$ 92,132	$ 185,984	$ 184,387
Commodity derivative contracts	25,311	25,321	13,178	12,190
Fixed income derivative contracts	3,872	3,656	4,113	2,904
Equity derivative contracts	6,952	3,450	3,600	866
Total fair value of derivative contracts	$ 129,483	$ 124,559	$ 206,875	$ 200,347

Counterparty netting	(124,020)	(124,025)	(199,574)	(199,522)
Total fair value	$ 5,463	$ 534	$ 7,301	$ 825

(1) Reflects futures and options on futures contracts within Receivables from brokers, dealers and clearing organizations and options and forwards contracts within Other assets.

(2) Reflects futures and options on futures contracts within Payables to brokers, dealers and clearing organizations and options and forwards contracts within Other liabilities.

As of September 30, 2012 and December 31, 2011, the Company had outstanding forward foreign exchange contracts with a combined notional value of $86,850 and $128,197, respectively. Approximately $19,289 and $32,743 of these forward foreign exchange contracts represents a hedge of euro-denominated balance sheet positions at September 30, 2012 and

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December 31, 2011, respectively. The remaining contracts are hedges of anticipated future cash flows.

In addition to the Company's outstanding forward foreign exchange contracts, the following table includes the outstanding long and short notional amounts on a gross basis of derivative financial instruments as of September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
	Long	Short	Long	Short
Foreign exchange derivative contracts	$ 9,428,862	$ 9,383,921	$ 9,967,442	$ 9,976,475
Commodity derivative contracts	524,935	525,056	512,233	513,245
Fixed income derivative contracts	5,276,131	5,620,050	3,119,363	3,195,903
Equity derivative contracts	103,780	59,169	31,959	6,605

The following is a summary of the effect of derivative contracts on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2012 and 2011:

		Amount of Gain (Loss) Recognized in Income on Derivatives	
Derivatives not designated as hedging instruments under ASC 815-10	Location of Gain (Loss) Recognized in Income on Derivatives	For the Three Months Ended September 30, 2012	For the Three Months Ended September 30, 2011
Foreign exchange derivative contracts	(1)	$ 1,463	$ 8,776
Commodity derivative contracts	Principal transactions	4,101	4,244
Fixed income derivative contracts	Principal transactions	1,730	2,649
Equity derivative contracts	(2)	(1,424)	750

(1) For the three months ended September 30, 2012, approximately $460 of gains on foreign exchange derivative contracts were included within Other income and approximately $1,003 of gains on foreign currency options were included within Total brokerage revenues. For the three months ended September 30, 2011, approximately $7,205 of gains on foreign exchange derivative contracts were included within Other income and approximately $1,571 of gains on foreign currency options were included within Principal transactions.

(2) For the three months ended September 30, 2012, approximately $1,709 of losses on equity derivative contracts were included within Other income and approximately $285 of gains on equity derivative contracts were included within Principal transactions. For the three months ended September 30, 2011, approximately $750 of gains on equity derivative contracts were included within Principal transactions.

The following is a summary of the effect of derivative contracts on the Condensed Consolidated Statements of Income for the nine months ended September 30, 2012 and 2011:

		Amount of Gain (Loss) Recognized in Income on Derivatives	
Derivatives not designated as hedging instruments under ASC 815-10	Location of Gain (Loss) Recognized in Income on Derivatives	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
Foreign exchange derivative contracts	(1)	$ 6,334	$ 345

Commodity derivative contracts	Principal transactions	15,369	10,191
Fixed income derivative contracts	Principal transactions	6,832	8,736
Equity derivative contracts	(2)	(1,093)	4,532

(1) For the nine months ended September 30, 2012, approximately $3,327 of gains on foreign exchange derivative contracts were included within Other income and approximately $3,007 of gains on foreign currency options were included within Principal transactions. For the nine months ended September 30, 2011, approximately $3,154 of losses were included within Other income and approximately $3,499 of gains were included within Principal transactions.

(2) For the nine months ended September 30, 2012, approximately $1,837 of losses on equity derivative contracts were included within Other income and approximately $744 of gains on equity derivative contracts were included within Principal transactions. For the nine months ended September 30, 2011, approximately $4,532 of gains on equity derivative contracts were included within Principal transactions.

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15. VARIABLE INTEREST ENTITIES

Non-consolidated Variable Interest Entities

The Company holds interests in certain VIEs that it does not consolidate, as it determined that the Company is not the primary beneficiary. The Company's involvement with such VIEs is in the form of direct equity interests and a convertible note. The VIEs include an independent brokerage firm with a proprietary trading platform, trading entities in which the Company has provided initial capital to fund trading activities, a commodity pool operator and an investment fund manager.

The following table presents the carrying amount and maximum exposure to loss associated with the Company's variable interests in non-consolidated VIEs as of September 30, 2012 and December 31, 2011:

	September 30, 2012			December 31, 2011		
Line Item on Condensed Consolidated Statements of Financial Condition	**Number of VIEs**	**Carrying Amount of Assets**	**Maximum Exposure to Loss**	**Number of VIEs**	**Carrying Amount of Assets**	**Maximum Exposure to Loss**
Other assets	6	$ 4,502	$ 4,502	6	$ 10,640	$ 10,640

The Company has not recorded any liabilities with respect to non-consolidated VIEs. As of September 30, 2012 and December 31, 2011, the maximum exposure to loss represented assets recognized by the Company in the form of equity method investments and a convertible note.

Consolidated Variable Interest Entities

In December 2010, Kyte invested in a limited company that is focused on developing a proprietary trading business. The limited company is a VIE and it was determined that the Company is the primary beneficiary of this VIE because the Company, through Kyte, 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 The consolidated VIE had total assets of $5,814 and $5,618 at September 30, 2012, and December 31, 2011, respectively, which primarily consisted of clearing margin. There were no material restrictions on the consolidated VIE's assets. The consolidated VIE had total liabilities of $1,462 and $1,154 at September 30, 2012 and December 31, 2011, respectively. The Company has not provided any financial support to this consolidated VIE during the three and nine months ended September 30, 2012 and 2011.

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16. REGULATORY REQUIREMENTS

The following material operating subsidiaries of the Company are required to maintain minimum levels of regulatory capital pursuant to applicable regulations:

GFI Securities LLC is a registered broker-dealer with the SEC and FINRA. GFI Securities LLC is also a registered introducing broker with the National Futures Association ("NFA") and the Commodity Futures Trading Commission ("CFTC"). Accordingly, GFI Securities LLC is subject to the net capital rules under the Exchange Act and the Commodity Exchange Act. Under these rules, GFI Securities LLC is required to maintain minimum Net Capital, as defined by applicable regulations, of not less than the greater of $250 or 2% of aggregate debits, as defined by applicable regulations. In October 2012, Amerex Brokers LLC and GFI Brokers LLC also submitted applications to become registered introducing brokers with the NFA and CFTC.

GFI Brokers Limited, GFI Securities Limited, The Kyte Group Limited and Kyte Broking Limited are subject to the capital requirements of the Financial Services Authority in the United Kingdom ("FSA"). In addition, GFI Securities Limited and The Kyte Group Limited are subject to the FSA consolidated capital requirements.

GFI (HK) Securities LLC is subject to the capital requirements of the Securities and Futures Commission in Hong Kong (the "SFC").

The following table sets forth information about the minimum regulatory capital that certain of the Company's subsidiaries were required to maintain as of September 30, 2012:

	GFI Securities LLC	GFI Brokers Limited	GFI Securities Limited	The Kyte Group Limited	Kyte Broking Limited	GFI (HK) Securities LLC
Regulatory capital	$ 15,646	$ 48,769	$ 43,328	$ 15,205	$ 7,673	$ 3,158
Minimum regulatory capital required	250	24,343	33,542	10,554	3,032	387
Excess regulatory capital	$ 15,396	$ 24,426	$ 9,786	$ 4,651	$ 4,641	$ 2,771

GFI (HK) Brokers Ltd. is registered with and regulated by the Hong Kong Monetary Authority. As part of this registration, GFI (HK) Brokers Ltd. is required to maintain stockholders' equity of 5,000 Hong Kong dollars (or approximately $645). At September 30, 2012, GFI (HK) Brokers Ltd. had stockholders' equity of 39,355 Hong Kong dollars (or approximately $5,077), which exceeded the minimum requirement by 34,355 Hong Kong dollars (or approximately $4,432).

GFI Group Pte. Ltd. is subject to the compliance requirements of the Monetary Authority of Singapore, which requires that GFI Group Pte. Ltd., among other things, maintain stockholders' equity of 3,000 Singapore dollars (or approximately $2,460). At September 30, 2012, GFI Group Pte. Ltd. exceeded the minimum requirement by approximately 20,445 Singapore dollars (or approximately $16,765).

GFI Korea Money Brokerage Limited is licensed and regulated by the Ministry of Finance and Economy to engage in foreign exchange brokerage business, and is subject to certain regulatory requirements under the Foreign Exchange Transaction Act. As a licensed foreign exchange brokerage company, GFI Korea Money Brokerage Limited is required to maintain minimum paid-in capital of 5,000,000 Korean Won (or approximately $4,490). At September 30, 2012, GFI Korea Money Brokerage Limited exceeded the minimum requirement for paid-in-capital by approximately 6,466,620

Korean Won (or approximately $5,807).

These regulatory rules may restrict the Company's ability to withdraw capital from its regulated subsidiaries. In addition to the requirements set forth above, certain of the Company's other subsidiaries are subject to minimum net capital, minimum stockholders' equity or similar requirements of the jurisdictions in which they operate. The Company believes it was in compliance with all of these requirements at September 30, 2012 and December 31, 2011.

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17. SEGMENT AND GEOGRAPHIC INFORMATION

In accordance with ASC 280-10, *Segment Reporting* ("ASC 280-10") and based on the nature of the Company's operations, products and services in each geographic region, the Company determined that it has four operating segments: (i) Americas Brokerage, (ii) Europe, Middle East and Africa ("EMEA") Brokerage, (iii) Asia Brokerage, and (iv) Clearing and Backed Trading. The Company's brokerage operations provide brokerage services in four broad product categories: fixed income, financial, equity and commodity. Additionally, in accordance with criteria in ASC 280-10, the Company presents its operating segments as five reportable segments: the four operating segments described above and "All Other." The All Other segment captures costs that are not directly assignable to one of the operating segments, primarily consisting of the Company's corporate business activities and operations from software, analytics and market data.

The accounting policies of the segments are the same as those described above in Note 2—Summary of Significant Accounting Policies. The Company evaluates performance of the operating segments based on income (loss) before income taxes, which it defines as revenues less direct expenses. Revenues within each brokerage segment include revenues that are directly related to providing brokerage services along with interest and other income (loss) directly attributable to the operating segment. Revenues within the Clearing and Backed Trading segment primarily include revenues that are directly related to providing clearing services along with the Company's share of profit (loss) on trading activity from capital investments. Direct expenses of the operating segments are those expenses that are directly related to providing the brokerage or clearing services and trading activities of the operating segments and include compensation expense related to the segment management and staff, communication and market data, travel and promotion, and certain professional fees and other expenses that are directly incurred by the operating segments. However, the Company does not allocate to its operating segments certain expenses which it manages separately at the corporate level. The unallocated costs include rent and occupancy, depreciation and amortization, professional fees, interest on borrowings and other expenses and are included in the results below under "All Other" in the reconciliation of operating results. Management generally does not consider the unallocated costs in its measurement of the four operating segments' performance.

Selected financial information for the Company's reportable segments is presented below for periods indicated:

	Three Months Ended September 30, 2012					
	Americas Brokerage	EMEA Brokerage	Asia Brokerage	Clearing and Backed Trading	All Other	Total
Total revenues	$ 62,745	$ 80,147	$ 18,084	$ 40,506	$ 17,906	$ 219,388
Revenues, net of interest and transaction-based expenses	59,370	77,607	18,056	10,866	18,253	184,152
Income (loss) before income taxes	14,392	19,889	4,722	515	(46,685)	(7,167)

	Three Months Ended September 30, 2011					
	Americas Brokerage	EMEA Brokerage	Asia Brokerage	Clearing and Backed Trading	All Other	Total
Total revenues	$ 83,805	$ 103,653	$ 22,946	$ 43,712	$ 21,846	$ 275,962
Revenues, net of interest and transaction-based expenses	80,300	100,373	22,924	12,723	22,142	238,462
Income (loss) before income taxes	23,783	27,745	5,343	1,229	(49,094)	9,006

	Nine Months Ended September 30, 2012					
	Americas Brokerage	EMEA Brokerage	Asia Brokerage	Clearing and Backed Trading	All Other	Total
Total revenues	$ 216,674	$ 263,564	$ 58,010	$ 121,744	$ 57,301	$ 717,293
Revenues, net of interest and transaction-based expenses	205,825	255,751	57,948	35,642	58,447	613,613
Income (loss) before income taxes	56,304	68,742	12,868	4,398	(134,143)	8,169

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	Nine Months Ended September 30, 2011					
	Americas Brokerage	EMEA Brokerage	Asia Brokerage	Clearing and Backed Trading	All Other	Total
Total revenues	$ 237,386	$ 304,985	$ 67,392	$ 123,492	$ 47,888	$ 781,143
Revenues, net of interest and transaction-based expenses	226,578	296,107	67,337	37,399	48,774	676,195
Income (loss) before income taxes	64,713	83,704	16,228	4,559	(142,092)	27,112

In addition, with the exception of goodwill, the Company does not identify or allocate assets by operating segment, nor does its chief operating decision maker evaluate operating segments using discrete asset information. See Note 5 for goodwill by reportable segment.

For the three and nine months ended September 30, 2012 and 2011, the U.K. is the only individual foreign country that accounts for 10% or more of the total sales and total long-lived assets. Information regarding revenue for the three and nine months ended September 30, 2012 and 2011, and information regarding long-lived assets (defined as property, equipment, leasehold improvements and software inventory) in geographic areas as of September 30, 2012 and December 31, 2011 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
United States	$ 59,511	$ 80,801	$ 210,671	$ 228,882
United Kingdom	77,575	131,494	313,209	382,885
Other	82,302	63,667	193,413	169,376
Total	$ 219,388	$ 275,962	$ 717,293	$ 781,143

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues, net of interest and transaction-based expenses:				
United States	$ 57,556	$ 78,661	$ 204,183	$ 222,212
United Kingdom	46,780	99,036	223,506	292,787
Other	79,816	60,765	185,924	161,196
Total	$ 184,152	$ 238,462	$ 613,613	$ 676,195

	September 30, 2012	December 31, 2011
Long-lived Assets, as defined:		
United States	$ 48,448	$ 50,993
United Kingdom	11,053	12,018
Other	5,157	5,846

Total	$ 64,658	$ 68,857

Revenues are attributed to geographic areas based on the location of the particular subsidiary of the Company which generated the revenues.

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18. SUBSEQUENT EVENTS

In October 2012, the Board of Directors declared a quarterly cash dividend of $0.05 per share payable on November 30, 2012 to stockholders of record on November 15, 2012.

Subsequent to the quarter ended September 30, 2012, but prior to the release of this Form 10-Q, the effects of Hurricane Sandy rendered the Company's downtown New York City office, located at 55 Water Street, temporarily inaccessible. While the Company's offices are located on higher floors of the building and were not damaged by the storm, the basement floors of 55 Water Street were flooded by the storm surge and the power supply to the building was interrupted. The Company activated its disaster recovery and business continuity plans and intends to operate its New York-based businesses from its backup facilities and other permanent offices until it is able to use its offices at 55 Water Street. The Company's other global offices were unaffected and remain fully functional and operational.

Subsequent events have been evaluated for recording and disclosure in the notes to the Condensed Consolidated Financial Statements through the filing date of this Form 10-Q.