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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 001-33812

MSCI INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State of Incorporation)**	**13-4038723** **(I.R.S. Employer Identification Number)**
7 World Trade Center **250 Greenwich Street, 49th Floor** **New York, New York** **(Address of Principal Executive Offices)**	**10007** **(Zip Code)**

Registrant's telephone number, including area code: (212) 804-3900

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of October 28, 2013, there were 118,403,925 shares of the registrant’s common stock, par value $0.01, outstanding.

MSCI INC.
FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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AVAILABLE INFORMATION

MSCI Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document MSCI Inc. files with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including MSCI Inc.) file electronically with the SEC. MSCI Inc.'s electronic SEC filings are available to the public at the SEC's website, *www.sec.gov*.

MSCI Inc.'s website is *www.msci.com*. You can access MSCI Inc.'s Investor Relations webpage at *http://ir.msci.com*. MSCI Inc. makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. MSCI Inc. also makes available, through its Investor Relations webpage, via a link to the SEC's website, statements of beneficial ownership of MSCI Inc.'s equity securities filed by its directors, officers, 5% or greater shareholders and others under Section 16 of the Exchange Act.

MSCI Inc. has a Corporate Governance webpage. You can access information about MSCI Inc.'s corporate governance at *http://ir.msci.com/governance.cfm*. MSCI Inc. posts the following on its Corporate Governance webpage:

- Charters for MSCI Inc.'s Audit Committee, Compensation Committee and Nominating and Governance Committee;
- Corporate Governance Policies;
- Procedures for Submission of Ethical Accounting Related Complaints; and
- Code of Ethics and Business Conduct.

MSCI Inc.'s Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer and its Chief Financial Officer. MSCI Inc. will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, Inc. on its website. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 7 World Trade Center, 250 Greenwich Street, 49th Floor, New York, NY 10007; (212) 804-1583. The information on MSCI Inc.'s website is not incorporated by reference into this report.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause MSCI Inc.'s actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue," or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond MSCI Inc.'s control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in MSCI Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on March 1, 2013, and in quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI Inc. projected. Any forward-looking statement in this report reflects MSCI Inc.'s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI Inc.'s operations, results of operations, growth strategy and liquidity. MSCI Inc. assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

WEBSITE AND SOCIAL MEDIA DISCLOSURE

MSCI Inc. uses its website and corporate Twitter account (@MSCI_Inc) as channels of distribution of company information. The information MSCI Inc. posts through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following MSCI Inc.'s press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about MSCI Inc. when you enroll your email address by visiting the "Email Alert Subscription" section at http://ir.msci.com/alerts.cfm?. The contents of MSCI Inc.'s website and social media channels are not, however, incorporated by reference into this report.

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PART I

Item 1. Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share and per share data)

	As of September 30, 2013 (unaudited)	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 283,750	$ 183,309
Short-term investments	—	70,898
Accounts receivable (net of allowances of $978 and $964 at September 30, 2013 and December 31, 2012, respectively)	179,920	153,557
Deferred taxes	50,386	49,552
Prepaid taxes	47,377	32,431
Prepaid and other assets	28,662	25,088
Total current assets	590,095	514,835
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of $73,856 and $59,078 at September 30, 2013 and December 31, 2012, respectively)	73,809	67,419
Goodwill	1,797,223	1,783,410
Intangible assets (net of accumulated amortization of $359,513 and $316,099 at September 30, 2013 and December 31, 2012, respectively)	607,766	641,074
Other non-current assets	12,696	12,901
Total assets	$ 3,081,589	$ 3,019,639
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,319	$ 2,985
Accrued compensation and related benefits	96,030	113,359
Other accrued liabilities	46,380	42,486
Current maturities of long-term debt	54,130	43,093
Deferred revenue	334,094	308,022
Total current liabilities	531,953	509,945
Long-term debt, net of current maturities	753,285	811,623
Deferred taxes	229,877	234,245
Other non-current liabilities	44,327	38,595
Total liabilities	1,559,442	1,594,408
Commitments and Contingencies (see Note 8)		
Shareholders' equity:		
Preferred stock (par value $0.01; 100,000,000 shares authorized; no shares issued)	—	—
Common stock (par value $0.01; 750,000,000 common shares authorized; 125,305,504 and 124,033,980 common shares issued and 118,403,925 and 120,114,586 common shares outstanding at September 30, 2013 and December 31, 2012, respectively)	1,253	1,240
Treasury shares, at cost (6,901,579 and 3,919,394 common shares held at September 30, 2013 and December 31, 2012, respectively)	(236,136)	(120,926)
Additional paid in capital	1,036,732	1,000,014
Retained earnings	722,999	547,699
Accumulated other comprehensive income (loss)	(2,701)	(2,796)
Total shareholders' equity	1,522,147	1,425,231
Total liabilities and shareholders' equity	$ 3,081,589	$ 3,019,639

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)			
Operating revenues	$258,238	$235,444	$768,045	$703,061
Operating expenses:				
Cost of services	80,040	68,350	243,584	213,884
Selling, general and administrative	65,380	62,973	184,623	176,011
Restructuring	—	—	—	(51)
Amortization of intangible assets	14,448	15,959	43,443	47,877
Depreciation and amortization of property, equipment and leasehold improvements	5,934	4,633	16,260	13,711
Total operating expenses	165,802	151,915	487,910	451,432
Operating income	92,436	83,529	280,135	251,629
Interest income	(265)	(252)	(770)	(712)
Interest expense	5,827	7,314	19,351	49,250
Other expense (income)	627	873	497	1,997
Other expense (income), net	6,189	7,935	19,078	50,535
Income before provision for income taxes	86,247	75,594	261,057	201,094
Provision for income taxes	30,937	27,320	85,757	71,308
Net income	$ 55,310	$ 48,274	$175,300	$129,786
Earnings per basic common share	$ 0.46	$ 0.39	$ 1.45	$ 1.06
Earnings per diluted common share	$ 0.46	$ 0.39	$ 1.44	$ 1.05
Weighted average shares outstanding used in computing earnings per share:				
Basic	119,607	122,261	120,497	122,016
Diluted	120,578	123,450	121,446	123,287

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(unaudited)			
Net income	$55,310	$48,274	$175,300	$129,786
Other comprehensive income (loss):				
Foreign currency translation adjustments	6,522	2,228	(1,252)	2,166
Income tax effect	(2,519)	(855)	479	(867)
Foreign currency translation adjustments, net	4,003	1,373	(773)	1,299
Unrealized gains (losses) on cash flow hedges	197	610	1,364	1,134
Income tax effect	(77)	(234)	(524)	(457)
Unrealized gains (losses) on cash flow hedges, net	120	376	840	677
Unrealized gains (losses) on available-for-sale securities	—	10	(5)	8
Income tax effect	—	(4)	2	(4)
Unrealized gains (losses) on available-for-sale securities, net	—	6	(3)	4
Pension and other post-retirement adjustments	(68)	120	47	1,033
Income tax effect	17	(56)	(16)	(276)
Pension and other post-retirement adjustments, net	(51)	64	31	757
Other comprehensive income (loss), net of tax	4,072	1,819	95	2,737
Comprehensive income	$59,382	$50,093	$175,395	$132,523

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)	
Cash flows from operating activities		
Net income	$ 175,300	$ 129,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	43,443	47,877
Stock-based compensation expense	19,150	19,409
Depreciation and amortization of property, equipment and leasehold improvements	16,260	13,711
Amortization of debt origination fees	2,179	17,099
Deferred taxes	(2,125)	(23,701)
Amortization of discount on long-term debt	699	5,072
Excess tax benefits from stock-based compensation	(1,766)	(1,579)
Other non-cash adjustments	(748)	(136)
Changes in assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable	(26,762)	56,822
Prepaid income taxes	(13,067)	84
Prepaid and other assets	(3,393)	436
Accounts payable	(2,017)	1,448
Deferred revenue	25,454	33,301
Accrued compensation and related benefits	(16,161)	(22,683)
Other accrued liabilities	3,147	(4,531)
Other	6,444	15,248
Net cash provided by operating activities	226,037	287,663
Cash flows from investing activities		
Proceeds from redemption of short-term investments	70,900	153,032
Purchase of short-term investments	—	(106,315)
Acquisitions, net of cash acquired	(23,268)	—
Proceeds from the sale of capital equipment	29	—
Capitalized software development costs	(1,829)	—
Capital expenditures	(20,899)	(38,109)
Net cash provided by investing activities	24,933	8,608
Cash flows from financing activities		
Proceeds from borrowing, net of discount	—	876,087
Repayment of long-term debt	(48,000)	(1,092,563)
Payment of debt issuance costs	—	(3,870)
Repurchase of treasury shares	(109,928)	(2,924)
Proceeds from exercise of stock options	9,308	10,761
Excess tax benefits from stock-based compensation	1,766	1,579
Net cash used in financing activities	(146,854)	(210,930)
Effect of exchange rate changes	(3,675)	2,906
Net increase (decrease) in cash and cash equivalents	100,441	88,247
Cash and cash equivalents, beginning of period	183,309	252,211
Cash and cash equivalents, end of period	$ 283,750	$ 340,458
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 15,099	$ 28,593
Cash paid for income taxes	$ 99,642	$ 92,575
Supplemental disclosure of non-cash investing activities:		
Property, equipment and leasehold improvements in other accrued liabilities	$ 5,219	$ 3,463

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. INTRODUCTION AND BASIS OF PRESENTATION

MSCI Inc. together with its wholly-owned subsidiaries (the "Company" or "MSCI") is a global provider of investment decision support tools, including indices, portfolio risk and performance analytics and corporate governance products and services. The Company's flagship products are its global equity indices and environmental, social and governance ("ESG") products marketed under the MSCI and MSCI ESG brands, its portfolio risk and performance analytics covering global equity and fixed income markets marketed under the Barra brand, its market and credit risk analytics marketed under the RiskMetrics and Barra brands, its governance research and outsourced proxy voting and reporting services, and executive compensation analytics tools marketed under the ISS brand, its valuation models and risk management software for the energy and commodities markets marketed under the FEA brand, its private real estate benchmarks marketed under the IPD brand and its products for monitoring, analyzing and reporting on institutional assets for institutional investment consultants marketed under the InvestorForce brand.

MSCI operates as two segments: the Performance and Risk business and the Governance business. The Performance and Risk business is a global provider of investment decision support tools, including equity indices, real estate indices and benchmarks, portfolio risk and performance analytics, credit analytics and ESG products. The Governance business is a provider of corporate governance products, services and data solutions to institutional shareholders and corporations around the world. (See Note 12, "Segment Information," for further information about MSCI's operating segments.)

Basis of Presentation and Use of Estimates

These unaudited condensed consolidated financial statements include the accounts of MSCI Inc. and its subsidiaries and include all adjustments of a normal, recurring nature necessary to present fairly the financial condition as of September 30, 2013 and December 31, 2012, the results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012 and cash flows for the nine months ended September 30, 2013 and 2012. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in MSCI's Annual Report on Form 10-K for the year ended December 31, 2012. The unaudited condensed consolidated financial statement information as of December 31, 2012 has been derived from the 2012 audited consolidated financial statements. The results of operations for interim periods are not necessarily indicative of results for the entire year.

The Company's unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These accounting principles require the Company to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the unaudited condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates and assumptions made by management include the deferral and recognition of revenue, research and development and software capitalization, the allowance for doubtful accounts, impairment of long-lived assets, accrued compensation, income taxes and other matters that affect the unaudited condensed consolidated financial statements and related disclosures. The Company believes that estimates used in the preparation of these unaudited condensed consolidated financial statements are reasonable; however, actual results could differ materially from these estimates.

Intercompany balances and transactions are eliminated in consolidation.

Adjustment to Revenue

During the nine months ended September 30, 2012, as a result of a one-time adjustment, the Company recorded a $5.2 million cumulative revenue reduction to correct an immaterial error related to revenues previously reported through December 31, 2011. The effect of recording this adjustment in the nine months ended September 30, 2012 resulted in a one-time decrease to the energy and commodity analytics products revenues in the Company's Unaudited Condensed Consolidated Statement of Income and an increase in deferred revenues in the Company's Unaudited Condensed Consolidated Statement of Financial Condition. It was determined that under the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Subtopic 985-605, "*Software Revenue Recognition*," the Company incorrectly established vendor specific objective evidence, or VSOE, for certain energy and commodity analytics products and as a result should not have been recognizing a substantial portion of the revenue immediately upon delivery or renewal of a time-based subscription license, the terms of which are generally one year. Rather, the entire license fee should have been recognized ratably over the term of the license. As such, the Company made the cumulative adjustment effective January 1, 2012 and started recognizing revenue related to all contracts still in effect as of this date ratably over the remainder of the term. The Company began recognizing revenue ratably over the contract term for any new contracts entered into on or after January 1, 2012. Based upon an evaluation of all relevant factors, management believes the correcting adjustment did not have a material impact on the Company's previously reported results and, accordingly, has determined that restatement of previously issued financial statements is not necessary.

Concentrations

Financial instruments that may potentially subject the Company to concentrations of credit risk consist principally of cash deposits and short-term investments. At September 30, 2013 and December 31, 2012, cash and cash equivalent amounts were $283.8 million and $183.3 million, respectively. The Company held no short-term investments at September 30, 2013. At December 31, 2012, the Company had invested $70.9 million in U.S. Treasury Securities with maturity dates ranging from 91 to 360 days from the date of purchase. The Company receives interest at prevailing money market fund rates on its cash deposits.

For the three and nine months ended September 30, 2013 and 2012, no single customer accounted for 10.0% or more of the Company's operating revenues.

2. RECENT ACCOUNTING STANDARDS UPDATES

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*," or ASU 2013-02. The amendments in this update require an entity to provide information about the amounts reclassified from accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the income statement or in the notes thereto, significant amounts reclassified from accumulated other comprehensive income by the respective net income line item. This new guidance is to be applied prospectively for interim and annual periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-10, *"Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes,"* or ASU 2013-10. The amendments in this update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under ASC Topic 815, *"Derivatives and Hedging,"* in addition to the interest rates on direct Treasury obligations of the U.S. government and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. This new guidance is to be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of ASU 2013-10 is not expected to have a material impact on the Company's unaudited condensed consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, *"Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,"* or ASU 2013-11. The amendments in this update require that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except under a few limited circumstances. The amendments in this update do not require new recurring disclosures. This new guidance is to be applied prospectively for interim and annual periods beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on the Company's unaudited condensed consolidated financial statements.

3. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

As required by ASC Subtopic 220-10, "*Comprehensive Income—Overall*," the following table presents the amounts reclassified from accumulated other comprehensive income (loss) by the respective line item in the Unaudited Condensed Consolidated Statements of Income:

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)(1)
(in thousands)

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Unaudited Condensed Consolidated Statement of Income
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
Unrealized losses on cash flow hedges			
Interest rate contracts	$ (197)	$ (1,364)	Interest expense
	77	524	Tax benefit
	$ (120)	$ (840)	Net of tax
Unrealized gains on available-for-sale securities			
Short-term investments	$ —	$ 5	Interest income
	—	(2)	Tax expense
	$ —	$ 3	Net of tax
Total reclassifications for the period, net of tax	$ (120)	$ (837)	

(1) Amounts in parentheses indicate expenses or losses moved to the Unaudited Condensed Consolidated Statements of Income.

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4. EARNINGS PER COMMON SHARE

Basic earnings per share ("EPS") is computed by dividing income available to MSCI common shareholders by the weighted average number of common shares outstanding during the period. Shares of common stock outstanding include common stock and vested restricted stock unit awards where recipients have satisfied either the explicit vesting terms or retirement-eligible requirements. Diluted EPS reflects the assumed conversion of all dilutive securities. There were 1,133 and 453 anti-dilutive securities excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2013, respectively. There were no anti-dilutive securities excluded from the calculation of diluted EPS for the three months ended September 30, 2012. There were 2,903 anti-dilutive securities excluded from the calculation of diluted EPS for the nine months ended September 30, 2012.

The Company computes EPS using the two-class method and determines whether instruments granted in share-based payment transactions are participating securities. The following table presents the computation of basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in thousands, except per share data)			
Net income	$ 55,310	$ 48,274	$175,300	$129,786
Less: Allocations of earnings to unvested restricted stock units (1)	(211)	(304)	(668)	(818)
Earnings available to MSCI common shareholders	$ 55,099	$ 47,970	$174,632	$128,968
Basic weighted average common shares outstanding	119,607	122,261	120,497	122,016
Basic weighted average common shares outstanding	119,607	122,261	120,497	122,016
Effect of dilutive securities:				
Stock options and restricted stock units	971	1,189	949	1,271
Diluted weighted average common shares outstanding	120,578	123,450	121,446	123,287
Earnings per basic common share	$ 0.46	$ 0.39	$ 1.45	$ 1.06
Earnings per diluted common share	$ 0.46	$ 0.39	$ 1.44	$ 1.05

(1) Restricted stock units granted to employees prior to 2013 and all restricted stock units granted to independent directors of the Company have a right to participate in all of the earnings of the Company in the computation of basic EPS and, therefore, these restricted stock units are not included as incremental shares in the diluted EPS computation.

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5. SHORT-TERM INVESTMENTS

In the nine months ended September 30, 2013, the Company began investing excess cash in money market funds and other similar cash equivalents rather than in U.S. Treasury securities and other short-term investments as it had in prior periods. As a result, the Company held no short-term investments as of September 30, 2013.

The fair value and gross unrealized gains and losses of securities available-for-sale as of December 31, 2012 were as follows:

(in thousands)	Amortized Cost plus Accrued Interest	Gross unrealized gains	Gross unrealized losses	Estimated Fair value
Debt securities available-for-sale				
U.S. Treasury securities	$ 70,893	$ 5	$ —	$ 70,898

There were no investments with continuous unrealized losses for less than 12 months as of December 31, 2012.

6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements at September 30, 2013 and December 31, 2012 consisted of the following:

Type	Estimated Useful Lives	As of September 30, 2013	As of December 31, 2012
		(in thousands)	
Computer & related equipment	3 to 5 years	$ 83,708	$ 67,529
Furniture & fixtures	7 years	8,182	7,847
Leasehold improvements	3 to 21 years	50,573	48,405
Work-in-process	—	5,202	2,716
Subtotal		147,665	126,497
Accumulated depreciation and amortization		(73,856)	(59,078)
Property, equipment and leasehold improvements, net		$ 73,809	$ 67,419

Depreciation and amortization expense of property, equipment and leasehold improvements was $5.9 million and $4.6 million for the three months ended September 30, 2013 and 2012, respectively. Depreciation and amortization expense of property, equipment and leasehold improvements was $16.3 million and $13.7 million for the nine months ended September 30, 2013 and 2012, respectively.

7. GOODWLL AND INTANGIBLE ASSETS

Goodwill

The Company carries goodwill as a result of its acquisitions of Barra, LLC ("Barra"), RiskMetrics Group, LLC ("RiskMetrics"), Measurisk, LLC ("Measurisk"), IPD Group Limited ("IPD") and Investor Force Holdings, Inc. ("InvestorForce"), as reflected in the table below:

(in thousands)	Performance and Risk	Governance	Total
Goodwill at December 31, 2012 (1)	$1,530,849	$ 252,561	$1,783,410
Changes to goodwill (2)	14,370	(468)	13,902
Foreign exchange translation adjustment	(89)	—	(89)
Goodwill at September 30, 2013	$1,545,130	$ 252,093	$1,797,223

(1) During the three months ended September 30, 2013, the Company identified an error in the deferred tax allocation between its operating segments dating back to the June 1, 2010 acquisition of RiskMetrics. The Company determined that a deferred tax liability that was reflected as a component of the Performance and Risk segment's books should have been recorded on the Governance segment's books. The adjustment decreases the net deferred tax liability and goodwill value of the Performance and Risk segment's books by $21.4 million while increasing the net deferred tax liability and goodwill on the Governance segments books by an offsetting $21.4 million. The correction was made during the three months ended September 30, 2013 and the goodwill at December 31, 2012 has been adjusted to reflect the correct allocations between the operating segments. The correction did not have an effect on the Company's unaudited condensed consolidated financial statements or segment results of operations for any period.

(2) Resulting from the acquisition of InvestorForce, which contributed $11.6 million to the Performance and Risk segment, adjustments to the valuation of acquired IPD assets and liabilities, which contributed $2.7 million to the Performance and Risk segment, and the disposal of the CFRA product line, which removed $0.5 million from the Governance segment.

Intangible Assets

Amortization expense related to intangible assets for the three months ended September 30, 2013 and 2012 was $14.4 million and $16.0 million, respectively. Amortization expense related to intangible assets for the nine months ended September 30, 2013 and 2012 was $43.4 million and $47.9 million, respectively.

The gross carrying amounts, accumulated amortization and net carrying values related to the Company's identifiable intangible assets are as follows:

	As of	
(in thousands)	**September 30, 2013**	**December 31, 2012**
Gross intangible assets:		
Customer relationships	$ 478,735	$ 474,236
Trademarks/trade names	257,282	256,582
Technology/software	198,322	193,192
Proprietary process	3,800	3,800
Proprietary data	28,527	28,527
Subtotal	966,666	956,337
Foreign exchange translation adjustment	613	836
Total gross intangible assets	$ 967,279	$ 957,173
Accumulated amortization:		
Customer relationships	$ (117,166)	$ (92,631)
Trademarks/trade names	(72,291)	(62,270)
Technology/software	(166,030)	(159,375)
Proprietary process	(2,111)	(1,636)
Proprietary data	(1,772)	(184)
Subtotal	(359,370)	(316,096)
Foreign exchange translation adjustment	(143)	(3)
Total accumulated amortization	$ (359,513)	$ (316,099)
Net intangible assets:		
Customer relationships	$ 361,569	$ 381,605
Trademarks/trade names	184,991	194,312
Technology/software	32,292	33,817
Proprietary process	1,689	2,164
Proprietary data	26,755	28,343
Subtotal	607,296	640,241
Foreign exchange translation adjustment	470	833
Total net intangible assets	$ 607,766	$ 641,074

The estimated amortization expense for succeeding years is presented below:

Fiscal Year	Amortization Expense (in thousands)
Remainder of 2013	$ 14,481
2014	58,086
2015	58,169
2016	56,032
2017	49,918
2018	47,379
Thereafter	323,701
Total	$ 607,766

8. COMMITMENTS AND CONTINGENCIES

Legal matters. From time to time, the Company is party to various litigation matters incidental to the conduct of its business. The Company is not presently party to any legal proceedings the resolution of which the Company believes would have a material effect on its business, operating results, financial condition or cash flows.

Leases. The Company leases facilities under non-cancelable operating lease agreements. The terms of certain lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on the straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Rent expense for the three months ended September 30, 2013 and 2012 was $6.5 million and $6.0 million, respectively. Rent expense for the nine months ended September 30, 2013 and 2012 was $18.9 million and $19.0 million, respectively.

Share repurchase. On December 13, 2012, the Board of Directors approved a stock repurchase program authorizing the purchase of up to $300.0 million worth of shares of MSCI's common stock beginning immediately and continuing through December 31, 2014 (the "2012 Repurchase Program"). As part of this authorization, on December 13, 2012, the Company entered into an accelerated share repurchase ("ASR") agreement with a financial institution to initiate share repurchases aggregating $100.0 million (the "December 2012 ASR Program"). The December 2012 ASR Program was structured as a capped ASR in which the Company paid $100.0 million and received approximately 2.2 million shares on December 14, 2012, representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. On July 31, 2013, the Company completed the December 2012 ASR Program, receiving an additional 0.8 million shares. In total, 3.0 million shares were delivered to MSCI for an average purchase price of $33.47 per share. The repurchased shares are held in treasury.

On August 1, 2013, MSCI entered into a new ASR agreement to initiate share repurchases aggregating $100.0 million (the "August 2013 ASR Program"). The August 2013 ASR Program is structured as a capped ASR in which, on August 2, 2013, MSCI paid $100.0 million and received approximately 1.9 million shares, representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. This price is capped such that only under limited circumstances may the Company be required to deliver shares or pay cash at settlement. The repurchased shares are held in treasury. The Company anticipates that all repurchases under the August 2013 ASR Program will be completed no later than the final repurchase date in December 2013, although settlement of the August 2013 ASR Program may be accelerated under certain circumstances. Additionally, depending on the average share price through the completion date in December 2013, MSCI may receive additional shares under the August 2013 ASR Program.

The $100.0 million payment for the August 2013 ASR Program was initially split and recorded as a $70.0 million increase to "Treasury stock" and a $30.0 million decrease to "Additional paid in capital" on the Company's Unaudited Condensed Consolidated

Statement of Financial Condition to reflect the initial estimate of the value of shares received. The 2012 Repurchase Program, except for the ASR, may be modified, suspended, terminated or extended by the Company at any time without prior notice. The remaining $100.0 million balance authorized under the 2012 Repurchase Program will be available for utilization through December 31, 2014 at the Company's discretion.

Long-term debt. On June 1, 2010, the Company entered into a senior secured credit agreement comprised of (i) a six-year term loan facility (the "2010 Term Loan") and (ii) a five-year revolving credit facility (the revolving credit facility, together with the 2010 Term Loan, the "2010 Credit Facility").

On March 14, 2011, the Company completed the repricing of the 2010 Credit Facility pursuant to Amendment No. 2 to the 2010 Credit Facility ("Amendment No. 2"). Amendment No. 2 provided for the incurrence of a new senior secured term loan (the "2011 Term Loan"). The proceeds of the 2011 Term Loan, together with cash on hand, were used to repay the remaining outstanding balance of the 2010 Term Loan in full. The 2011 Term Loan was to mature in March 2017.

On May 4, 2012, the Company amended and restated its 2010 Credit Facility (the credit agreement as so amended and restated, the "Amended and Restated Credit Facility"). The Amended and Restated Credit Facility provides for the incurrence of a new senior secured five-year Term Loan A Facility in an aggregate amount of $880.0 million (the "2012 Term Loan") and a $100.0 million senior secured revolving facility (the "2012 Revolving Credit Facility"). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the then-existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. The Company is required to repay 5.00% per annum of the 2012 Term Loan in quarterly payments over the first two years, 10.00% per annum of the 2012 Term Loan in quarterly payments over the next two years, and 70.00% of the 2012 Term Loan in quarterly payments over the final year.

The 2012 Term Loan bears interest equal to the London Interbank Offered Rate ("LIBOR") plus a margin. As of September 30, 2013, the 2012 Term Loan bore interest at LIBOR plus a margin of 2.00%, or 2.18%. In March 2013, the Company made a $15.0 million prepayment on the 2012 Term Loan.

Current maturities of long-term debt at September 30, 2013 was $54.1 million, net of a $0.9 million discount. Long-term debt, net of current maturities at September 30, 2013 was $753.3 million, net of a $1.7 million discount.

Current maturities of long-term debt at December 31, 2012 was $43.1 million, net of a $0.9 million discount. Long-term debt, net of current maturities at December 31, 2012 was $811.6 million, net of a $2.4 million discount.

In connection with entering into the Amended and Restated Credit Facility, the Company paid $5.7 million in fees, $3.9 million of which are being deferred. These financing fees, together with the existing fees related to prior credit facilities, are being amortized over the life of the Amended and Restated Credit Facility. At September 30, 2013, $8.4 million of the deferred financing fees remain unamortized, $2.7 million of which is included in "Prepaid and other assets" and $5.7 million of which is included in "Other non-current assets" on the Company's Unaudited Condensed Consolidated Statement of Financial Condition.

The Company amortized $0.7 million and $0.5 million of deferred financing fees in interest expense during the three months ended September 30, 2013 and 2012, respectively. The Company amortized $2.2 million and $17.1 million of deferred financing fees in interest expense during the nine months ended September 30, 2013 and 2012, respectively. Approximately $0.2 million of debt discount was amortized in interest expense during each of the three months ended September 30, 2013 and 2012. Approximately $0.7 million and $5.1 million of debt discount were amortized in interest expense during the nine months ended September 30, 2013 and 2012, respectively.

At September 30, 2013 and December 31, 2012, the fair market value of the Company's debt obligations were $813.0 million and $862.3 million, respectively. The fair market value is determined in accordance with accounting standards related to the determination of fair value as discussed in Note 9, "Fair Value Measures," and represents Level 2 valuations. The Company utilizes the market approach and obtains security pricing from a vendor who uses broker quotes and third-party pricing services to determine fair values.

The Amended and Restated Credit Facility also amended certain negative covenants, including financial covenants.

As of September 30, 2013, the Company's retained earnings of $723.0 million were restricted as to the payments of dividends. As outlined in the Amended and Restated Credit Facility, the Company cannot pay or declare any dividends except out of amounts available for restricted payments. As of September 30, 2013, the amount available for restricted payments was $355.7 million, reflecting the Company's cumulative retained excess cash flows ("CRECF"), as defined in the Amended and Restated Credit Facility, through December 31, 2012 and adjusted for any restricted payments made during the nine months ended September 30, 2013. To the extent the CRECF is utilized for other actions restricted under the Amended and Restated Credit Facility, including stock repurchases, the amount available for restricted payments will be reduced.

Derivatives and Hedging Activities. The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company had previously entered into derivative financial instruments to manage exposures that arose from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates, and may do so again in the future. The Company's derivative financial instruments were used to manage differences in the amount, timing and duration of the Company's known or expected cash payments principally related to the Company's borrowings.

Certain of the Company's foreign operations expose the Company to fluctuations of foreign exchange rates. These fluctuations may impact the value of the Company's cash receipts and payments in terms of the Company's functional currency, the U.S. dollar. The Company enters into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of its functional currency.

Cash Flow Hedges of Interest Rate Risk. As a result of the repayment of the 2011 Term Loan on May 4, 2012 and the 2010 Term Loan on March 14, 2011, the Company discontinued prospective hedge accounting on its then-existing interest rate swaps as they no longer met hedge accounting requirements. The Company has not entered into new interest rate swaps to hedge its debt and it is not required to do so under the Amended and Restated Credit Facility. The Company continued to report the net loss related to the discontinued cash flow hedges in Accumulated Other Comprehensive Income (Loss) and reclassified this amount into earnings through the contractual term of the swap agreements which ended in August 2013.

Non-designated Hedges of Foreign Exchange Risk. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to foreign exchange rate movements but do not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of September 30, 2013, the Company had three outstanding foreign currency forwards with a combined notional amount of $40.5 million that were not designated as hedges in qualifying hedging relationships.

The following table presents the fair values of the Company's derivative instruments and the location in which they are presented on the Company's Unaudited Condensed Consolidated Statements of Financial Condition:

(in thousands)	Unaudited Condensed Consolidated Statements of Financial Condition Location	As of September 30, 2013	As of December 31, 2012
Derivatives designated as hedging instruments:			
Liability derivatives:			
Foreign exchange contracts	Other accrued liabilities	$ (1,349)	$ (203)
Asset derivatives:			
Foreign exchange contracts	Prepaid and other assets	$ —	$ 3

The following tables present the effect of the Company's financial derivatives and the location in which they are presented on the Company's Unaudited Condensed Consolidated Statements of Financial Condition and Unaudited Condensed Consolidated Statements of Income:

Derivatives in Cash Flow Hedging Relationships (in thousands)	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion) for the Three Months Ended September 30, 2013	2012	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion) for the Three Months Ended September 30, 2013	2012	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended September 30, 2013	2012
Interest rate swaps	$ —	$ —	Interest expense	$ (197)	$ (610)	Interest expense	$ —	$ —

Derivatives in Cash Flow Hedging Relationships (in thousands)	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion) for the Nine Months Ended September 30, 2013	2012	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion) for the Nine Months Ended September 30, 2013	2012	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Nine Months Ended September 30, 2013	2012
Interest rate swaps	$ —	$ (695)	Interest expense	$ (1,364)	$ (1,827)	Interest expense	$ —	$ —

Derivatives Not Designated as Hedging Instruments (in thousands)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives for the Three Months Ended September 30, 2013	2012
Foreign exchange contracts	Other expense	$ (1,472)	$ —

Derivatives Not Designated as Hedging Instruments (in thousands)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives for the Nine Months Ended September 30, 2013	2012
Foreign exchange contracts	Other expense	$ (185)	$ —

9. FAIR VALUE MEASURES

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2013:

Description	Balance as of September 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Short-term investments	$ —	$ —	$ —	$ —
Liabilities:				
Foreign exchange contracts	$ (1,349)	$ —	$ (1,349)	$ —

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

Description	Balance as of December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Short-term investments:				
U.S. Treasury securities	$ 70,898	$ —	$ 70,898	$ —
Total short-term investments	70,898	—	70,898	—
Foreign exchange contracts	3	—	3	—
Total financial assets	$ 70,901	$ —	$ 70,901	$ —
Liabilities:				
Foreign exchange contracts	$ (203)	$ —	$ (203)	$ —

The Company's financial assets and liabilities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented. The Company does not hold any financial instruments that would be valued using Level 3 inputs as of the periods presented.

The Company's short-term investments consisted of U.S. Treasury securities and were classified within Level 2, as there was not an active market for these securities, but the market pricing data used to calculate the value of the instruments was derived from similar securities traded in active markets.

The Company's foreign exchange forward contracts were classified within Level 2, as they were valued using pricing models that took into account the contract terms as well as multiple observable inputs where applicable, such as prevailing spot rates and forward points.

10. EMPLOYEE BENEFITS

The Company sponsors a 401(k) plan for eligible U.S. employees and defined contribution and defined benefit pension plans that cover substantially all of its non-U.S. employees. Costs relating to 401(k), pension and post-retirement benefit expenses were $5.0 million and $3.6 million for the three months ended September 30, 2013 and 2012, respectively. Amounts included in cost of services were $3.4 million and $2.1 million for the three months ended September 30, 2013 and 2012, respectively. Amounts included in selling, general and administrative expense related to pension and post-retirement expenses for the three months ended September 30, 2013 and 2012 were $1.6 million and $1.5 million, respectively.

For the nine months ended September 30, 2013 and 2012, costs relating to 401(k), pension and post-retirement benefit expenses were $16.9 million and $15.3 million, respectively. Amounts included in cost of services were $10.7 million and $9.7 million for the nine months ended September 30, 2013 and 2012, respectively. Amounts included in selling, general and administrative expense related to pension and post-retirement expenses for the nine months ended September 30, 2013 and 2012 were $6.2 million and $5.6 million, respectively.

401(k) and Other Defined Contribution Plans. Eligible employees may participate in the MSCI 401(k) plan (or any other regional defined contribution plan sponsored by MSCI) immediately upon hire. Eligible employees receive 401(k) and other defined contribution plan matching contributions and, in the case of the MSCI 401(k) plan, an additional Company contribution of 3% of the employees' cash compensation, which is subject to vesting and certain other limitations. The Company's expenses associated with the 401(k) plan and other defined contribution plans were $4.3 million and $3.2 million for the three months ended September 30, 2013 and 2012, respectively. The Company's expenses associated with the 401(k) plan and other defined contribution plans were $15.0 million and $12.8 million for the nine months ended September 30, 2013 and 2012, respectively.

Net Periodic Benefit Expense. Net periodic benefit expense related to defined benefit pension plans was $0.7 million and $0.4 million for the three months ended September 30, 2013 and 2012, respectively. Net periodic benefit expense related to defined benefit pension plans was $1.9 million and $2.5 million for the nine months ended September 30, 2013 and 2012, respectively.

11. INCOME TAXES

The Company's provision for income taxes was $85.8 million and $71.3 million for the nine months ended September 30, 2013 and 2012, respectively. These amounts reflect effective tax rates of 32.8% and 35.5% for the nine months ended September 30, 2013 and 2012, respectively. The effective rate of 32.8% for the nine months ended September 30, 2013 reflects the Company's estimate of the effective tax rate for the period and is impacted by certain discrete items totaling $3.3 million, the effect of which was to decrease the Company's effective tax rate by 2.2 percentage points.

The Company is under examination by the Internal Revenue Service ("IRS") and other tax authorities in certain countries, such as the United Kingdom, and in states in which the Company has significant business operations, such as New York. The tax years currently under examination vary by jurisdiction. During 2010, Morgan Stanley reached a settlement with New York State and New York City tax authorities on issues relating to tax years 2002 through 2006. During the year ended December 31, 2012, it was determined that MSCI's share of the assessed tax and interest was $12.0 million, which the Company paid in accordance with the tax sharing agreement between it and Morgan Stanley, dated as of November 20, 2007. This reflected the final settlement of these tax issues with Morgan Stanley relating to tax years 2002 through 2006.

The Company may have future settlements with Morgan Stanley related to the ultimate disposition of its New York State and New York City examination relating to the tax years 2007 through 2008 and its IRS examination relating to the tax years 2006 through 2008. The Company does not believe it has any material exposure for the New York State and New York City examination as the tax returns for those years were filed in a method consistent with the findings of the aforementioned settlement for the tax years 2002 through 2006. Additionally, the Company believes it has adequate reserves for any tax issues that may arise out of the IRS examination relating to the tax years 2006 through 2008 and therefore does not believe any related settlement with Morgan Stanley will have a material impact.

The Company regularly assesses the likelihood of additional assessments in each of the taxing jurisdictions in which it files income tax returns. The Company has established unrecognized tax benefits that the Company believes are adequate in relation to the potential for additional assessments. Once established, the Company adjusts unrecognized tax benefits only when more information is available or when an event occurs necessitating a change. As part of the Company's periodic review of unrecognized tax benefits and based on new information regarding the status of federal and state examinations, the Company's unrecognized tax benefits were remeasured. It is reasonably possible that significant changes in the balance of unrecognized tax benefits may occur within the next 12 months. At this time, however, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits and the impact on the effective tax rate over the next 12 months.

The following table summarizes the major taxing jurisdictions in which the Company and its affiliates operate and the open tax years for each major jurisdiction:

Tax Jurisdiction	Tax Years
United States	2005-2012
California	2009-2012
New York State	2007-2011
New York City	2007-2011
Hong Kong	2006-2012
United Kingdom	2010-2011
Canada	2006-2012
Japan	2009-2012
India	2008-2012

12. SEGMENT INFORMATION

ASC Subtopic 280-10, "*Segment Reporting*," establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or CODM, in deciding how to allocate resources. MSCI's Chief Executive Officer, who is considered to be its CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. MSCI operates as two segments, the Performance and Risk business and the Governance business. These designations have been made as the discrete operating results of these segments are reviewed by the Company's CODM for purposes of making operating decisions and assessing financial performance.

The Performance and Risk business is a leading global provider of investment decision support tools, including equity indices, real estate indices and benchmarks, portfolio risk and performance analytics, credit analytics and ESG products. The business provides clients with a broad suite of products and services to assist them with managing equity, fixed income and multi-asset class portfolios. The products are used in many areas of the investment process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, regulatory and client reporting, index-linked investment product creation, asset allocation, assessment of social responsibility, environmental stewardship and the effects of climate change on investments, investment manager selection and investment research.

The Governance business is a leading provider of corporate governance products, services and data solutions to institutional investors and corporations around the world. Among other things, the Governance business facilitates the voting of proxies by institutional investors and provides in-depth research and analysis to help inform their voting decisions and identify issuer-specific risk. It offers both global equity security coverage and fully integrated products and services, including proxy voting, policy creation, research, vote recommendations, vote execution, post-vote disclosure and reporting and analytical tools. It also provides class action monitoring and claims filing services to aid institutional investors in the recovery of funds from securities class actions. Within a firewall, a separate unit of the Governance business also provides products and services to corporate clients who may use those products and services to learn about and improve their governance and executive compensation practices.

Revenues and expenses directly associated with each respective segment are included in determining its operating results. Other expenses that are not directly attributable to a particular segment are allocated based upon allocation methodologies, including time estimates, headcount, net revenues and other relevant usage measures.

The CODM does not review any information regarding total assets on an operating segment basis. Operating segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for MSCI as a whole.

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The following table presents MSCI's operating segments' results for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Operating revenues				
Performance and Risk	$228,608	$205,389	$676,500	$611,054
Governance	29,630	30,055	91,545	92,007
Consolidated	$258,238	$235,444	$768,045	$703,061
Amortization of intangible assets and depreciation and amortization of property, equipment and leasehold improvements				
Performance and Risk	$ 16,038	$ 16,393	$ 46,843	$ 49,053
Governance	4,344	4,199	12,860	12,535
Consolidated	$ 20,382	$ 20,592	$ 59,703	$ 61,588
Operating income				
Performance and Risk	$ 88,172	$ 80,472	$268,445	$243,927
Governance	4,264	3,057	11,690	7,702
Consolidated	$ 92,436	$ 83,529	$280,135	$251,629

Revenue by geography is based on the shipping address of the customer. The following table sets forth revenue for the periods indicated by geographic area:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Revenues				
Americas:				
United States	$126,333	$122,199	$375,263	$362,464
Other	10,015	8,418	27,605	24,313
Total Americas	136,348	130,617	402,868	386,777
Europe, Middle East and Africa ("EMEA"):				
United Kingdom	38,502	28,127	111,303	84,337
Other	53,190	45,639	164,172	139,559
Total EMEA	91,692	73,766	275,475	223,896
Asia & Australia:				
Japan	12,950	14,403	38,125	43,222
Other	17,248	16,658	51,577	49,166
Total Asia & Australia	30,198	31,061	89,702	92,388
Total	$258,238	$235,444	$768,045	$703,061

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Long-lived assets consist of property, equipment, leasehold improvements, goodwill and intangible assets, net of accumulated depreciation and amortization.

The following table sets forth long-lived assets on the dates indicated by geographic area:

	As of	
	September 30, 2013	December 31, 2012
	(in thousands)	
Long-lived assets		
Americas:		
United States	$ 2,317,769	$ 2,334,877
Other	4,187	4,608
Total Americas	2,321,956	2,339,485
EMEA:		
United Kingdom	141,249	139,714
Other	9,897	8,749
Total EMEA	151,146	148,463
Asia & Australia:		
Japan	253	297
Other	5,443	3,658
Total Asia & Australia	5,696	3,955
Total	$ 2,478,798	$ 2,491,903

13. ACQUISITIONS AND DISPOSITIONS

The acquisition method of accounting is based on ASC Subtopic 805-10, *"Business Combinations,"* and uses the fair value concepts defined in ASC Subtopic 820-10, "*Fair Value Measurements and Disclosures,*" which the Company has adopted as required. The total purchase price is allocated to the net tangible and intangible assets based upon their fair values as of the acquisition dates. The excess of the purchase price over the fair values of the net tangible assets and intangible assets was recorded as goodwill. The allocation of the purchase price was based upon a valuation and is subject to change within the one-year measurement period following the acquisition. MSCI expects to continue to obtain information to assist it in determining the fair value of the net assets acquired at the acquisition date during the measurement period.

Acquisition of IPD

On November 30, 2012, MSCI Limited, an indirect wholly-owned subsidiary of the Company, paid cash of $124.8 million to acquire real estate performance measurement group IPD. The acquisition of IPD expands the Company's multi-asset class offering by facilitating the integration of private real estate assets into its models, as well as adding a family of real estate indices to the Company's family of equity indices. IPD is dedicated to the objective measurement of the commercial real estate market. Headquartered in London, with offices around the world, IPD is a leading provider of real estate performance analysis for funds, investors, managers, lenders and occupiers and offers a wide range of services that include research, reporting, benchmarking and indices. IPD has been added as a component of the Performance and Risk segment.

As of September 30, 2013, the preliminary purchase price allocations for the IPD acquisition were $76.5 million for goodwill, $58.7 million for identifiable intangible assets, $18.6 million for assets other than identifiable intangible assets and $29.0 million for other liabilities.

Acquisition of InvestorForce

On January 29, 2013, MSCI completed the acquisition of InvestorForce by paying $23.6 million in cash. The acquisition of InvestorForce enhances MSCI's position as a leader in performance analysis and risk transparency and furthers its goal of providing investment decision support tools to institutional investors across all client segments and asset classes. InvestorForce is a leading provider of performance reporting solutions to the institutional investment community in the United States, providing investment consultants with an integrated solution for daily monitoring, analysis and reporting on institutional assets. InvestorForce has been added as a component of the Performance and Risk segment.

As of September 30, 2013, the preliminary purchase price allocations for the InvestorForce acquisition were $11.6 million for goodwill, $9.1 million for identifiable intangible assets, $6.4 million for assets other than identifiable intangible assets and $3.5 million for other liabilities. Primarily as a result of additional income tax information being received and a working capital adjustment, certain InvestorForce acquired tax asset values increased by $7.5 million and goodwill decreased by $7.4 million compared to those reported in the three months ended March 31, 2013.

Disposition of CFRA

On March 31, 2013, MSCI completed the sale of its CFRA product line, which was a component of the Governance segment. The results of operations from the CFRA product line and the sale of CFRA were not material to the Company.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of MSCI Inc.:

We have reviewed the accompanying condensed consolidated statements of financial condition of MSCI Inc. and subsidiaries (the “Company”) as of September 30, 2013, the related condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2013 and 2012, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2013 and 2012. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of MSCI Inc. and subsidiaries as of December 31, 2012 and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York
November 1, 2013

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (the "Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Item 1A.—Risk Factors," in our Form 10-K for the fiscal year ended December 31, 2012 as updated by Part II, "Item 1A.—Risk Factors, "in this Form 10-Q.

Overview

We are a leading global provider of investment decision support tools, including indices, portfolio risk and performance analytics and corporate governance products and services. Our products and services address multiple markets, asset classes and geographies and are sold to a diverse client base, including asset owners such as pension funds, endowments, foundations, central banks, family offices and insurance companies; institutional and retail asset managers, such as managers of pension assets, mutual funds, exchange traded funds ("ETFs"), real estate, hedge funds and private wealth; financial intermediaries such as banks, broker-dealers, exchanges, custodians and investment consultants; and corporate clients. As of September 30, 2013, we had offices in 34 cities in 22 countries to help serve our diverse client base, with 52.4% of our revenue from clients in the Americas, 35.9% in Europe, the Middle East and Africa ("EMEA") and 11.7% in Asia and Australia based on revenues for the nine months ended September 30, 2013.

Our principal sales model in both of our business segments is to license annual, recurring subscriptions to our products and services for use at specified locations, often by a given number of users or for a certain volume of services for an annual fee paid, in most cases, up-front. Additionally, we have increasing recurring subscriptions to our managed services offering, whereby we oversee the production of risk and performance reports on behalf of our clients. Our revenues also come from clients who use our indices as the basis for index-linked investment products such as ETFs. We also derive revenues from certain institutional clients that use our indices as the basis for passively managed funds and separate accounts. These clients commonly pay us a license fee for the use of our intellectual property based on the investment product's assets. We generate a limited amount of our revenues from certain exchanges that use our indices as the basis for futures and options contracts and pay us a license fee for the use of our intellectual property based on their volume of trades. We also receive revenues from one-time fees related to implementation, historical or customized reports, advisory and consulting services and overages relating to the proxy research and voting services, fees relating to recovery of securities class action settlements and from certain products and services that are designed for one-time usage.

In evaluating our financial performance, we focus on revenue growth in total and by product category as well as operating profit growth and the level of profitability as measured by our operating margin in total. Our business is not highly capital intensive and, as such, we expect to continue to convert a high percentage of our operating profits into excess cash in the future. Our revenue growth strategy includes: (a) expanding and deepening our relationships with investment institutions worldwide; (b) developing new and enhancing existing product offerings, including combining existing product features or data derived from our products to create new products; and (c) actively seeking to acquire products, technologies and companies that will enhance, complement or expand our client base and our product offerings.

To maintain and accelerate our revenue and operating income growth, we expect to continue to invest in and expand our operating functions and infrastructure, including adding product management, sales and client support staff and facilities in locations around the world and adding staff and supporting technology for our research and our data operations and our technology functions. At the same time, managing and controlling our operating expenses is very important to us and a distinct part of our culture. Over time, our goal is to keep the rate of growth of our operating expenses below the rate of growth of our revenues, allowing us to expand our operating margins. However, at times, because of significant market opportunities, it may be more important for us to invest in our business in order to support increased efforts to attract new clients and to develop new product offerings, rather than emphasize short-term operating margin expansion. Furthermore, in some periods our operating expense growth may exceed our operating revenue growth due to the variability of revenues from several of our products, including our equity indices licensed as the basis of ETFs, IPD products that are recognized primarily upon delivery of reports to clients and non-recurring fees.

Operating Segments

We operate under two segments: the Performance and Risk business and the Governance business. See Note 12, "Segment Information," of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information about MSCI's operating segments.

Our Performance and Risk business is a leading global provider of investment decision support tools, including indices and portfolio risk and performance analytics, credit analytics and environmental, social and governance ("ESG") products. Our Performance and Risk products are used in many areas of the investment process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, assessment of social responsibility, environmental stewardship and the effects of climate change on investments, investment manager selection and investment research. The flagship products within our Performance and Risk business are our global equity indices and ESG products marketed under the MSCI and MSCI ESG brands, our market and credit risk analytics marketed under the RiskMetrics and Barra brands, our portfolio risk and performance analytics covering global equity and fixed income markets marketed under the Barra brand, our valuation models and risk management software for the energy and commodities markets marketed under the FEA brand, our real estate indices and analytics marketed under the IPD brand and our products for monitoring, analyzing and reporting on institutional assets for institutional investment consultants marketed under the InvestorForce brand.

Our Governance business is a leading provider of corporate governance and specialized financial research and analysis services to institutional investors and corporations around the world. Among other things, the Governance business facilitates the voting of proxies by institutional investors and provides in-depth research and analysis to help inform voting decisions and identify issuer-specific risk. The Governance business offers both global security coverage and fully integrated products and services, including proxy voting, policy creation, research, vote recommendations, vote execution, post-vote disclosure and reporting and analytical tools. It also provides class action monitoring and claims filing services to aid institutional investors in the recovery of funds from securities class action settlements. ISS Corporate Services is within a firewall designed to separate it from the rest of the Governance business. ISS Corporate Services also provides products and services to corporate clients who may use those products and services to learn about and improve their governance practices. The flagship products within our Governance business are our governance research and outsourced proxy voting and reporting services and our executive compensation analytics tools marketed under the ISS brand. On March 31, 2013, we sold our CFRA product line, which offered clients specialized financial research and analytic services.

On October 31, 2013, it was announced that we have engaged Morgan Stanley to explore strategic alternatives for the Governance business, including the potential divestiture or other separation of the entire business. There can be no assurance that the process of exploring these strategic alternatives will result in a transaction or that any transaction will ultimately be consummated. In addition, an adverse outcome from the pursuit of the strategic alternatives could lead to potential future impairment charges.

Revenues and expenses directly associated with each respective segment are included in determining its operating results. Other expenses that are not directly attributable to a particular segment are allocated based upon allocation methodologies, including time estimates, headcount, net revenues and other relevant usage measures.

Factors Affecting the Comparability of Results

Term Loan Repricing

On June 1, 2010, we entered into a senior secured credit agreement comprised of (i) a six-year term loan facility (the “2010 Term Loan”) and (ii) a five-year revolving credit facility (the “2010 Revolving Credit Facility,” together with the 2010 Term Loan, the “2010 Credit Facility”).

On March 14, 2011, we completed the repricing of the 2010 Credit Facility pursuant to Amendment No. 2 to the 2010 Credit Facility (“Amendment No. 2”). Amendment No. 2 provided for the incurrence of a new senior secured term loan (the “2011 Term Loan”). The proceeds of the 2011 Term Loan, together with cash on hand, were used to repay the remaining outstanding balance of the 2010 Term Loan in full.

On May 4, 2012, we amended and restated our 2010 Credit Facility (the credit agreement as so amended and restated, the “Amended and Restated Credit Facility”). The Amended and Restated Credit Facility provides for the incurrence of a new senior secured five-year Term Loan A Facility (the “2012 Term Loan”) in an aggregate amount of $880.0 million and a $100.0 million senior secured revolving facility (the “2012 Revolving Credit Facility”). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the then-existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. In connection with the repayment of the 2011 Term Loan, we terminated our then-existing interest rate swaps and have not entered into new interest rate swaps to hedge our debt as such swaps are not required under the Amended and Restated Credit Facility. We incurred $20.6 million in expense related to the accelerated amortization of existing fees and the immediate recognition of new fees associated with this transaction in “Interest expense” on our Unaudited Condensed Consolidated Statement of Income for the nine months ended September 30, 2012.

At September 30, 2013, the 2012 Term Loan bore interest of LIBOR plus 2.00%, or 2.18%.

Acquisitions

On November 30, 2012, we completed the acquisition of IPD Group Limited (“IPD”) by paying $124.8 million in cash. The acquisition of IPD expands our multi-asset class offering by facilitating the integration of private real estate assets into our models, as well as adding a family of real estate indices to our family of equity indices.

On January 29, 2013, we completed the acquisition of Investor Force Holdings, Inc. (“InvestorForce”) by paying $23.6 million in cash. The acquisition of InvestorForce enhances our position as a leader in performance analysis and risk transparency and furthers our goal of providing investment decision support tools to institutional investors across all client segments and asset classes.

The results of IPD and InvestorForce were not included in our results of operations until their acquisition dates. Since their respective acquisition dates, the results of IPD and InvestorForce have been included as components of our Performance and Risk business.

Share Repurchase

On December 13, 2012, the Board of Directors approved a stock repurchase program authorizing the purchase of up to $300.0 million worth of shares of MSCI's common stock beginning immediately and continuing through the year ended December 31, 2014 (the "2012 Repurchase Program").

On December 13, 2012, as part of the 2012 Repurchase Program, we entered into an accelerated share repurchase ("ASR") agreement with a financial institution to initiate a repurchase aggregating $100.0 million (the "December 2012 ASR Program"). On December 14, 2012, we received approximately 2.2 million shares representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. On a time-weighted basis, these shares were no longer considered outstanding as of December 14, 2012.

On July 31, 2013, we completed the December 2012 ASR Program. We received approximately 0.8 million additional shares which were delivered in July 2013. Those shares were in addition to the 2.2 million shares delivered to MSCI at the outset of the December 2012 ASR Program. In total, we received 3.0 million shares for an average purchase price of $33.47 per share. The repurchased shares will be held in treasury.

On August 1, 2013, as part of the 2012 Repurchase Program, we entered into a new ASR agreement with a financial institution to initiate share repurchases aggregating $100.0 million (the "August 2013 ASR Program"). This agreement is structured as a capped ASR in which, on August 2, 2013, we paid $100.0 million and received approximately 1.9 million shares, representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. This price is capped such that we may be required to deliver shares or pay cash at settlement only under limited circumstances. The repurchased shares are held in treasury. We anticipate that all repurchases under the August 2013 ASR Program will be completed no later than the final repurchase date in December 2013, although settlement of the ASR agreement may be accelerated under certain circumstances. Additionally, depending on the average share price through the completion date in December 2013, we may receive additional shares under the August 2013 ASR Program.

The discussion of our unaudited results of operations for the three and nine months ended September 30, 2013 and 2012 are presented below. The results of operations for interim periods may not be indicative of future results.

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Results of Operations

The following table presents the results of operations for the three months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Increase/(Decrease)	
	(in thousands, except per share data)			
Operating revenues	$258,238	$235,444	$22,794	9.7%
Operating expenses:				
Cost of services	80,040	68,350	11,690	17.1%
Selling, general and administrative	65,380	62,973	2,407	3.8%
Restructuring	—	—	—	0.0%
Amortization of intangible assets	14,448	15,959	(1,511)	(9.5%)
Depreciation and amortization of property, equipment, and leasehold improvements	5,934	4,633	1,301	28.1%
Total operating expenses	165,802	151,915	13,887	9.1%
Operating income	92,436	83,529	8,907	10.7%
Other expense (income), net	6,189	7,935	(1,746)	(22.0%)
Provision for income taxes	30,937	27,320	3,617	13.2%
Net income	$ 55,310	$ 48,274	$ 7,036	14.6%
Earnings per basic common share	$ 0.46	$ 0.39	$ 0.07	17.9%
Earnings per diluted common share	$ 0.46	$ 0.39	$ 0.07	17.9%
Operating margin	35.8%	35.5%		

Operating Revenues

We operate under two segments: the Performance and Risk business and the Governance business. Our revenues are grouped into the following five product and/or service categories:

- Index and ESG
- Risk management analytics
- Portfolio management analytics
- Energy and commodity analytics
- Governance

The Performance and Risk business is comprised of index and ESG, risk management analytics, portfolio management analytics and energy and commodity analytics products.

The following table summarizes the revenue by product category for the three months ended September 30, 2013 compared to the three months ended September 30, 2012:

	Three Months Ended September 30,			
	2013	2012	Increase/(Decrease)	
	(in thousands)			
Index and ESG:				
Subscriptions	$ 92,815	$ 73,894	$18,921	25.6%
Asset-based fees	36,801	34,042	2,759	8.1%
Total index and ESG products	129,616	107,936	21,680	20.1%
Risk management analytics	69,666	64,998	4,668	7.2%
Portfolio management analytics	26,213	29,138	(2,925)	(10.0%)
Energy and commodity analytics	3,113	3,317	(204)	(6.2%)
Governance	29,630	30,055	(425)	(1.4%)
Total operating revenues	$258,238	$235,444	$22,794	9.7%
Recurring subscriptions	$216,905	$197,591	$19,314	9.8%
Asset-based fees	36,801	34,042	2,759	8.1%
Non-recurring revenue	4,532	3,811	721	18.9%
Total operating revenues	$258,238	$235,444	$22,794	9.7%

Total operating revenues for the three months ended September 30, 2013 increased $22.8 million, or 9.7%, to $258.2 million compared to $235.4 million for the three months ended September 30, 2012. Subscription revenues consist of revenues related to our index and ESG subscriptions, risk management analytics, portfolio management analytics, energy and commodity analytics and governance products. Excluding the impact of revenues attributable to IPD, InvestorForce and CFRA, revenues grew by 4.8%.

Our index and ESG products primarily consist of equity index subscriptions, equity index asset-based fees products and ESG products. Our index and ESG products are used to benchmark investment performance, as a basis for index-linked investment products, to assess social responsibility, environmental stewardship and the effects of climate change on investments, for research and for investment manager selection. We derive revenues from our index and ESG products through index data and ESG subscriptions, fees based on assets in investment products linked to our indices and non-recurring licenses of our index historical data. Revenues related to index and ESG products increased $21.7 million, or 20.1%, to $129.6 million for the three months ended September 30, 2013 compared to $107.9 million for the three months ended September 30, 2012. Excluding the impact of revenues attributable to IPD, revenues grew by 9.4%.

Subscription revenues from the index and ESG products were up $18.9 million, or 25.6%, to $92.8 million for the three months ended September 30, 2013 compared to $73.9 million for the three months ended September 30, 2012, primarily driven by the acquisition of IPD and growth in revenues from equity index benchmark products. Excluding the impact of revenues attributable to IPD, revenues grew by $7.4 million, or 10.1%, primarily attributable to growth in our equity index benchmark products.

Asset-based fee revenues attributable to index and ESG products increased $2.8 million, or 8.1%, to $36.8 million for the three months ended September 30, 2013 compared to $34.0 million for the three months ended September 30, 2012. The year-over-year difference resulted from higher revenues from non-ETF passive funds and a change in the mix of ETFs linked to MSCI indices, which more than offset a decline of $58.5 billion, or 17.0%, in the average value of assets in ETFs linked to MSCI indices. Included in the three months ended September 30, 2012 were asset based fees of $5.6 million related to certain Vanguard ETFs that have switched away from MSCI indices as of June 2013 (the "Vanguard ETFs"), with no corresponding revenues included in the three months ended September 30, 2013.

The average value of assets in ETFs linked to MSCI equity indices in the aggregate decreased 17.0% to $286.2 billion for the three months ended September 30, 2013 compared to $344.7 billion for the three months ended September 30, 2012. The switching of the Vanguard ETFs was completed by the end of the three months ended June 30, 2013. The average value of assets related to the Vanguard ETFs was $124.0 billion for the three months ended September 30, 2012.

As of September 30, 2013, the value of assets in ETFs linked to MSCI equity indices was $302.6 billion, representing a decrease of 16.8% from $363.7 billion as of September 30, 2012. Of the $302.6 billion of assets in ETFs linked to MSCI equity indices as of September 30, 2013, 49.8% were linked to indices related to developed markets outside of the U.S., 30.9% were linked to emerging market indices, 14.6% were linked to U.S. market indices and 4.7% were linked to other global indices.

The following table sets forth the value of assets in ETFs linked to MSCI indices and the sequential change of such assets as of the periods indicated:

(in billions)	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013
AUM in ETFs linked to MSCI Indices	$ 354.7	$ 327.4	$ 363.7	$ 402.3	$ 357.3	$ 269.7	$ 302.6
Sequential Change (in billions)							
Market Appreciation/(Depreciation)	$ 37.9	$ (27.6)	$ 21.1	$ 12.7	$ 16.0	$ (13.2)	$ 20.2
Cash Inflow/(Outflow)	15.2	0.3	15.2	25.9	(61.0)(1)	(74.4)(1)	12.7
Total Change	$ 53.1	$ (27.3)	$ 36.3	$ 38.6	$ (45.0)	$ (87.6)	$ 32.9

(1) Includes the loss of $82.8 billion and $74.8 billion of AUM related to certain Vanguard ETFs as of March 31, 2013 and June 30, 2013, respectively.

Source: Bloomberg and MSCI

The following table sets forth the average value of assets in ETFs linked to MSCI indices for the periods indicated:

	Quarterly Average						
	2012				2013		
(in billions)	March	June	September	December	March	June	September
AUM in ETFs linked to MSCI Indices	$341.0	$331.6	$ 344.7	$ 376.6	$369.0	$324.1	$ 286.2

Source: Bloomberg and MSCI

The historical values of the assets in ETFs linked to our indices as of the last day of the month and the monthly average balance can be found under the link "AUM in ETFs Linked to MSCI Indices" on our website at http://ir.msci.com. This information is updated on the second U.S. business day of each month. Information contained on our website is not incorporated by reference into this Quarterly Report on Form 10-Q or any other report filed with the Securities and Exchange Commission.

Our risk management analytics products offer risk and performance assessment frameworks for managing and monitoring investments in organizations globally. These products allow clients to analyze investments in a variety of asset classes and are based on our proprietary integrated fundamental multi-factor risk models, value-at-risk methodologies, performance attribution frameworks and asset valuation models. We also offer products for monitoring, analyzing and reporting on institutional assets.

Revenues related to risk management analytics products increased $4.7 million, or 7.2%, to $69.7 million for the three months ended September 30, 2013 compared to $65.0 million for the three months ended September 30, 2012. The increase in risk management analytics revenues was driven primarily by the impact of revenues attributable to InvestorForce, as well as by increases in revenues attributable to our RiskManager and hedge fund transparency products. Excluding the impact of revenues attributable to InvestorForce, revenues grew by 3.2%.

Our portfolio management analytics products consist of equity portfolio analytics tools and fixed income portfolio analytics tools. Revenues related to portfolio management analytics products decreased $2.9 million, or 10.0%, to $26.2 million for the three months ended September 30, 2013 compared to $29.1 million for three months ended September 30, 2012. The decrease in revenues was the result of lower sales and elevated cancellations of equity analytics products in prior periods, as well as lower revenue from fixed income analytics products.

Our energy and commodity analytics products consist of software applications which help users value, model and hedge physical assets and derivatives across a number of market segments including energy and commodity assets. Revenues from energy and commodity analytics products decreased $0.2 million, or 6.2%, to $3.1 million for the three months ended September 30, 2013 compared to $3.3 million for the three months ended September 30, 2012.

Our governance products consist of corporate governance products and services, including proxy research, recommendation and voting services for institutional investors as well as governance advisory services and executive compensation data and analytics for corporations. They also include class action monitoring and claims filing services to aid institutional investors in the recovery of funds from class action securities litigation as well as equity research based on forensic accounting research related to the CFRA product line which was sold on March 31, 2013. Revenues from governance products decreased 1.4% to $29.6 million for the three months ended September 30, 2013 compared to $30.1 million for the three months ended September 30, 2012 as the loss of CFRA product line revenues more than offset the growth in executive compensation data and analytics products. Excluding the impact of revenues attributable to the CFRA product line, revenues from governance products grew by 7.4%.

Run Rate

At the end of any period, we generally have subscription and investment product license agreements in place for a large portion of our total revenues for the following 12 months. We measure the fees related to these agreements and refer to this as our “Run Rate.” The Run Rate at a particular point in time represents the forward-looking revenues for the next 12 months from all subscriptions and investment product licenses we currently provide to our clients under renewable contracts or agreements assuming all contracts or agreements that come up for renewal are renewed and assuming then-current currency exchange rates. For any license where fees are linked to an investment product’s assets or trading volume, the Run Rate calculation reflects an annualization of the most recent periodic fee earned under such license or subscription. The Run Rate for IPD products was approximated using the trailing 12 months of revenues primarily adjusted for estimates for non-recurring sales, new sales and cancellations. The Run Rate does not include fees associated with “one-time” and other non-recurring transactions. In addition, we remove from the Run Rate the fees associated with any subscription or investment product license agreement with respect to which we have received a notice of termination or non-renewal during the period and determined that such notice evidences the client’s final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date.

Because the Run Rate represents potential future revenues, there is typically a delayed impact on our operating revenues from changes in our Run Rate. In addition, the actual amount of revenues we will realize over the following 12 months will differ from the Run Rate because of:

- revenues associated with new subscriptions and non-recurring sales;
- modifications, cancellations and non-renewals of existing agreements, subject to specified notice requirements;
- fluctuations in asset-based fees, which may result from changes in certain investment products’ total expense ratios, market movements or from investment inflows into and outflows from investment products linked to our indices;
- fluctuations in fees based on trading volumes of futures and options contracts linked to our indices;

- fluctuations in the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;
- price changes;
- revenue recognition differences under U.S. GAAP;
- fluctuations in foreign exchange rates; and
- the impact of acquisitions and dispositions.

The following table sets forth our Run Rates as of the dates indicated and the percentage growth over the periods indicated:

	As of September 30, 2013	As of September 30, 2012	As of June 30, 2013	Year-Over-Year Comparison	Sequential Comparison
	(in thousands)				
Run Rates					
Index and ESG products					
Subscription	$ 360,042	$ 292,787	$350,833	23.0%	2.6%
Asset-based fees	146,979	114,576	131,716	28.3%	11.6%
Index and ESG products total	507,021	407,363	482,549	24.5%	5.1%
Risk management analytics	288,452	261,776	281,022	10.2%	2.6%
Portfolio management analytics	104,938	115,958	104,524	(9.5%)	0.4%
Energy and commodity analytics	12,493	14,040	12,794	(11.0%)	(2.4%)
Governance	112,911	115,840	111,686	(2.5%)	1.1%
Total Run Rate	$ 1,025,815	$ 914,977	$992,575	12.1%	3.3%
Subscription total	$ 878,836	$ 800,401	$860,859	9.8%	2.1%
Asset-based fees total	146,979	114,576	131,716	28.3%	11.6%
Total Run Rate	$ 1,025,815	$ 914,977	$992,575	12.1%	3.3%

Total Run Rate grew by $110.8 million, or 12.1%, to $1,025.8 million as of September 30, 2013 compared to $915.0 million as of September 30, 2012. Changes in foreign currency rates negatively impacted Run Rate by $2.0 million relative to September 30, 2012. Total subscription Run Rate grew by $78.4 million, or 9.8%, to $878.8 million as of September 30, 2013, compared to $800.4 million at September 30, 2012. Excluding the impact of the acquisitions of IPD and InvestorForce as well as the disposition of the CFRA product line, total subscription Run Rate grew by 4.4%.

Subscription Run Rate from the index and ESG products grew by $67.3 million, or 23.0%, to $360.0 million at September 30, 2013 from $292.8 million at September 30, 2012. Excluding the impact of subscription Run Rate attributable to IPD products, the subscription Run Rate from index and ESG products grew by 8.5%, driven by growth in equity index benchmark and data products.

Asset-based fee Run Rate from index and ESG products increased by $32.4 million, or 28.3%, to $147.0 million at September 30, 2013, from $114.6 million at September 30, 2012. The increase was primarily driven by inflows into and higher market performance by ETFs linked to MSCI indices. The asset-based fee Run Rate at September 30, 2012 excludes the Vanguard ETFs that later switched benchmarks.

As of September 30, 2013, AUM in ETFs linked to MSCI indices were $302.6 billion, down $61.1 billion, or 16.8%, from September 30, 2012 and up $32.9 billion, or 12.2%, from June 30, 2013. If the AUM related to those Vanguard ETFs which transitioned earlier in 2013 were excluded from the September 30, 2012 balance, AUM in MSCI-linked ETFs would have risen $70.0 billion, or 30.1%, compared to September 30, 2012.

During the three months ended September 30, 2013, MSCI-linked ETFs were impacted by market increases of $20.2 billion and net inflows of $12.7 billion.

Risk management analytics products Run Rate increased 10.2% to $288.5 million at September 30, 2013 compared to $261.8 million at September 30, 2012. Excluding the impact attributable to InvestorForce, Run Rate grew by 6.3%. Run Rate continued to benefit from solid growth in the BarraOne, RiskManager and Hedge Platform products. Changes in foreign currency positively benefited Run Rate by $1.3 million compared to Run Rate at September 30, 2012.

Portfolio management analytics products Run Rate declined 9.5% to $104.9 million at September 30, 2013 from $116.0 million at September 30, 2012. Year over year Run Rate was negatively impacted, in part, by product swaps totaling $2.4 million and by changes in foreign currency exchange rates, which lowered Run Rate by an additional $3.4 million.

Energy and commodity analytics products Run Rate declined to $12.5 million at September 30, 2013, down $1.5 million, or 11.0%, from $14.0 million at September 30, 2012.

Governance products Run Rate declined by $2.9 million, or 2.5%, to $112.9 million at September 30, 2013 compared to $115.8 million at September 30, 2012. Excluding the impact of the sale of the CFRA product line from the September 30, 2012 period, Run Rate grew by 5.5% reflecting strong growth in the Run Rate of executive compensation data and analytics products and services.

Aggregate and Core Retention Rates

The following table sets forth our Aggregate Retention Rates by product category for the indicated three months ended:

	September 30, 2013	September 30, 2012
Index and ESG products	94.7%	94.0%
Risk management analytics	92.3%	88.5%
Portfolio management analytics	89.1%	84.9%
Energy and commodity analytics	80.2%	76.6%
Governance	88.5%	91.1%
Total	92.2%	90.0%

The following table sets forth our Core Retention Rates by product category for the indicated three months ended:

	September 30, 2013	September 30, 2012
Index and ESG products	94.8%	94.0%
Risk management analytics	92.3%	89.3%
Portfolio management analytics	90.3%	86.5%
Energy and commodity analytics	80.2%	77.1%
Governance	88.5%	91.2%
Total	92.4%	90.6%

The Aggregate Retention Rates for a period are calculated by annualizing the cancellations for which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client's final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Aggregate Retention Rate for the period. The Aggregate Retention Rate is computed on a product-by-product basis. Therefore, if a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction.

For the calculation of the Core Retention Rate, the same methodology is used except the cancellations in the period are reduced by the amount of product swaps. We do not calculate Aggregate or Core Retention Rates for that portion of our Run Rate attributable to assets in investment products linked to our indices or to trading volumes of futures and options contracts linked to our indices.

In our businesses, Aggregate and Core Retention Rates are generally higher during the first three fiscal quarters and lower in the fourth fiscal quarter.

Operating Expenses

We group our operating expenses into five categories:

- Cost of services
- Selling, general and administrative ("SG&A")
- Restructuring
- Amortization of intangible assets
- Depreciation and amortization of property, equipment and leasehold improvements

In both the cost of services and SG&A expense categories, compensation and benefits represent the majority of our expenses. Other costs associated with the number of employees such as office space and professional services are included in both the cost of services and SG&A expense categories and are consistent with the allocation of employees to those respective areas.

The following table shows operating expenses by each of the categories:

	Three Months Ended September 30,			
	2013	2012	Increase/(Decrease)	
	(in thousands)			
Cost of services:				
Compensation and benefits	$ 58,751	$ 50,378	$ 8,373	16.6%
Non-compensation expenses	21,289	17,972	3,317	18.5%
Total cost of services	80,040	68,350	11,690	17.1%
Selling, general and administrative:				
Compensation and benefits	44,495	42,655	1,840	4.3%
Non-compensation expenses	20,885	20,318	567	2.8%
Total selling, general and administrative	65,380	62,973	2,407	3.8%
Restructuring	—	—	—	0.0%
Amortization of intangible assets	14,448	15,959	(1,511)	(9.5%)
Depreciation and amortization of property, equipment, and leasehold improvements	5,934	4,633	1,301	28.1%
Total operating expenses	$ 165,802	$ 151,915	$ 13,887	9.1%
Compensation and benefits	$ 103,246	$ 93,033	$ 10,213	11.0%
Non-compensation expenses	42,174	38,290	3,884	10.1%
Restructuring	—	—	—	0.0%
Amortization of intangible assets	14,448	15,959	(1,511)	(9.5%)
Depreciation and amortization of property, equipment, and leasehold improvements	5,934	4,633	1,301	28.1%
Total operating expenses	$ 165,802	$ 151,915	$ 13,887	9.1%

Operating expenses were $165.8 million for the three months ended September 30, 2013, an increase of $13.9 million, or 9.1%, compared to $151.9 million for the three months ended September 30, 2012.

Compensation and benefits expenses represent the majority of our expenses across all of our operating functions and typically have represented approximately 60% of total operating expenses. These costs generally contribute to the majority of our expense increases from period to period, reflecting increased compensation and benefits expenses for current staff and increased staffing levels from increased hiring and the impact of the addition of IPD and InvestorForce. Continued growth of our emerging market centers around the world is an important factor in our ability to manage and control the growth of our compensation and benefit expenses. As of September 30, 2013, 45.2% of our employees were located in emerging market centers compared to 44.1% as of September 30, 2012.

During the three months ended September 30, 2013, compensation and benefits costs were $103.2 million, an increase of $10.2 million, or 11.0%, compared to $93.0 million for the three months ended September 30, 2012. The increase in compensation and benefits expenses were primarily impacted by the acquisitions of IPD and InvestorForce and, to a lesser extent, an overall increase related to current staff. Partially offsetting this increase was lower severance costs and the sale of the CFRA product line. We had 3,123 and 2,416 employees as of September 30, 2013 and 2012, respectively, with the increase being split evenly between the impact of the acquisitions and increased hiring. Stock-based compensation expense was $6.3 million and $7.3 million for the three months ended September 30, 2013 and 2012, respectively.

Non-compensation expenses for the three months ended September 30, 2013 increased $3.9 million, or 10.1%, to $42.2 million compared to $38.3 million for the three months ended September 30, 2012. The increase was associated with the acquisitions of IPD and InvestorForce, in addition to increased travel and entertainment, marketing and recruiting costs, among other items. Partially offsetting this increase was the impact of the lease exit charge recognized in the three months ended September 30, 2012 with no corresponding charge in the three months ended September 30, 2013, as well as decreases in other non-income taxes and other non-compensation costs.

Cost of Services

Cost of services includes costs related to our research, data management and production, software engineering and product management functions. Costs in these areas include staff compensation and benefits, occupancy costs, market data fees, information technology services and voting fees. Compensation and benefits generally contribute to a majority of our expense increases from period to period, reflecting increases for existing staff and increased staffing levels. For the three months ended September 30, 2013, total cost of services increased 17.1% to $80.0 million compared to $68.4 million for the three months ended September 30, 2012.

Compensation and benefits expenses for the three months ended September 30, 2013 increased $8.4 million to $58.8 million compared to $50.4 million for the three months ended September 30, 2012. The increase reflects increased staffing levels, partially related to the IPD and InvestorForce acquisitions, in addition to higher costs related to current staff.

Non-compensation expenses for the three months ended September 30, 2013 increased $3.3 million to $21.3 million compared to $18.0 million for the three months ended September 30, 2012. The increased costs are associated with the IPD and InvestorForce acquisitions, as well as higher travel and entertainment, marketing and market data costs, partially offset by the impact of the lease exit charge recognized in the three months ended September 30, 2012 with no corresponding charge in the three months ended September 30, 2013.

Selling, General and Administrative

SG&A includes expenses for our sales and marketing staff and our finance, human resources, legal and compliance, information technology infrastructure and corporate administration personnel. As with cost of services, the largest expense in this category relates to compensation and benefits. Other significant expenses are for occupancy costs, third-party professional fees and information technology costs. For the three months ended September 30, 2013, SG&A increased $2.4 million, or 3.8%, to $65.4 million compared to $63.0 million for the three months ended September 30, 2012.

Compensation and benefits expenses increased $1.8 million to $44.5 million for the three months ended September 30, 2013 compared to $42.7 million for the three months ended September 30, 2012. The increase reflects higher costs related to current staff and increased staffing levels, partially related to the IPD and InvestorForce acquisitions, partly offset by lower severance costs.

Non-compensation expenses for the three months ended September 30, 2013 increased $0.6 million to $20.9 million compared to $20.3 million for the three months ended September 30, 2012. The increased costs related to the IPD and InvestorForce acquisitions and, to a lesser extent, increased travel and entertainment and third-party professional fees, more than offset the impact of the lease exit charge recognized in the three months ended September 30, 2012 with no corresponding charge in the three months ended September 30, 2013.

Amortization of Intangible Assets

Amortization of intangible assets expense relates to the intangible assets arising from the acquisitions of Barra, LLC in June 2004, RiskMetrics Group, LLC in June 2010, Measurisk, LLC in July 2010, IPD in November 2012 and InvestorForce in January 2013, as well as capitalized software development costs. Amortization of intangible assets expense totaled $14.4 million and $16.0 million for the three months ended September 30, 2013 and 2012, respectively. The decrease primarily resulted from a portion of the intangible assets becoming fully amortized since the prior period, partially offset by the increased amortization associated with the intangible assets arising from the IPD and InvestorForce acquisitions.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment and leasehold improvements was $5.9 million and $4.6 million for the three months ended September 30, 2013 and 2012, respectively. The increase was related to the impact of the depreciation of hardware and software assets acquired to build out data centers as well as the depreciation from the IPD and InvestorForce acquisitions.

Other Expense (Income), Net

Other expense (income), net for the three months ended September 30, 2013 was $6.2 million, a decrease of $1.7 million compared to $7.9 million for the three months ended September 30, 2012, primarily driven by lower average interest rates and lower average outstanding principal on our debt.

Provision For Income Taxes

The provision for income tax expense for the three months ended September 30, 2013 was $30.9 million, an increase of $3.6 million, or 13.2%, compared to $27.3 million for the three months ended September 30, 2012. These amounts reflect effective tax rates of 35.9% and 36.1% for the three months ended September 30, 2013 and 2012, respectively.

Segment Results of Operations

The results of operations by segment for the three months ended September 30, 2013 and September 30, 2012 were as follows:

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012			Percentage Change		
	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total
	(in thousands)								
Operating revenues	$ 228,608	$ 29,630	$ 258,238	$ 205,389	$ 30,055	$ 235,444	11.3%	(1.4%)	9.7%
Operating expenses:									
Cost of services	67,770	12,270	80,040	54,579	13,771	68,350	24.2%	(10.9%)	17.1%
Selling, general and administrative	56,628	8,752	65,380	53,945	9,028	62,973	5.0%	(3.1%)	3.8%
Restructuring	—	—	—	—	—	—	0.0%	0.0%	0.0%
Amortization of intangible assets	11,193	3,255	14,448	12,638	3,321	15,959	(11.4%)	(2.0%)	(9.5%)
Depreciation and amortization of property, equipment and leasehold improvements	4,845	1,089	5,934	3,755	878	4,633	29.0%	24.0%	28.1%
Total operating expenses	140,436	25,366	165,802	124,917	26,998	151,915	12.4%	(6.0%)	9.1%
Operating income	88,172	4,264	92,436	80,472	3,057	83,529	9.6%	39.5%	10.7%
Other expense (income), net			6,189			7,935			(22.0%)
Income before provision for income taxes			86,247			75,594			14.1%
Provision for income taxes			30,937			27,320			13.2%
Net income			$ 55,310			$ 48,274			14.6%

Performance and Risk

Total operating revenues for the Performance and Risk business increased $23.2 million, or 11.3%, to $228.6 million for the three months ended September 30, 2013. Excluding the impact of the revenues derived from the IPD and InvestorForce acquisitions, revenues grew by $9.1 million, or 4.5%. The increase was primarily driven by higher asset-based fees from our index and ESG products, higher revenues in our equity index benchmark products and growth within our risk management analytics products, partially offset by lower revenues from portfolio management analytics and energy and commodity analytics products.

Cost of services for the Performance and Risk business increased $13.2 million, or 24.2%, to $67.8 million for the three months ended September 30, 2013. Within cost of services, compensation and benefits expenses increased $9.3 million to $49.3 million as a result of higher costs related to current staff and increased staffing levels, partially related to the IPD and InvestorForce acquisitions. Non-compensation expenses increased $3.9 million to $18.5 million. The increased costs are associated with the IPD and InvestorForce acquisitions as well as higher travel and entertainment, market data, and marketing costs, partially offset by the impact of the lease exit charge recognized in the three months ended September 30, 2012 with no corresponding charge in the three months ended September 30, 2013.

SG&A expense for the Performance and Risk business increased $2.7 million, or 5.0%, to $56.6 million for the three months ended September 30, 2013. Within SG&A, compensation and benefits expenses increased $2.3 million to $39.0 million as a result of higher costs related to current staff and increased staffing levels, partially related to the IPD and InvestorForce acquisitions, partly offset by lower severance costs. Non-compensation expenses increased $0.4 million to $17.6 million. The increased costs related to the IPD and InvestorForce acquisitions more than offset the impact of the lease exit charge recognized in the three months ended September 30, 2012 with no corresponding charge in the three months ended September 30, 2013.

Amortization of intangible assets expense totaled $11.2 million and $12.6 million for the three months ended September 30, 2013 and 2012, respectively. The decrease primarily resulted from a portion of the intangible assets becoming fully amortized since the prior period, partially offset by the increased amortization associated with the intangible assets arising from the IPD and InvestorForce acquisitions.

Depreciation and amortization of property, equipment, and leasehold improvements for the Performance and Risk business totaled $4.8 million and $3.8 million for the three months ended September 30, 2013 and 2012, respectively. The increase was related to the impact of increased depreciation from the IPD and InvestorForce acquisitions, as well as the depreciation of hardware and software assets related to our data centers.

Governance

Total operating revenues for the Governance business decreased $0.4 million, or 1.4%, to $29.6 million for the three months ended September 30, 2013. The loss of CFRA product revenues resulting from its sale on March 31, 2013 more than offset the growth in executive compensation data and analytics products. Excluding the impact of revenues attributable to the CFRA product line, revenues from governance products grew by 7.4%.

Cost of services for the Governance business decreased $1.5 million to $12.3 million for the three months ended September 30, 2013. Compensation and benefits expenses decreased $0.9 million to $9.5 million, primarily as a result of the disposition of the CFRA product line, partially offset by higher costs related to current staff. Non-compensation expenses decreased $0.6 million to $2.8 million as a result of the disposition of the CFRA product line, as well as lower information technology and occupancy costs.

SG&A expense for the Governance business decreased $0.3 million to $8.8 million for the three months ended September 30, 2013. Within SG&A, compensation and benefits expenses decreased $0.4 million to $5.5 million, primarily as a result of the disposition of the CFRA product line, as well as lower severance costs. Non-compensation expenses increased $0.2 million to $3.3 million as a result of higher third-party professional fees, partially offset by lower non-income taxes.

Amortization of intangible assets expense for the Governance business totaled $3.3 million for both the three months ended September 30, 2013 and 2012.

Depreciation and amortization of property, equipment, and leasehold improvements for the Governance business totaled $1.1 million and $0.9 million for the three months ended September 30, 2013 and 2012, respectively.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Results of Operations

The following table presents the results of operations for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Increase/(Decrease)	
	(in thousands, except per share data)			
Operating revenues	$768,045	$703,061	$ 64,984	9.2%
Operating expenses:				
Cost of services	243,584	213,884	29,700	13.9%
Selling, general and administrative	184,623	176,011	8,612	4.9%
Restructuring	—	(51)	51	(100.0%)
Amortization of intangible assets	43,443	47,877	(4,434)	(9.3%)
Depreciation and amortization of property, equipment, and leasehold improvements	16,260	13,711	2,549	18.6%
Total operating expenses	487,910	451,432	36,478	8.1%
Operating income	280,135	251,629	28,506	11.3%
Other expense (income), net	19,078	50,535	(31,457)	(62.2%)
Provision for income taxes	85,757	71,308	14,449	20.3%
Net income	$175,300	$129,786	$ 45,514	35.1%
Earnings per basic common share	$ 1.45	$ 1.06	$ 0.39	36.8%
Earnings per diluted common share	$ 1.44	$ 1.05	$ 0.39	37.1%
Operating margin	36.5%	35.8%		

Operating Revenues

The following table summarizes the revenue by product category for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012:

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Increase/(Decrease)	
	(in thousands)			
Index and ESG:				
Subscriptions	$272,903	$221,362	$ 51,541	23.3%
Asset-based fees	110,286	102,745	7,541	7.3%
Total index and ESG products	383,189	324,107	59,082	18.2%
Risk management analytics	204,039	193,622	10,417	5.4%
Portfolio management analytics	79,948	87,527	(7,579)	(8.7%)
Energy and commodity analytics	9,324	5,798	3,526	60.8%
Governance	91,545	92,007	(462)	(0.5%)
Total operating revenues	$768,045	$703,061	$ 64,984	9.2%
Recurring subscriptions	$639,032	$582,331	$ 56,701	9.7%
Asset-based fees	110,286	102,745	7,541	7.3%
Non-recurring revenue	18,727	17,985	742	4.1%
Total operating revenues	$768,045	$703,061	$ 64,984	9.2%

Total operating revenues for the nine months ended September 30, 2013 increased 9.2% to $768.0 million, compared to $703.1 million for the nine months ended September 30, 2012. During the nine months ended September 30, 2012, as a result of a one-time non-cash adjustment, we recorded a $5.2 million cumulative revenue reduction to correct an immaterial error related to revenues previously reported through December 31, 2011. See Note 1, "Introduction and Basis of Presentation," of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information. The effect of recording this adjustment in the first quarter of 2012 resulted in a one-time decrease to the energy and commodity analytics products revenues and an increase in deferred revenues. Previously, our policy resulted in the immediate recognition of a substantial portion of the revenue for certain energy and commodity analytics product related contracts, the terms of which were generally one year. However, it was determined that the entire license fee related to these contracts should be recognized ratably over the term of the license. As such, we made the cumulative adjustment effective January 1, 2012 and started recognizing revenue for all contracts still in effect as of this date ratably over the remainder of the term and began recognizing revenue ratably over the contract term for any new contracts entered into on or after January 1, 2012.

Revenues related to index and ESG products increased $59.1 million, or 18.2%, to $383.2 million for the nine months ended September 30, 2013 compared to $324.1 million for the nine months ended September 30, 2012. Excluding the impact of revenues attributable to IPD, revenues grew by 7.0%.

Subscription revenues from the index and ESG products were up 23.3% to $272.9 million for the nine months ended September 30, 2013 compared to $221.4 million for the nine months ended September 30, 2012. The increase in subscription revenues from the index and ESG products was driven primarily by the impact of revenues attributable to IPD, as well as by increases in revenues attributable to our equity index benchmark products. Excluding the impact of revenues attributable to IPD, revenues grew by 6.8%.

Asset-based fee revenues attributable to the index and ESG products increased 7.3% to $110.3 million for the nine months ended September 30, 2013 compared to $102.7 million for the nine months ended September 30, 2012. The difference resulted from higher fees from non-ETF passive funds and a change in the mix of ETF funds linked to MSCI indices. Included in the nine months ended September 30, 2013 and 2012 were revenues of $3.3 million and $15.9 million, respectively, related to the Vanguard ETFs that have switched away from MSCI indices as of June 2013.

The average value of assets in ETFs linked to MSCI equity indices in the aggregate decreased 3.8% to $326.4 billion for the nine months ended September 30, 2013 compared to $339.2 billion for the nine months ended September 30, 2012. The average value of assets related to the Vanguard ETFs was $40.1 billion for the nine months ended September 30, 2013 compared to $118.4 billion for the nine months ended September 30, 2012.

The following table sets forth the average value of assets in ETFs linked to MSCI indices for the year-to-date periods indicated:

	Year-to-Date Average						
	2012				2013		
(in billions)	March	June	September	December	March	June	September
AUM in ETFs linked to MSCI Indices	$341.0	$336.4	$ 339.2	$ 349.1	$369.0	$346.6	$ 326.4

Source: Bloomberg and MSCI

Revenues related to risk management analytics products increased $10.4 million, or 5.4%, to $204.0 million for the nine months ended September 30, 2013 compared to $193.6 million for the nine months ended September 30, 2012. The increase in risk management analytics revenues was driven primarily by the impact of revenues attributable to InvestorForce, as well as by increases in revenues attributable to our RiskManager and BarraOne products. Excluding the impact of revenues attributable to InvestorForce, revenues grew by 2.1%.

Revenues related to portfolio management analytics products decreased $7.6 million, or 8.7%, to $79.9 million for the nine months ended September 30, 2013 compared to $87.5 million for the nine months ended September 30, 2012. The decrease in revenues was the result of lower sales and elevated cancellations of equity analytics products in prior periods.

As a result of the revenue adjustment made in 2012 that was discussed earlier, revenues from energy and commodity analytics products increased $3.5 million to $9.3 million for the nine months ended September 30, 2013 compared to $5.8 million for the nine months ended September 30, 2012. Excluding the impact of the revenue adjustment recorded during the nine months ended September 30, 2012, revenues from our energy and commodity analytics products would have decreased $1.7 million compared to the nine months ended September 30, 2012.

Revenue related to governance products decreased $0.5 million, or 0.5%, to $91.5 million for the nine months ended September 30, 2013 compared to $92.0 million for the nine months ended September 30, 2012. The loss of the CFRA product line revenues was only partially offset by the growth in our executive compensation data and analytics products. Excluding the impact of revenues attributable to the CFRA product line, revenues from governance products grew by 5.1%.

Aggregate and Core Retention Rates

The following table sets forth our Aggregate Retention Rates by product category for the indicated nine months ended:

	September 30, 2013	September 30, 2012
Index and ESG products	94.6%	94.4%
Risk management analytics	92.8%	90.7%
Portfolio management analytics	85.9%	87.0%
Energy and commodity analytics	85.4%	84.1%
Governance	90.5%	90.7%
Total	92.2%	91.3%

The following table sets forth our Core Retention Rates by product category for the indicated nine months ended:

	September 30, 2013	September 30, 2012
Index and ESG products	94.7%	94.5%
Risk management analytics	93.1%	91.6%
Portfolio management analytics	86.9%	88.5%
Energy and commodity analytics	85.4%	84.4%
Governance	90.5%	90.7%
Total	92.5%	91.9%

Operating Expenses

The following table shows operating expenses by each of the categories:

	Nine Months Ended September 30, 2013	2012	Increase/(Decrease)	
	(in thousands)			
Cost of services:				
Compensation and benefits	$181,668	$159,781	$21,887	13.7%
Non-compensation expenses	61,916	54,103	7,813	14.4%
Total cost of services	243,584	213,884	29,700	13.9%
Selling, general and administrative:				
Compensation and benefits	130,041	119,584	10,457	8.7%
Non-compensation expenses	54,582	56,427	(1,845)	(3.3%)
Total selling, general and administrative	184,623	176,011	8,612	4.9%
Restructuring	—	(51)	51	(100.0%)
Amortization of intangible assets	43,443	47,877	(4,434)	(9.3%)
Depreciation and amortization of property, equipment, and leasehold improvements	16,260	13,711	2,549	18.6%
Total operating expenses	$487,910	$451,432	$36,478	8.1%
Compensation and benefits	$311,709	$279,365	$32,344	11.6%
Non-compensation expenses	116,498	110,530	5,968	5.4%
Restructuring	—	(51)	51	(100.0%)
Amortization of intangible assets	43,443	47,877	(4,434)	(9.3%)
Depreciation and amortization of property, equipment, and leasehold improvements	16,260	13,711	2,549	18.6%
Total operating expenses	$487,910	$451,432	$36,478	8.1%

During the nine months ended September 30, 2013, compensation and benefits costs were $311.7 million, an increase of $32.3 million, or 11.6%, compared to $279.4 million for the nine months ended September 30, 2012. The increase in compensation and benefits expenses was impacted by the addition of IPD and InvestorForce and increased staffing levels. Partially offsetting this were lower severance costs and lower post-retirement and other expenses. Stock-based compensation expense for the nine months ended September 30, 2013 was $18.8 million, an increase of $0.1 million compared to $18.7 million for the nine months ended September 30, 2012.

Non-compensation expenses for the nine months ended September 30, 2013 were $116.5 million, an increase of $6.0 million, or 5.4%, compared to $110.5 million for the nine months ended September 30, 2012. The increased costs associated with the IPD and InvestorForce acquisitions, in addition to increased travel and entertainment and marketing costs, were partially offset by lower information technology, occupancy, and third-party professional fees. The impact of the lease exit charge recognized in the nine months ended September 30, 2012 compared to a corresponding benefit recognized in the nine months ended September 30, 2013 also decreased non-compensation expenses year over year.

Cost of Services

For the nine months ended September 30, 2013, total cost of services increased $29.7 million, or 13.9%, to $243.6 million compared to $213.9 million for the nine months ended September 30, 2012. Compensation and benefits expenses for the nine months ended September 30, 2013 increased $21.9 million to $181.7 million compared to $159.8 million for the nine months ended September 30, 2012. The increase in compensation and benefits expenses was primarily impacted by the acquisitions of IPD and InvestorForce and an overall increase in staffing levels. Partially offsetting this were lower severance costs and lower post-retirement and other expenses.

Non-compensation expenses for the nine months ended September 30, 2013 increased $7.8 million to $61.9 million compared to $54.1 million for the nine months ended September 30, 2012. The increase was primarily driven by the acquisitions of IPD and InvestorForce, partially offset by the impact of the lease exit charge recognized in the nine months ended September 30, 2012 compared to a corresponding benefit recognized in the nine months ended September 30, 2013.

Selling, General and Administrative

For the nine months ended September 30, 2013, SG&A was $184.6 million, an increase of $8.6 million, or 4.9%, compared to $176.0 million for the nine months ended September 30, 2012. Compensation and benefits expenses increased 8.7% to $130.0 million for the nine months ended September 30, 2013, compared to $119.6 million for the nine months ended September 30, 2012. Similar to compensation and benefits expenses in cost of services, the increase was primarily impacted by the addition of IPD and InvestorForce and an overall increase in staffing levels. Partially offsetting this were lower severance costs and lower equity compensation costs.

Non-compensation expenses for the nine months ended September 30, 2013 decreased $1.8 million, or 3.3%, to $54.6 million compared to $56.4 million for the nine months ended September 30, 2012. The lower expenses recognized for information technology costs, the impact of the lease exit charge recognized in the nine months ended September 30, 2012 compared to a corresponding benefit recognized in the nine months ended September 30, 2013, and other non-income taxes more than offset the increased costs associated with the IPD and InvestorForce acquisitions.

Amortization of Intangible Assets

Amortization of intangible assets expense totaled $43.4 million and $47.9 million for the nine months ended September 30, 2013 and 2012, respectively. The decrease primarily resulted from a portion of the intangible assets becoming fully amortized since the prior period, partially offset by the increased amortization of intangible assets resulting from the IPD and InvestorForce acquisitions.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment and leasehold improvements totaled $16.3 million and $13.7 million for the nine months ended September 30, 2013 and 2012, respectively. The increase was related to the impact of increased depreciation from the IPD and InvestorForce acquisitions, as well as the depreciation of hardware and software assets acquired to build out data centers in the second half of the year ended December 31, 2012.

Other Expense (Income), Net

Other expense (income), net for the nine months ended September 30, 2013 was $19.1 million, a decrease of 62.2% compared to $50.5 million for the nine months ended September 30, 2012. In the nine months ended September 30, 2012, $20.6 million of expense was recognized related to the accelerated amortization of existing fees and the immediate recognition of new fees associated with our May 2012 debt refinancing with no similar expense recognized in the nine months ended September 30, 2013. The remaining difference was primarily the result of the impact on interest expense of lower average outstanding principal on our debt and lower associated interest rates.

Provision For Income Taxes

The provision for income tax expense for the nine months ended September 30, 2013 was $85.8 million, an increase of 20.3%, compared to $71.3 million for the nine months ended September 30, 2012. These amounts reflect effective tax rates of 32.8% and 35.5% for the nine months ended September 30, 2013 and 2012, respectively. The effective tax rate of 32.8% for the nine months ended September 30, 2013 reflects our estimate of the effective tax rate for the period and is lower than the prior year because of the impact of the difference in certain discrete items year over year, which decreased our effective tax rate by 2.0 percentage points. The benefit associated with the federal research and development credit which was reinstated into law as of January 2, 2013, as well as an increase in non-U.S. earnings and decreases in certain effective tax rates applicable to those earnings, decreased our effective tax rate by 0.7 percentage points.

Segment Results of Operations

The results of operations by segment for the nine months ended September 30, 2013 and September 30, 2012 are as follows:

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012			Percentage Change		
	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total
	(in thousands)								
Operating revenues	$ 676,500	$ 91,545	$ 768,045	$ 611,054	$ 92,007	$ 703,061	10.7%	(0.5%)	9.2%
Operating expenses:									
Cost of services	201,904	41,680	243,584	167,964	45,920	213,884	20.2%	(9.2%)	13.9%
Selling, general and administrative	159,308	25,315	184,623	150,142	25,869	176,011	6.1%	(2.1%)	4.9%
Restructuring	—	—	—	(32)	(19)	(51)	(100.0%)	(100.0%)	(100.0%)
Amortization of intangible assets	33,580	9,863	43,443	37,916	9,961	47,877	(11.4%)	(1.0%)	(9.3%)
Depreciation and amortization of property, equipment and leasehold improvements	13,263	2,997	16,260	11,137	2,574	13,711	19.1%	16.4%	18.6%
Total operating expenses	408,055	79,855	487,910	367,127	84,305	451,432	11.1%	(5.3%)	8.1%
Operating income	268,445	11,690	280,135	243,927	7,702	251,629	10.1%	51.8%	11.3%
Other expense (income), net			19,078			50,535			(62.2%)
Income before provision for income taxes			261,057			201,094			29.8%
Provision for income taxes			85,757			71,308			20.3%
Net income			$ 175,300			$ 129,786			35.1%

Performance and Risk

Total operating revenues for the Performance and Risk business increased $65.4 million, or 10.7%, to $676.5 million for the nine months ended September 30, 2013. Excluding the impact of the revenues derived from the IPD and InvestorForce acquisitions, revenues grew by $22.6 million, or 3.7%. The increase was primarily driven by higher asset-based fees from our index and ESG products, higher revenues in our equity index benchmark products, growth within our risk management analytics products and energy and commodity analytics products, partially offset by lower revenues from portfolio management analytics.

Cost of services for the Performance and Risk business increased $33.9 million, or 20.2%, to $201.9 million for the nine months ended September 30, 2013. Within cost of services, compensation and benefits expenses increased $23.8 million to $150.2 million as a result of higher costs related to current staff and increased staffing levels, which were partially related to the IPD and InvestorForce acquisitions and partly offset by lower post-retirement and other expenses and lower severance costs. Non-compensation expenses increased $10.1 million to $51.7 million. The increased costs are associated with the IPD and InvestorForce acquisitions, as well as higher marketing and travel and entertainment costs, partially offset by the impact of the lease exit charge recognized in the nine months ended September 30, 2012 compared to a corresponding benefit recognized in the nine months ended September 30, 2013.

SG&A expense for the Performance and Risk business increased $9.2 million, or 6.1%, to $159.3 million for the nine months ended September 30, 2013. Within SG&A, compensation and benefits expenses increased $10.4 million to $112.7 million as a result of higher costs related to current staff and increased staffing levels, partially related to the IPD and InvestorForce acquisitions, partly offset by lower severance costs. Non-compensation expenses decreased $1.2 million to $46.6 million. The lower expenses recognized for information technology costs, third-party professional fees, the impact of the lease exit charge recognized in the nine months ended September 30, 2012 compared to a corresponding benefit recognized in the nine months ended September 30, 2013, and other non-income taxes more than offset the increased costs associated with the acquisitions.

Amortization of intangible assets expense totaled $33.6 million and $37.9 million for the nine months ended September 30, 2013 and 2012, respectively. The decrease primarily resulted from a portion of intangible assets becoming fully amortized since the prior period, partially offset by the increased amortization associated with the intangible assets arising from the IPD and InvestorForce acquisitions.

Depreciation and amortization of property, equipment and leasehold improvements for the Performance and Risk business totaled $13.3 million and $11.1 million for the nine months ended September 30, 2013 and 2012, respectively. The increase was related to the impact of increased depreciation from the IPD and InvestorForce acquisitions, as well as the depreciation of hardware and software assets acquired to build out data centers in the second half of the year ended December 31, 2012.

Governance

On March 31, 2013, we completed the sale of our CFRA product line, which was a component of the Governance business. The sale was a driver of some of the year-over-year changes in the Governance business's results of operations.

Total operating revenues for the Governance business decreased $0.5 million, or 0.5%, to $91.5 million for the nine months ended September 30, 2013. The loss of the CFRA product line revenues within the Governance business more than offset the growth in advisory compensation data and analytics products. Excluding the impact of revenues attributable to the CFRA product line, revenues from governance products grew by 5.1%.

Cost of services for the Governance business decreased $4.2 million, or 9.2%, to $41.7 million for the nine months ended September 30, 2013. Compensation and benefits expenses decreased $1.9 million to $31.4 million primarily as a result of the disposition of the CFRA product line, as well as lower severance costs, partially offset by higher costs related to current staff. Non-compensation expenses decreased $2.3 million to $10.3 million primarily resulting from lower occupancy costs, third-party professional fees, and information technology costs, as well as the disposition of the CFRA product line.

SG&A expense for the Governance business decreased $0.6 million to $25.3 million for the nine months ended September 30, 2013. Within SG&A, compensation and benefits expenses increased $0.1 million to $17.3 million, with higher costs related to current staff more than offsetting the impact of the disposition of the CFRA product line. Non-compensation expenses decreased $0.6 million to $8.0 million primarily resulting from lower other non-income taxes, as well as the disposition of the CFRA product line.

Amortization of intangible assets expense for the Governance business totaled $9.9 million and $10.0 million for the nine months ended September 30, 2013 and 2012, respectively.

Depreciation and amortization of property, equipment, and leasehold improvements for the Governance business totaled $3.0 million and $2.6 million for the nine months ended September 30, 2013 and 2012, respectively.

Critical Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, “Introduction and Basis of Presentation,” of the Notes to Consolidated Financial Statements included in our Form 10-K for the fiscal year ended December 31, 2012 and also in Note 2, “Recent Accounting Standards Updates,” in the Notes to Unaudited Condensed Consolidated Financial Statements included herein. We discuss our critical accounting estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the fiscal year ended December 31, 2012. There have been no significant changes in our accounting policies or critical accounting estimates since the end of the fiscal year ended December 31, 2012.

Liquidity and Capital Resources

We require capital to fund ongoing operations, internal growth initiatives and acquisitions. Our primary sources of liquidity are cash flows generated from our operations, proceeds from the maturity and sale of our short-term investments, existing cash and cash equivalents and credit capacity under our credit facilities. We intend to use these sources of liquidity to service our existing and future debt obligations and fund our working capital requirements, capital expenditures, investments, acquisitions and share repurchases. In connection with our business strategy, we regularly evaluate acquisition opportunities. We believe our liquidity, along with other financing alternatives, will provide the necessary capital to fund these transactions and achieve our planned growth.

On June 1, 2010, we entered into the 2010 Credit Facility which was comprised of (i) the 2010 Term Loan and (ii) the 2010 Revolving Credit Facility. On March 14, 2011, we completed the repricing of the 2010 Credit Facility pursuant to Amendment No. 2. Amendment No. 2 provided for the incurrence of the 2011 Term Loan. The proceeds of the 2011 Term Loan, together with cash on hand, were used to repay the remaining outstanding balance of the 2010 Term Loan in full.

On May 4, 2012, we amended and restated our existing senior credit facilities by entering into the Amended and Restated Credit Facility, which consists of the 2012 Term Loan in an aggregate amount of $880.0 million and the $100.0 million 2012 Revolving Credit Facility. The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to repay the remaining outstanding principal of the then-existing 2011 Term Loan. The 2012 Term Loan and the 2012 Revolving Credit Facility mature on May 4, 2017. We are required to repay 5.00% per annum of the 2012 Term Loan in quarterly payments over the first two years, 10.00% per annum of the 2012 Term Loan in quarterly payments over the next two years, and 70.00% of the 2012 Term Loan in quarterly payments over the final year. In connection with the repayment of the 2011 Term Loan, we terminated our then-existing interest rate swaps and are not required to enter into new interest rate swaps to hedge our debt under the Amended and Restated Credit Facility.

In March 2013, we made a $15.0 million prepayment on the 2012 Term Loan.

The effective combined rate on our debt was 2.33% for the nine months ended September 30, 2013.

The obligations under the Amended and Restated Credit Facility are guaranteed by each of our direct and indirect wholly-owned domestic subsidiaries, subject to limited exceptions. The obligations under the Amended and Restated Credit Facility are secured by a lien on substantially all of the equity interests of our present and future domestic subsidiaries, up to 65% of the equity interests of our first-tier foreign subsidiaries, and substantially all of our and our domestic subsidiaries’ present and future property and assets, subject to certain exceptions.

The Amended and Restated Credit Facility contains affirmative and restrictive covenants that, among other things, limit our ability and our existing or future subsidiaries' abilities to:

- incur liens and further negative pledges;
- incur additional indebtedness or prepay, redeem or repurchase indebtedness;
- make loans or hold investments;
- merge, dissolve, liquidate, consolidate with or into another person;
- enter into acquisition transactions;
- make capital expenditures;
- issue disqualified capital stock;
- sell, transfer or dispose of assets;
- pay dividends or make other distributions in respect of our capital stock or engage in stock repurchases, redemptions and other restricted payments;
- create new subsidiaries;
- permit certain restrictions affecting our subsidiaries;
- change the nature of our business, accounting policies or fiscal periods;
- enter into any transactions with affiliates other than on an arm's length basis; and
- amend our organizational documents or amend, modify or change the terms of certain agreements relating to our indebtedness.

The Amended and Restated Credit Facility also contains customary events of default, including those relating to non-payment, breach of representations, warranties or covenants, cross-default and cross-acceleration, bankruptcy and insolvency events, invalidity or impairment of loan documentation or collateral, change of control and customary ERISA defaults. None of the restrictions above are expected to impact our ability to effectively operate the business.

The Amended and Restated Credit Facility also requires us and our subsidiaries to achieve financial and operating results sufficient to maintain compliance with the following financial ratios on a consolidated basis through the termination of the Amended and Restated Credit Facility: (1) the maximum Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall not exceed 3.25:1.00 and (2) the minimum Consolidated Interest Coverage Ratio (as defined in the Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall be at least 5.00:1.00. As of September 30, 2013, our Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Facility) was 1.69:1.00 and our Consolidated Interest Coverage Ratio (as defined in the Amended and Restated Credit Facility) was 23.00:1.00.

On August 1, 2013, we entered into a new ASR agreement to initiate share repurchases aggregating $100.0 million. The new ASR agreement is structured as a capped ASR in which, on August 2, 2013, we paid $100.0 million and received approximately 1.9 million shares, representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. This price is capped such that only under limited circumstances may we be required to deliver shares or pay cash at settlement. Additionally, depending on the average share price through the December 2013 completion date, we may receive additional shares under this ASR agreement.

Cash Flows

Cash and cash equivalents

	As of	
	September 30, 2013	December 31, 2012
	(in thousands)	
Cash and cash equivalents	$ 283,750	$ 183,309
Short-term investments	—	70,898

Cash and cash equivalents were $283.8 million and $183.3 million as of September 30, 2013 and December 31, 2012, respectively. As of September 30, 2013 and December 31, 2012, $90.0 million and $83.5 million, respectively, of the cash and cash equivalents were held by foreign subsidiaries, which could be subject to U.S. federal income taxation on repatriation to the U.S. and some of which could be subject to local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash is further restricted by local laws.

No short-term investments were held as of September 30, 2013. Short-term investments were $70.9 million as of December 31, 2012. All of the short-term investments were held by U.S. corporations and were not subject to repatriation considerations at December 31, 2012.

We believe that domestic cash flows from operations, together with existing cash and cash equivalents and short-term investments, will continue to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities, such as scheduled debt repayments and material capital expenditures, for at least the next 12 months and for the foreseeable future thereafter. In addition, we expect existing foreign cash flows from operations, together with existing cash and cash equivalents, will continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months and for the foreseeable future thereafter.

Cash provided by (used in) operating, investing and financing activities

	For the Nine Months Ended September 30,	
	2013	2012
	(in thousands)	
Cash provided by operating activities	$ 226,037	$ 287,663
Cash provided by investing activities	24,933	8,608
Cash used in financing activities	(146,854)	(210,930)
Effect of exchange rates on cash and cash equivalents	(3,675)	2,906
Net increase in cash and cash equivalents	$ 100,441	$ 88,247

Cash flows from operating activities

Cash flows from operating activities consist of net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities was $226.0 million and $287.7 million for the nine months ended September 30, 2013 and 2012, respectively. The year-over-year decrease primarily reflects a change in the timing of collections of our accounts receivable relative to the prior year, partially offset by higher net income adjusted for certain non-cash items.

Our primary uses of cash from operating activities are for the payment of cash compensation expenses, office rent, technology costs, market data costs, interest expenses and income taxes. The payment of cash for compensation and benefits is historically at its highest level in the first quarter when we pay discretionary employee compensation related to the previous fiscal year.

Cash flows from investing activities

Cash provided by investing activities was $24.9 million for the nine months ended September 30, 2013 compared to $8.6 million for the nine months ended September 30, 2012. The year-over-year increase of $16.3 million primarily reflects increased proceeds from the maturation of short-term investments without any corresponding reinvestments of the proceeds and lower capital expenditure costs, partially offset by the net cash outflows for the InvestorForce acquisition during the nine months ended September 30, 2013. In the nine months ended September 30, 2013 we began investing excess cash in money market funds and other similar cash equivalents rather than U.S. Treasury securities and other short-term investments as we had in prior periods.

Cash flows from financing activities

Cash used in financing activities was $146.9 million and $210.9 million for the nine months ended September 30, 2013 and 2012, respectively. The year-over-year change primarily reflects decreased cash payments made to service our credit facility, partially offset by increased cash used to repurchase MSCI shares during the nine months ended September 30, 2013.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

We are subject to foreign currency exchange fluctuation risk. Exchange rate movements can impact the U.S. dollar-reported value of our revenues, expenses, assets and liabilities denominated in non-U.S. dollar currencies or where the currency of such items is different than the functional currency of the entity where these items were recorded.

A significant portion of our revenues from our index-linked investment products are based on fees earned on the value of assets invested in securities denominated in currencies other than the U.S. dollar. For all operations outside the United States where the Company has designated the local non-U.S. dollar currency as the functional currency, revenues and expenses are translated using average monthly exchange rates and assets and liabilities are translated into U.S. dollars using month-end exchange rates. For these operations, currency translation adjustments arising from a change in the rate of exchange between the functional currency and the U.S. dollar are accumulated in a separate component of shareholders' equity. In addition, transaction gains and losses arising from a change in exchange rates for transactions denominated in a currency other than the functional currency of the entity are reflected in non-operating "Other expense (income), net" in our Unaudited Condensed Consolidated Statements of Income.

Revenues from index-linked investment products represented approximately $110.3 million, or 14.4%, and $102.7 million, or 14.6%, of our operating revenues for the nine months ended September 30, 2013 and 2012, respectively. While our fees for index-linked investment products are generally invoiced in U.S. dollars, the fees are based on the investment product's assets, a large majority of which are invested in securities denominated in currencies other than the U.S. dollar. Accordingly, declines in such other currencies against the U.S. dollar will decrease the fees payable to us under such licenses. In addition, declines in such currencies against the U.S. dollar could impact the attractiveness of such investment products resulting in net fund outflows, which would further reduce the fees payable under such licenses.

We generally invoice our clients in U.S. dollars; however, we invoice a portion of clients in Euros, British pounds sterling, Japanese yen and a limited number of other non-U.S. dollar currencies. For the nine months ended September 30, 2013 and 2012, approximately 14.8% and 12.3% of our revenues, respectively, were invoiced in currencies other than U.S. dollars. For the nine months ended September 30, 2013, 54.3% of our foreign currency revenues were in Euros, 21.9% were in British pounds sterling and 13.5% were in Japanese yen. For the nine months ended September 30, 2012, 59.3% of our foreign currency revenues were in Euros, 22.7% were in Japanese yen and 10.3% were in British pounds sterling.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately $207.3 million, or 42.5%, and $152.6 million, or 33.8%, of our operating expenses for the nine months ended September 30, 2013 and 2012, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Swiss francs, Hong Kong dollars, Euros, Hungarian forints, Indian rupees and Mexican pesos. Expenses paid in foreign currency may increase as we expand our business outside the U.S.

We have certain monetary assets and liabilities denominated in currencies other than local functional amounts and when these balances were remeasured into their local functional currency, either a gain or a loss resulted from the change of the value of the functional currency as compared to the originating currencies. We manage foreign currency exchange rate risk, in part, through the use of derivative financial instruments comprised principally of forward contracts on foreign currency which are not designated as hedging instruments for accounting purposes. The objective of the derivative instruments is to minimize the income statement impact associated with intercompany loans that are denominated in certain foreign currencies. As a result of these positions, we recognized foreign currency exchange losses of $2.2 million and $2.7 million for the nine months ended September 30, 2013 and 2012, respectively. These amounts were recorded in "Other expense (income), net" in our Unaudited Condensed Consolidated Statements of Income.

To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase.

Interest Rate Sensitivity

We had unrestricted cash and cash equivalents totaling $283.8 million at September 30, 2013 and $183.3 million at December 31, 2012, respectively. These amounts were held primarily in checking and money market accounts in the countries where we maintain banking relationships. The unrestricted cash and cash equivalents are held for working capital purposes. At December 31, 2012, we had invested $70.9 million in debt securities with maturity dates ranging from 91 to 360 days from the date of purchase. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income.

Borrowings under the 2012 Term Loan bear interest at a rate equal to the sum of LIBOR and a margin of 2.00%, which margin will be subject to adjustment based on our leverage ratio. As of September 30, 2013, the 2012 Term Loan bore interest at 2.18%. Assuming an average of $793.5 million of variable rate debt outstanding, a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately $7.9 million of additional interest rate expense.

Item 4. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), as of September 30, 2013 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time specified in the SEC’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes during the three months ended September 30, 2013 in our internal control over financial reporting, as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company, which arise in the ordinary course of business. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that MSCI’s business, operating results, financial condition or cash flows in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are currently pending or asserted will not, individually or in the aggregate, have a material effect on MSCI’s business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

For a discussion of the risk factors affecting the Company, see “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The risk factors presented below supplement, update, supersede and/or replace, as appropriate, the risk factors found in that Annual Report.

Risks Related to Our Business

Changes in government regulations could materially adversely affect our business, financial condition or results of operations.

The financial services industry is subject to extensive regulation at the federal and state levels, as well as by foreign governments. It is very difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting our business and our clients’ businesses. If we fail to comply with any applicable laws, rules or regulations, we could be subject to fines or other penalties. Some changes to the laws, rules and regulations applicable to our clients could impact their demand for our products and services. There can be no assurance that changes in laws, rules or regulations will not have a material adverse effect on our business, financial condition or results of operations.

- *Investment Advisers Act*. Except with respect to certain products provided by ISS and certain of its subsidiaries, we believe that our products do not constitute or provide investment advice as contemplated by the Investment Advisers Act of 1940 (“Advisers Act”). Future developments in our product line or changes to the current laws, rules or regulations could cause this status to change. It is possible that in addition to ISS and certain of its subsidiaries, other entities in our corporate family may be required to become registered as an investment adviser under the Advisers Act or similar laws in states or foreign jurisdictions. The Advisers Act imposes fiduciary duties, recordkeeping and reporting requirements, disclosure requirements, limitations on agency and principal transactions between an adviser and advisory clients, as well as general anti-fraud prohibitions.

  We may also be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets around the world. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

- *Data Privacy Legislation*. Changes in laws, rules or regulations, or consumer environments relating to consumer privacy or information collection and use may affect our ability to collect and use data. There could be a material adverse impact on our direct marketing, data sales and business due to the enactment of legislation or industry regulations, or simply a change in practices, arising from public concern over consumer privacy issues. Restrictions could be placed upon the collection, management, aggregation and use of information that is currently legally available, in which case our cost of collecting some kinds of data could materially increase. It is also possible that we could be prohibited from collecting or disseminating certain types of data, which could affect our ability to meet our clients' needs.
- *Proposed Regulation for Fiduciaries*. On October 21, 2010, the U.S. Department of Labor ("DOL") issued a proposed regulation that would expand the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As proposed, the definition of fiduciary would include, among others, an investment adviser that provides advice and recommendations to employee benefit plans regarding exercise of rights appurtenant to shares of stock (*e.g.*, proxy voting). If this regulation were adopted as proposed, ISS could be deemed to be a fiduciary for purposes of ERISA. As such, it would be subject to ERISA's prohibited transaction (*e.g.*, conflict) provisions, which could have an impact on the manner in which ISS and its affiliates conduct business. On September 19, 2011, the DOL announced that it had withdrawn this proposal and would re-propose the regulation sometime in early 2012, a target date that was not met.
- *Potential and Proposed Regulation of the Proxy Advisory Industry*. On July 14, 2010, the SEC voted unanimously to issue for public comment a concept release focusing on a wide range of topics related to the U.S. proxy voting system. The concept release focused on three general topics: (1) the accuracy, transparency and efficiency of the proxy voting system; (2) communications with shareholders and shareholder participation in voting; and (3) the relationship between voting power and economic interest, including questions about proxy advisory firms, such as ISS, and concerns raised by corporate issuers and other observers about the role, power and manner in which proxy advisory firms operate. The SEC may, but is not required, to engage in rulemaking with respect to the various issues and questions raised in the concept release. In its Fiscal Year 2012 Agency Final Report, the SEC indicated that it plans to develop recommendations in 2013 for an interpretive release addressing issues raised in the proxy plumbing concept release regarding proxy advisory firms. It is unclear whether this proposed deadline will be met.

  Following a consultation conducted by the European Securities and Markets Authority ("ESMA") with respect to the proxy advisory industry in Europe, ESMA has decided to require the proxy advisory industry to develop its own Code of Conduct, which will be implemented under a comply-or-explain regime. ESMA is recommending the development of a Code of Conduct that focuses on identifying, disclosing and managing conflicts of interest and that fosters transparency. ESMA will review the development of the Code of Conduct by February 2016 and may reconsider its position if no substantial progress has been made by that time. ESMA's recommendation is expected to be considered by the European Commission which will then decide whether or not to take further action. Additionally, other jurisdictions outside of Europe, such as Canada, have adopted, and others could adopt, similar concepts, proposals or regulations.

  At this point we are unable to determine whether the SEC, the European Commission or other regulatory bodies will pursue rulemaking or legislation on these matters and, if so, the extent to which any rule or legislation might impact our businesses, including the process by which we provide proxy research and voting services to clients, the manner in which ISS operates as a proxy advisory firm, the business model that provides for both voting services to investor clients and governance advice to corporate clients, or otherwise. However, as with any regulatory change or the introduction of new legislation, we may have to change business practices and operational procedures and incur costs in response to possible modifications to the proxy system that could result from any rulemaking or legislation that stems from the SEC's concept release, the adoption of the Code of Conduct encouraged by ESMA or action by the European Commission or other regulatory bodies.
- *Potential and Proposed Regulation Affecting Benchmarks.* On September 18, 2013, the European Commission issued its proposal for regulating indices used as benchmarks in financial instruments and financial contracts and as benchmarks used to measure the performance of investment funds (COM(2013) 641/3 and 2013/0314(COD)), which if adopted as proposed, could result in the regulation of many aspects of our index business, including, but not limited to, index development, calculation, dissemination, governance, maintenance and recordkeeping, as well as input data licensing, collection and dissemination. At this point, we do not know whether this proposal, or a similar proposal, will be adopted as regulation by the European Union, or if it is adopted, when it will be adopted and have an effect on our index business, but complying with any regulation resulting from this proposal that leads to a material change in our business practices or our ability to offer indices in the European Union or diminishes our intellectual property rights could have a material adverse effect on our index business.

  On October 20, 2011, the European Commission issued its proposal for MiFID/MiFIR 2 (COM (2011) 0652 and COM (2011) 0656), which among other things would mandate that where the value of a financial instrument is calculated by reference to a benchmark, a person with proprietary rights to the benchmark would be required to ensure that clearing entities and trading venues would be entitled to licenses to the benchmark as well as to relevant price and data feeds and information regarding the composition, methodology and pricing of the benchmark. Access to such information would have to be granted by the benchmark owner within three months of the request on a reasonable commercial basis, which in any event would be at a price no higher than the lowest price at which access to the benchmark is granted to another clearing entity, trading venue or related person for clearing and trading purposes. At this point, we do not know whether this proposal, or a similar proposal, will be adopted as regulation by the European Union, or if it is adopted, when it will be adopted and have an effect on our index business, but complying with any regulation resulting from this proposal that leads to a material change in our business practices or our ability to offer indices in the European Union or diminishes our intellectual property rights could have a material adverse effect on our index business.

On December 18, 2012, ESMA published guidelines on ETFs and other Undertakings for Collective Investment in Transferable Securities ("UCITS") issues (ESMA/2012/832EN), which were most recently updated on July 11, 2013 ("Guidelines"). The Guidelines limit the types of indices that can be used as the basis of UCITS funds and require, among other things, index constituents, together with their respective weightings, to be made easily accessible free of charge, such as via the internet, to investors and prospective investors on a delayed basis. The Guidelines became effective as of February 17, 2013 with respect to newly launched UCITS funds. They become effective for all UCITS funds by February 17, 2014. We have made available a client communication with respect to our policies as they relate to the Guidelines. Although the full effects of the Guidelines will be largely unknown until we have more clarification from ESMA and/or individual regulators, complying with any related requirements could have a negative impact on our business and results of operations, including a negative impact on our licensing of index data and/or our indices as the basis of ETFs and UCITS. See—"Legal protections for our intellectual property rights and other rights may not be sufficient or available to protect our competitive advantages. Third parties may infringe on our intellectual property rights, and third-party litigation may adversely affect our ability to protect our intellectual property rights" below. Additionally, other jurisdictions outside of Europe have adopted, and others could adopt, similar concepts, proposals or regulations.

On June 6, 2013, ESMA published its final report setting out Principles for Benchmark-Setting Processes in the EU (ESMA/2013/659) ("ESMA Principles"). The ESMA Principles are intended to provide a general framework covering all stages of the benchmark setting process including data submission, administration, calculation, publication, the use of benchmarks and the continuity of benchmarks. The ESMA Principles are non-binding, but ESMA intends them to help transition to a potential European Union framework for benchmarks, and ESMA will review the ESMA Principles' application 18 months after their initial publication. We are assessing the impact that compliance with the ESMA Principles could have on our index business, but complying with ESMA Principles that lead to a material change in our business practices or our ability to offer our indices or diminish our intellectual property rights could have a material adverse effect on our index business.

On July 17, 2013, the International Organization of Securities Commissions ("IOSCO") published its final report on principles for financial benchmarks ("IOSCO Principles"). The IOSCO Principles cover conflicts of interest, benchmark quality and integrity, methodology requirements and procedures related to handling complaints, documentation requirements and audit reviews. The IOSCO Principles require benchmark administrators to publicly disclose compliance with their requirements within 12 months of the IOSCO Principles initial publication. IOSCO will review the extent to which the IOSCO Principles have been implemented within 18 months of publication. We are assessing the impact that compliance with the IOSCO principles could have on our index business, but complying with IOSCO Principles that lead to a material change in our business practices or our ability to offer our indices or diminish our intellectual property rights could have a material adverse effect on our index business.

Legal protections for our intellectual property rights and other rights may not be sufficient or available to protect our competitive advantages. Third parties may infringe on our intellectual property rights, and third-party litigation may adversely affect our ability to protect our intellectual property rights.

We consider many aspects of our products and processes to be proprietary. We rely primarily on a combination of trade secret, patent, copyright and trademark rights, as well as contractual protections and technical measures, to protect our products and processes. Despite our efforts, third parties may still try to challenge, invalidate or circumvent our rights and protections. There is no guarantee that any trade secret, patent, copyright or trademark rights that we may obtain will protect our competitive advantages, nor is there any assurance that our competitors will not infringe upon our rights. As we have experienced, even if we attempt to protect our intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that we will be successful. Furthermore, our competitors may also independently develop and patent or otherwise protect products and processes that are the same or similar to ours. In addition, the laws of certain foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the U.S. Also, some elements of our products and processes may not be subject to intellectual property protection.

- Trademarks and Service Marks—We have registered "MSCI", "Barra" and "RiskMetrics" as trademarks or service marks in the U.S. and in certain foreign countries. We have also registered other marks for certain products and services in the U.S. and in certain foreign countries. When we enter a new geographic market or introduce a new product brand, there can be no assurance that our existing trademark or service mark of choice will be available. Furthermore, the fact that we have registered trademarks is not an assurance that other companies may not use the same or similar names.

- Patents—We currently hold 21 U.S. and foreign patents. We currently have four U.S. and foreign patent applications pending. Patent applications can be extremely costly to process and defend. There can be no assurance that we will be issued any patents that we apply for or that any of the rights granted under any patent that we obtain will be sufficient to protect our competitive advantages.
- Copyrights—We believe our proprietary software and proprietary data are copyright protected. If a court were to determine that any of our proprietary software or proprietary data, such as our index level data, is not copyright protected, it could have a material adverse effect on our business, financial condition or results of operations.
- Confidentiality and Trade Secrets—Our license agreements limit our clients' right to copy or disclose our proprietary software and data. It is possible, however, that a client might still make unauthorized copies of our proprietary software or data, which could have a material adverse effect on our business, financial condition or results of operations. For example, if a client who licensed a large volume of our proprietary historical data made that information publicly available, we might lose potential clients who could freely obtain a copy of the data. We also seek to protect our proprietary software and data through trade secret protection and through non-disclosure obligations with our employees. However, if an employee breaches his or her non-disclosure obligation and reveals a trade secret or other confidential information, we could lose the trade secret or confidentiality protection, which could have a material adverse effect on our business, financial condition or results of operations. Furthermore, it may be very difficult to ascertain if a former employee is inappropriately using or disclosing our confidential or proprietary information. We have investigated suspicions that former employees have used or disclosed our confidential or proprietary information, but we cannot be certain that we are aware or in the future will be aware of every instance in which this sort of behavior may occur. Additionally, the enforceability of our license agreements' non-disclosure obligations and the remedies available to us in the event of a breach vary due to the many different jurisdictions in which our clients and employees are located.
- License Agreements—Our products are generally made available to end users on a periodic subscription basis under a license agreement signed by the client. We also permit access to some data, such as certain index information, through the Internet under on-line licenses that are affirmatively acknowledged by the licensee or under terms of use. There can be no assurance that third parties will abide by the terms of our licenses or that all of our license agreements will be enforceable.
- Third-Party Litigation—There has been recent third-party litigation in the U.S. regarding whether issuers of index-linked investment products are required to obtain a license from the index owner or whether companies may issue and trade investment products based on a publicly-available index without the need for permission from (or payment to) the index owner. In July 2010, the Circuit Court of Cook County, Illinois found that the trading of index options on the Dow Jones Industrial Average ("DJIA") and the S&P 500 index by the International Stock Exchange ("ISE") without a license would misappropriate the index providers' rights in their indexes. The ISE was permanently restrained and enjoined from listing or providing an exchange market for the trading of DJIA and/or S&P 500 index options and the Options Clearing Corporation was permanently restrained and enjoined from participating in the facilitation of an ISE index option based upon the DJIA and/or S&P 500 and from issuing, clearing or settling the exercise of such DJIA and/or S&P 500 index options. This decision was affirmed on appeal by the Illinois Appellate Court in May 2012, and in September 2012 the Illinois Supreme Court refused to hear ISE's appeal of the Appellate Court's decision. The U.S. Supreme Court refused to hear the ISE's appeal of the outcome in the Illinois state courts. According to media reports, ISE intends to continue to litigate in federal district court in New York the question of whether if it does not have a license from the owner of the DJIA and the S&P 500 it may offer index option contracts on those indices without violating copyright law. In another relevant case, in 2009, the German Federal Supreme Court concluded that the owner of a trademark who publishes an index generally available to all market participants cannot prohibit, on the basis of German trademark law, a third party from referring to the index as a reference value in option warrants issued by the third party if the trademark is used for informational and factual purposes and does not imply that a relationship exists with the trademark owner. If other courts or regulators or other governmental bodies in relevant jurisdictions determine that a license is not required to issue investment products linked to indices, this could have a material adverse effect on our business, financial condition or results of operations. See "—Changes in government regulations could materially adversely affect our business, financial condition or results of operations" above. It might also lead to changes in current industry practices such that we would no longer make our index level data publicly available, such as via our website or news media.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There have been no unregistered sales of equity securities.

The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common shares during the three months ended September 30, 2013.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
Month #1 (July 1, 2013-July 31, 2013)	769,034	$ 33.47	762,089	$ 200,000,000
Month #2 (August 1, 2013-August 31, 2013) (3)	1,917,930	N/A	1,916,758	$ 100,000,000
Month #3 (September 1,2013-September 30, 2013)	154	$ 38.43	—	$ 100,000,000
Total	2,687,218		—	$ 100,000,000

(1) Includes (i) shares withheld to satisfy tax withholding obligations on behalf of employees that occur upon vesting and delivery of outstanding shares underlying restricted stock units and (ii) shares repurchased pursuant to the 2012 Share Repurchase Program. The value of the shares withheld were determined using the fair market value of the Company's common stock on the date of withholding, using a valuation methodology established by the Company.

(2) See Note 8, "Commitments And Contingencies" of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information regarding our stock repurchase program.

(3) Average price paid per share information will not be available for the August 2013 ASR Program until final settlement.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

An exhibit index has been filed as part of this report on page EX-1.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 1, 2013

MSCI INC.
(Registrant)

By: /s/ Robert Qutub
Robert Qutub
Chief Financial Officer,
Principal Financial Officer, Principal Accounting Officer and Authorized Signatory

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EXHIBIT INDEX

MSCI INC.

QUARTER ENDED SEPTEMBER 30, 2013

3.1	Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)
3.2	Amended and Restated By-laws (filed as Exhibit 3.2 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)
* 10.1	Fixed Dollar Capped Accelerated Share Repurchase Transaction Letter Agreement, dated as of August 1, 2013, between MSCI Inc. and Morgan Stanley & Co. LLC
11	Statement Re: Computation of Earnings Per Common Share (The calculation of per share earnings is in Part I, Item 1, Note 4 to the Condensed Consolidated Financial Statements (Earnings Per Common Share) and is omitted in accordance with Section (b)(11) of Item 601 of Regulation S-K)
* 15	Letter of awareness from Deloitte & Touche LLP, dated November 1, 2013, concerning unaudited interim financial information
* 31.1	Rule 13a-14(a) Certification of the Chief Executive Officer
* 31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
** 32.1	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer
* 101.INS	XBRL Instance Document
* 101.SCH	XBRL Taxonomy Extension Schema Document
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
* 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.
** Furnished herewith.

Exhibit 10.1

Reference Number: DP1:7015020 Account Number: 033192766

Morgan Stanley

MORGAN STANLEY & CO. LLC
1585 BROADWAY
NEW YORK, NY 10036-8293
(212) 761-4000

August 1, 2013

Fixed Dollar Capped Accelerated Share Repurchase Transaction

MSCI Inc.
7 World Trade Center
250 Greenwich Street, 49th Floor
New York, New York 10007
Attention: Robert Qutub
Facsimile: 212-804-2919

Dear Sir/Madam:

The purpose of this letter agreement (this "**Confirmation**") is to confirm the terms and conditions of the Transaction entered into between Morgan Stanley & Co. LLC ("**MSCO**") and MSCI Inc. ("**Issuer**") on the Trade Date specified below (the "**Transaction**"). This confirmation constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**")) (the "**Equity Definitions**") are incorporated into this Confirmation. The Transaction is a Share Forward Transaction for purposes of the Equity Definitions. Any reference to a currency shall have the meaning contained in Section 1.7 of the 2006 ISDA Definitions, as published by ISDA.

1. This Confirmation evidences a complete and binding agreement between MSCO and Issuer as to the terms of the Transaction to which this Confirmation relates and shall supersede all prior or contemporaneous written or oral communications with respect thereto. This Confirmation shall be subject to an agreement (the "**Agreement**") in the form of the 2002 ISDA Master Agreement as if MSCO and Issuer had executed an agreement in such form without any Schedule but with the (i) the election of an executed guarantee of Morgan Stanley dated as of the Trade Date in substantially the form attached hereto as Annex A as a Credit Support Document, (ii) the election of Morgan Stanley as a Credit Support Provider in relation to Party A, (iii) the election of USD as the Termination Currency and (iv) the additional elections set forth in this Confirmation.

The Transaction shall be the only transaction under the Agreement. If there exists any ISDA Master Agreement between MSCO and Issuer or any confirmation or other agreement between MSCO and Issuer pursuant to which an ISDA Master Agreement is deemed to exist between MSCO and Issuer, then, notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which MSCO and Issuer are parties, the Transaction shall not be considered a transaction under, or otherwise governed by, such existing or deemed to be existing ISDA Master Agreement.

If there is any inconsistency between the Agreement, this Confirmation and the Equity Definitions, the following will prevail for purposes of the Transaction in the order of precedence indicated: (i) this Confirmation; (ii) the Equity Definitions; and (iii) the Agreement.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

GENERAL TERMS:

Trade Date:	As specified in Schedule I
Buyer:	Issuer
Seller:	MSCO
Shares:	Common Stock, par value USD 0.01 per share, of Issuer (Ticker: MSCI)
Tranches:	The Transaction will be divided into multiple Tranches, each with the terms set forth in this Confirmation, and in particular with the Prepayment Amount, Observation Dates, the Scheduled Valuation Date and the Lock-Out Date set forth in Schedule I. The payments and deliveries to be made upon settlement of the Transaction will be determined separately for each Tranche as if each Tranche were a separate Transaction under the Agreement.
Forward Price:	A price per Share (as determined by the Calculation Agent) equal to (i) the arithmetic mean (not a weighted average) of the 10b-18 VWAP on each Observation Date that is a Trading Day during the Calculation Period minus (ii) the Discount; provided, however, that if the Forward Price would otherwise be greater than the Forward Cap Price, the Forward Price shall equal the Forward Cap Price.
Discount:	As specified in Schedule I
Forward Cap Price:	As specified in Schedule I
10b-18 VWAP:	On any Trading Day, a price per Share equal to the volume-weighted average price of the Rule 10b-18 eligible trades in the Shares for the entirety of such Trading Day as determined by the Calculation Agent by reference to the screen entitled "MSCI.N <Equity> AQR SEC" or any successor page as reported by Bloomberg L.P. or any successor (without regard to pre-open or after-hours trading outside of any regular trading session for such Trading Day or block trades (as defined in Rule 10b-18(b)(5) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) on such Trading Day) or, if the price displayed on such screen is clearly erroneous, as determined by the Calculation Agent in good faith and in a commercially reasonable manner
Observation Dates:	As specified in Schedule I
Calculation Period:	The period from, and including, the first Observation Date that is a Trading Day that occurs on or after the Prepayment Date to, but excluding, the relevant Valuation Date; provided, however, that if the Valuation Date is the Scheduled Valuation Date, then the Valuation Date shall be included in the Calculation Period.

Trading Day:	Any Exchange Business Day that is not a Disrupted Day in whole
Initial Shares:	As specified in Schedule I
Initial Share Delivery Date:	One Exchange Business Day following the Trade Date. On the Initial Share Delivery Date, Seller shall deliver to Buyer a number of Shares equal to the Initial Shares in accordance with Section 9.4 of the Equity Definitions, with the Initial Share Delivery Date being deemed to be a "Settlement Date" for purposes of such Section 9.4.
Prepayment:	Applicable
Prepayment Amount:	As specified in Schedule I
Prepayment Date:	One Exchange Business Day following the Trade Date. On the Prepayment Date, Buyer shall pay to Seller the Prepayment Amount.
Exchange:	The New York Stock Exchange
Related Exchange:	All Exchanges
Market Disruption Event:	The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words "at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be," starting in the third line thereof. Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof. Notwithstanding anything to the contrary in the Equity Definitions, if any Exchange Business Day in the Calculation Period is a Disrupted Day, the Calculation Agent shall have the option in its good faith and commercially reasonable discretion to take one or more of the following actions: (i) determine that such Exchange Business Day is a Disrupted Day in part, in which case the Calculation Agent shall (x) determine the 10b-18 VWAP on such Exchange Business Day based on Rule 10b-18 eligible trades in the Shares on such day taking into account the nature and duration of the relevant Market Disruption Event and the volume, historical trading patterns and price of the Shares and (y) determine the Forward Price using an appropriately weighted average of 10b-18 VWAPs instead of an arithmetic mean, and/or (ii) elect to postpone the Scheduled Valuation Date by up to one Observation Date for every Observation Date that is a

	Disrupted Day during the Calculation Period. For the avoidance of doubt, if the Calculation Agent takes the action described in clause (i) above, then such Disrupted Day shall be a Trading Day for purposes of calculating the Forward Price. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full. If a Disrupted Day occurs during the Calculation Period and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent may, in its good faith and commercially reasonable discretion, deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and determine the VWAP Price for such ninth Scheduled Trading Day using its good faith and commercially reasonable estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and price of the Shares and such other factors as it deems appropriate.
VALUATION:	
Valuation Date:	The earlier of (i) the Scheduled Valuation Date and (ii) any earlier accelerated Valuation Date as a result of MSCO’s election in accordance with the immediately succeeding paragraph. MSCO shall have the right, in its absolute discretion but subject to the limitation set forth in the immediately succeeding paragraph, to accelerate the Valuation Date, in whole or in part, to any Exchange Business Day that is on or after the Lock-Out Date and prior to the Scheduled Valuation Date by notice (each such notice, an “**Acceleration Notice**”) to Issuer by 9:00 p.m., New York City time, on the Exchange Business Day immediately following the accelerated Valuation Date. MSCO shall specify in each Acceleration Notice the portion of the Prepayment Amount that is subject to acceleration (which may be less than the full Prepayment Amount, but only so long as such portion is not less than USD 20,000,000). If the portion of the Prepayment Amount that is subject to acceleration is less than the full Prepayment Amount, then the Calculation Agent shall adjust the terms of the Transaction as appropriate in order to take into account the occurrence of such accelerated Valuation Date (including cumulative adjustments to take into account all prior accelerated Valuation Dates).

	On each Valuation Date, the Calculation Agent shall calculate the Settlement Amount.
Scheduled Valuation Date:	As specified in Schedule I, subject to postponement in accordance with “Market Disruption Event” above
Lock-Out Date:	As specified in Schedule I

SETTLEMENT TERMS:

Physical Settlement:	Applicable.
	On the Settlement Date, Seller shall deliver to Buyer a number of Shares equal to (a) (i) the Prepayment Amount <u>divided by</u> (ii) the Forward Price, <u>minus</u> (b) the Initial Shares (such number of Shares, the “**Settlement Amount**”), rounded to the nearest whole number of Shares.
Settlement Currency:	USD
Settlement Date:	The date that falls one Trading Day after the relevant Valuation Date
Other Applicable Provisions:	The last sentence of Section 9.2, Sections 9.8, 9.9, 9.10 and 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Buyer is the issuer of the Shares) and Section 9.12 of the Equity Definitions will be applicable to the Transaction.

SHARE ADJUSTMENTS:

Potential Adjustment Event:	Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, an Extraordinary Dividend shall not constitute a Potential Adjustment Event.
	It shall constitute a Potential Adjustment Event if a Disrupted Day occurs or, pursuant to Section 11 below, is deemed to occur (in whole or in part) on any Trading Day on or prior to the Valuation Date.
Extraordinary Dividend:	Any dividend or distribution on the Shares with an ex-dividend date occurring during the period from, and including, the Trade Date to, and including, the last day of the Calculation Period (other than any dividend or distribution of the type described in Section 11.2(e)(i), Section 11.2(e)(ii)(A) or Section 11.2(e)(ii)(B) of the Equity Definitions).
Method of Adjustment:	Calculation Agent Adjustment

EXTRAORDINARY EVENTS:

Consequences of Merger Events:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Cancellation and Payment on that portion of the Other Consideration that consists of cash; Modified Calculation Agent Adjustment on the remainder of the Other Consideration
Share-for-Combined:	Component Adjustment
Tender Offer:	Applicable; <u>provided</u> that Section 12.1(d) of the Equity Definitions is hereby amended by replacing "10%" with "25%" in the third line thereof.

Consequences of Tender Offers:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Modified Calculation Agent Adjustment
Share-for-Combined:	Modified Calculation Agent Adjustment
New Shares:	In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety (including the word "and" following such clause (i)) and replaced with "publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors)".

For purposes of the Transaction,

(i) the definition of Merger Date in Section 12.1(c) of the Equity Definitions shall be amended to read, "Merger Date shall mean the Announcement Date.";

(ii) the definition of Tender Offer Date in Section 12.1(e) of the Equity Definitions shall be amended to read, "Tender Offer Date shall mean the Announcement Date.";

(iii) the definition of "Announcement Date" in Section 12.1(l) of the Equity Definitions is hereby amended by (a) replacing the words "a firm" with the word "any" in the second and fourth lines thereof, (b) replacing the word "leads to the" with the words ", if completed, would lead to a" in the third and the fifth lines thereof, (c) replacing the words "voting shares" with the word "Shares" in the fifth line thereof, (d) inserting the words "by any entity" after the word "announcement" in the second and the fourth lines thereof, (e) inserting the words "or to explore the possibility of engaging in" after the words "engage in" in the second line thereof and (f) inserting the words "or to explore the possibility of purchasing or otherwise obtaining" after the word "obtain" in the fourth line thereof; and

(iv) Section 12.2 of the Equity Definitions is hereby amended by inserting the words "Announcement Date in respect of any Merger Event or any potential" before the words "Merger Event" in the final line thereof.

Composition of Combined Consideration:	Not Applicable
Nationalization, Insolvency or Delisting:	Cancellation and Payment; provided that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.
Additional Disruption Events:	
Change in Law:	Applicable; provided that (i) any determination as to whether (A) the adoption of or any change in any applicable law or regulation (including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute) or (B) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a “Change in Law” shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and (ii) Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word “regulation” in the second line thereof the words “(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)”.
Failure to Deliver:	Applicable
Insolvency Filing:	Applicable
Hedging Disruption:	Not Applicable
Increased Cost of Hedging:	Not Applicable
Loss of Stock Borrow:	Applicable
Maximum Stock Loan Rate:	200 bps
Increased Cost of Stock Borrow:	Applicable
Initial Stock Loan Rate:	33 bps

Determining Party:	For all applicable events, MSCO; provided that when making any determination or calculation as "Determining Party," MSCO shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and the Confirmation as if the Determining Party were the Calculation Agent.
Hedging Party:	For all applicable events, MSCO; provided that when making any determination or calculation as "Hedging Party," MSCO shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and the Confirmation as if the Hedging Party were the Calculation Agent.
Non-Reliance:	Applicable
Agreements and Acknowledgements Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable
3. Calculation Agent:	MSCO; provided that following any determination or calculation hereunder, upon a written request by Buyer, the Calculation Agent will promptly provide to Buyer, by email to the email address provided by Buyer in such written request, a report (in a commonly used file format for the storage and manipulation of financial data) displaying, in reasonable detail, the basis for such determination or calculation, it being understood that the Calculation Agent shall not be obligated to disclose any proprietary models or other confidential or proprietary information used by it for such determination or calculation.

4. Account Details and Notices:

(a) Account for delivery of Shares to Issuer:

Computershare
Jersey City, NJ 07310
RE: MSCI Inc. (CUSIP 55354G100)
Account Name: MSCI Inc Buyback Treasury Account
Account Number: T027

(b) Account for payments to Issuer:

Bank of America NY
ABA: 026009593
MSCI Inc
Acct: 1233159065

(c) Account for payments to MSCO:

Citibank NY
ABA: 021000089
Morgan Stanley
Acct: 38890774
MSCI Reference: 23-05161

(d) For purposes of this Confirmation:

(i) Address for notices or communications to Issuer:

MSCI Inc.
7 World Trade Center
250 Greenwich Street, 47th Floor
New York, New York 10007
Attention: Chris Cassiliano
Telephone: 212-804-1579
Facsimile: 212-804-3952

(ii) Address for notices or communications to MSCO:

Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036-8293
Attention: Anthony Cicia
Telephone: (212) 761-4000
Facsimile: (212) 507-4338

5. Amendments to the Equity Definitions.

(a) Section 9.2(a)(iii) of the Equity Definitions is hereby amended by deleting the words "the Excess Dividend Amount, if any, and".

(b) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "a material economic effect on the relevant Transaction".

(c) The first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: '(c) If "Calculation Agent Adjustment" is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction or Share Forward Transaction, then, following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a material economic effect on the Transaction and, if so, will (i) make appropriate adjustment(s), if any, to any one or more of:' and the portion of such sentence immediately preceding clause (ii) thereof is hereby amended by deleting the words "diluting or concentrative" and the words "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share)" and replacing such latter phrase with the words "(including adjustments to account for changes in volatility, stock loan rate or liquidity relevant to the Shares or to the Transaction)".

(d) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "material economic effect on the relevant Transaction".

(e) [Reserved.]

(f) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by (A) deleting (1) subsection (A) in its entirety, (2) the phrase "or (B)" following subsection (A) and (3) the phrase "in each case" in subsection (B); and (B) deleting the phrase "neither the Non-Hedging Party nor the Lending Party lends Shares in the amount of the Hedging Shares or" in the penultimate sentence.

(g) Section 12.9(b)(v) of the Equity Definitions is hereby amended by (A) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and (B)(1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C) and (3) replacing in the penultimate sentence the words “either party” with “the Hedging Party” and (4) deleting clause (X) in the final sentence.

6. <u>Certain Payments and Deliveries by MSCO</u>.

Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and MSCO would be required to make a payment pursuant to Section 6 of the Agreement or (ii) an Extraordinary Event occurs and MSCO would be required to make a payment pursuant to Article 12 of the Equity Definitions (the amount of any such payment obligation described in Section 6(i) or (ii) above, an “**MSCO Payment Amount**”), then MSCO shall settle such payment obligation in Shares in lieu of cash unless, by prior written notice to MSCO, Issuer elects to have MSCO settle such payment obligation by making a cash payment; <u>provided</u>, <u>however</u>, that Issuer shall be deemed to have given such notice to MSCO in the event of (i) an Insolvency, a Nationalization or a Merger Event, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Issuer is the Defaulting Party or a Termination Event in which Issuer is an Affected Party, which Event of Default or Termination Event resulted from an event or events within Issuer’s control. If Issuer does not so elect to have MSCO settle such payment obligation by making a cash payment, then MSCO shall deliver to Issuer, on or within a commercially reasonable time following the date on which such MSCO Payment Amount would have been due, a number of Shares with a market value, as determined by the Calculation Agent, equal to all or a portion (which portion may be zero) of the MSCO Payment Amount. If the market value of such Shares equals a portion, but not all, of the MSCO Payment Amount, then, on the date such MSCO Payment Amount is due, a notional balance (the “**Settlement Balance**”) shall be established equal to the remaining portion of the MSCO Payment Amount, and MSCO shall commence purchasing Shares for delivery to Issuer. At the end of each Trading Day on which MSCO purchases Shares pursuant to this Section 6, MSCO shall reduce the Settlement Balance by the amount paid by MSCO to purchase the Shares purchased on such Trading Day. MSCO shall deliver any Shares purchased on a Trading Day pursuant to this Section 6 to Issuer on the third Exchange Business Day following such Trading Day. MSCO shall continue so purchasing and delivering Shares until the Settlement Balance has been reduced to zero. In making any purchases of Shares contemplated by this Section 6, MSCO shall use commercially reasonable efforts to purchase such Shares in a manner that would qualify for the safe harbor provided by Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”) if such purchases were made by or on behalf of Issuer. The period until the Settlement Balance is reduced to zero shall be considered to be part of the Calculation Period for purposes of the representations, warranties and covenants and other provisions herein as the context requires.

7. <u>Certain Payments and Deliveries by Issuer</u>.

Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and Issuer would be required to make a payment pursuant to Section 6 of the Agreement or (ii) an Extraordinary Event occurs and Issuer would be required to make a payment pursuant to Article 12 of the Equity Definitions (any such payment described in Section 7(i) or (ii) above, an “**Early Settlement Payment**”), then Issuer shall settle such payment obligation in Shares (such Shares, “**Early Settlement Shares**”) unless, by prior written notice to MSCO, Issuer elects to settle such payment obligation by making a cash payment; <u>provided</u>, <u>however</u>, that Issuer shall be deemed to have given such notice to MSCO in the event of (i) an Insolvency, a Nationalization or a Merger Event, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Issuer is the Defaulting Party or a Termination Event in which Issuer is an Affected Party, which Event of Default or Termination Event resulted from an event or events within Issuer’s control. Unless Issuer has given notice to MSCO of its election to settle the payment obligation described in this Section 7 through the payment of cash,

(i) Issuer must give notice to MSCO by no later than 6:00 p.m., New York City time, on the date that is three Exchange Business Days before the date that the Early Settlement Payment is due specifying whether such Early Settlement Shares are to be sold by means of a registered offering or by means of a private placement and (ii) Issuer must comply with Section 8(a) or 8(b) (as the case may be) and 8(c) below. If Issuer fails to give the notice described in clause (i) of the preceding sentence by the deadline specified in such clause, such Early Settlement Shares shall be deemed to be sold by means of a private placement.

8. Provisions Relating to Delivery of Early Settlement Shares.

(a) Issuer may deliver Early Settlement Shares and Make-Whole Shares (as defined below) by means of a registered offering only if the following conditions are satisfied:

(i) On the later of (A) the Trading Day following Issuer's notice to MSCO that it will deliver Early Settlement Shares and any Make-Whole Shares by means of a registered offering (the "**Registration Notice Date**"), and (B) the date on which the Registration Statement is declared effective by the SEC or becomes effective, but in no event later than the date the Early Settlement Payment is due, Issuer shall deliver to MSCO a number of Early Settlement Shares equal to the quotient of (I) the relevant Early Settlement Payment divided by (II) a price per Share as reasonably determined by the Calculation Agent (the date of such delivery, the "**Registered Share Delivery Date**").

(ii) Promptly following the Registration Notice Date, Issuer shall file with the SEC a registration statement ("**Registration Statement**") covering the public sale by MSCO of the Early Settlement Shares and any Make-Whole Shares (collectively, the "**Registered Securities**") on a continuous or delayed basis pursuant to Rule 415 (or any similar or successor rule), if available, under the Securities Act of 1933, as amended (the "**Securities Act**"); provided that no such filing shall be required pursuant to this paragraph (ii) if Issuer shall have filed a similar registration statement with unused capacity at least equal to the relevant Early Settlement Payment and such registration statement has become effective or been declared effective by the SEC on or prior to the Registration Notice Date and no stop order is in effect with respect to such registration statement as of the Registration Notice Date, in which case such registration statement shall be the Registration Statement. Issuer shall use its commercially reasonable efforts to file the Registration Statement as an automatic shelf registration statement or have the Registration Statement declared effective by the SEC, in each case, as promptly as possible. The Registration Statement shall be effective and subject to no stop order as of the Registered Share Delivery Date.

(iii) Promptly following the Registration Notice Date, Issuer shall afford MSCO a reasonable opportunity to conduct a due diligence investigation with respect to Issuer customary in scope for underwritten offerings of equity securities of similar size (including, without limitation, the availability of senior management to respond to questions regarding the business and financial condition of Issuer and the right to have made available to MSCO for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by MSCO), and MSCO shall be satisfied in all material respects with the results of such due diligence investigation of Issuer. For the avoidance of doubt, Issuer shall not have the right to deliver Shares pursuant to this Section 8(a) (and the conditions to delivery of Early Settlement Shares specified in this Section 8(a) shall not be satisfied) unless and until MSCO is satisfied in all material respects with the results of such due diligence investigation of Issuer.

(iv) From the effectiveness of the Registration Statement until all Registered Securities have been sold by MSCO, Issuer shall, at the request of MSCO, make available to MSCO a printed prospectus relating to the Registered Securities in form and substance (including, without limitation, any sections describing the plan of distribution) reasonably satisfactory to MSCO (a "**Prospectus**", which term shall include any prospectus supplement thereto), in such quantities as MSCO shall reasonably request.

(v) Issuer shall use its commercially reasonable efforts to avoid or prevent the issuance of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Prospectus and, if any such order is issued, to obtain the lifting thereof as soon thereafter as is practicably possible. If the Registration Statement, the Prospectus or any document incorporated therein by reference contains a misstatement of a material fact or omits to state a material fact required to be stated therein or necessary to make any statement therein not misleading, Issuer shall as promptly as practicable file any required document and prepare and furnish to MSCO a reasonable number of copies of such supplement or amendment thereto as may be necessary so that the Prospectus, as thereafter delivered to the purchasers of the Registered Securities, will not contain a misstatement of a material fact or omit to state a material fact required to be stated therein or necessary to make any statement therein not misleading.

(vi) On or prior to the Registered Share Delivery Date, Issuer shall enter into an agreement (a "**Transfer Agreement**") with MSCO (or any affiliate of MSCO designated by MSCO) relating to the public sale of the Registered Securities and substantially similar to underwriting agreements customary for underwritten offerings of equity securities of similar size, in form and substance reasonably satisfactory to MSCO (or such affiliate), which Transfer Agreement shall (without limiting the foregoing) contain provisions substantially similar to those contained in such underwriting agreements relating to:

(A) the indemnification of, and contribution in connection with the liability of, MSCO and its affiliates,

(B) the delivery to MSCO (or such affiliate) of customary letters and opinions (including, without limitation, accountants' comfort letters, opinions relating to the due authorization, valid issuance and fully paid and non-assessable nature of the Registered Securities and letters of counsel relating to the lack of material misstatements and omissions in the Registration Statement, the Prospectus and Issuer's filings under the Exchange Act); and

(C) the payment by Issuer of all fees and expenses in connection with such resale, including all registration costs and all reasonable fees and expenses of one counsel for MSCO (or such affiliate).

(vii) On the Registered Share Delivery Date, a notional balance (the "**Early Settlement Balance**") shall be established with an initial balance equal to the amount of the Early Settlement Payment. Following the delivery of Early Settlement Shares or any Make-Whole Shares, MSCO shall sell all such Early Settlement Shares or Make-Whole Shares in a commercially reasonable manner.

(viii) At the end of each day on which sales have been made pursuant to paragraph 8(a)(vii) above, the Early Settlement Balance shall be (A) reduced by an amount equal to the net proceeds to be received by MSCO upon settlement of such sales, and (B) increased by an amount (as reasonably determined by the Calculation Agent) equal to MSCO's funding cost with respect to the Early Settlement Balance as of the close of business on the day one Settlement Cycle prior to such day.

(ix) If, on any date, the Settlement Balance has been reduced to zero but not all of the Early Settlement Shares have been sold, no additional Early Settlement Shares shall be sold and MSCO shall promptly deliver to Issuer (A) any remaining Early Settlement Shares and (B) if the Early Settlement Balance has been reduced to an amount less than zero, an amount in cash equal to the absolute value of the then-current Early Settlement Balance.

(x) If, on any date, all of the Early Settlement Shares have been sold and the Settlement Balance has not been reduced to zero, Issuer shall promptly deliver to MSCO an additional number of Shares ("**Make-Whole Shares**") equal to (A) the Settlement Balance as of such date divided by (B) a price per Share as reasonably determined by the Calculation Agent or, if Issuer so elects, pay the remaining Early Settlement Balance to MSCO in cash. This clause (x) shall be applied successively until the Settlement Balance is reduced to zero.

(xi) If at any time the number of Shares covered by the Registration Statement is less than the number of Registered Securities required to be delivered pursuant to this Section 8(a), Issuer shall, at the request of MSCO, file additional registration statement(s) to register the sale of all Registered Securities required to be delivered to MSCO.

(xii) Issuer shall cooperate with MSCO and use its commercially reasonable efforts to take any other action necessary to effect the intent of the provisions set forth in this Section 8(a).

(xiii) The provisions of Section 8(b) shall apply to any then-current Early Settlement Balance if on any given day Issuer cannot satisfy any of the conditions set forth in this Section 8(a), unless Issuer pays such then-current Early Settlement Balance to MSCO in cash pursuant to the Registration Statement.

(b) If Issuer notifies MSCO that it will deliver Early Settlement Shares and Make-Whole Shares by means of a private placement, the following provisions shall apply:

(i) All Early Settlement Shares and Make-Whole Shares shall be delivered to MSCO (or any affiliate of MSCO designated by MSCO) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof.

(ii) Issuer shall afford MSCO and any potential purchaser of any such Shares from MSCO (or any affiliate of MSCO designated by MSCO) identified by MSCO a commercially reasonable opportunity to conduct a due diligence investigation with respect to Issuer customary in scope for private placements of equity securities of similar size (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them) and Issuer shall not disclose material non-public information in connection with such due diligence investigation.

(iii) Issuer shall enter into an agreement (a "**Private Placement Agreement**") with MSCO (or any affiliate of MSCO designated by MSCO) in connection with the private placement of such Shares by Issuer to MSCO (or any such affiliate) and the private resale of such Shares by MSCO (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities of similar size, in form and substance commercially reasonably satisfactory to MSCO and Issuer, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, MSCO and its affiliates, and shall provide for the payment by Issuer of all fees and expenses in connection with such resale, including all reasonable fees and expenses of one counsel for MSCO but not including any underwriter or broker discounts and commissions, and shall contain representations, warranties and agreements of Issuer and MSCO reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

(iv) Issuer shall not take or cause to be taken any action that would make unavailable either (A) the exemption set forth in Section 4(2) of the Securities Act for the sale of any Early Settlement Shares or Make-Whole Shares by Issuer to MSCO or (B) an exemption from the registration requirements of the Securities Act reasonably acceptable to MSCO for resales of Early Settlement Shares and Make-Whole Shares by MSCO.

(v) On the date requested by MSCO, Issuer shall deliver a number of Early Settlement Shares equal to the quotient of (A) the amount of the Early Settlement Payment divided by (B) a per Share value, determined by MSCO in a commercially reasonable manner, which value shall take into account transfer restrictions applicable to such Shares and may be based on indicative bids from institutional "accredited investors" (as defined in Rule 501 under the Securities Act), and the provisions of Section 8(a)(vii) through (x) shall apply to the Early Settlement Shares delivered pursuant to this Section 8(b)(v). For purposes of applying the foregoing, the Registered Share Delivery Date referred to in Section 8(a)(vii) shall be the date on which Issuer delivers the Early Settlement Shares.

(c) Unless Issuer has given notice to MSCO of its election to settle the payment obligation described in Section 7 through the payment of cash, then, if necessary, Issuer shall use its best efforts to cause the number of authorized but unissued Shares of Common Stock to be increased to an amount sufficient to permit Issuer to fulfill its obligations under Sections 8(a) and/or 8(b) above.

9. Special Provisions for Merger Transactions.

Notwithstanding anything to the contrary herein or in the Equity Definitions:

(a) Issuer agrees that:

(i) It will not during the term of the Transaction make, or, to the extent within its control, permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction unless such public announcement is made prior to the open or after the close of the regular trading session on the Exchange for the Shares.

(ii) To the extent that an announcement of a potential Merger Transaction occurs during the term of the Transaction and such announcement does not cause the Transaction to be cancelled or terminated in whole pursuant to "Extraordinary Events" in Section 2 above, then promptly following such announcement (but in any event prior to the next opening of the regular trading session on the Exchange), Issuer shall provide MSCO with written notice of such announcement; promptly (but in any event prior to the next opening of the regular trading session on the Exchange), Issuer shall provide MSCO with written notice specifying (x) Issuer's average daily "Rule 10b-18 purchases" (as defined in Rule 10b-18) during the three full calendar months immediately preceding the Announcement Date that were not effected through MSCO or its affiliates and (y) the number of Shares purchased pursuant to the block purchase proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the Announcement Date. Such written notice shall be deemed to be a certification by Issuer to MSCO that such information is true and correct. Issuer understands that MSCO will use this information in calculating the trading volume for purposes of Rule 10b-18. In addition, Issuer shall promptly notify MSCO of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Issuer acknowledges that any such public announcement may trigger the provision set forth in Section 11 below. Accordingly, Issuer acknowledges that its actions in relation to any such announcement or transaction must comply with the standards set forth in Section 13(b) below.

(b) Upon the occurrence of any such public announcement, MSCO in its good faith discretion may (i) apply the provisions of Section 11 below and/or (ii) treat the occurrence of such announcement as an Additional Termination Event with respect to which the Transaction shall be the sole Affected Transaction, Issuer shall be the sole Affected Party and MSCO shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement.

"**Merger Transaction**" means any merger, acquisition or similar transaction involving a recapitalization of Issuer as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

10. Special Provisions for Acquisition Transaction Announcements.

(a) If an Acquisition Transaction Announcement occurs on or prior to the final Valuation Date, then the Calculation Agent shall make such adjustments to the exercise, settlement, payment or any other terms of the Transaction as the Calculation Agent reasonably determines appropriate (including, for the avoidance of doubt, to the Discount and the Forward Cap Price) at such time or at multiple times as the Calculation Agent reasonably determines appropriate, to account for the economic effect on the Transaction of such Transaction Announcement (including adjustments to account for changes in volatility, expected dividends, stock loan rate and liquidity relevant to the Shares or to the Transaction). If an Acquisition Transaction Announcement occurs after the Trade Date but prior to the Lock-Out Date, the Lock-Out Date shall be deemed to be the date of such Acquisition Transaction Announcement.

(b) "**Acquisition Transaction Announcement**" means (i) the announcement of an Acquisition Transaction, (ii) an announcement that Issuer or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction or (iv) any announcement subsequent to an Acquisition Transaction Announcement relating to an amendment, extension, withdrawal or other change to the subject matter of the previous Acquisition Transaction Announcement. For the avoidance of doubt, the term "announcement" as used in the definition of Acquisition Transaction Announcement refers to any public announcement whether made by Issuer or a third party.

(c) "**Acquisition Transaction**" means (i) any Merger Event (for purposes of this definition, the definition of Merger Event shall be read with the references therein to "100%" being replaced by "25%" and to "50%" by "75%" and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Issuer with or into any third party, (ii) the sale or transfer of all or substantially all of the assets or liabilities of Issuer, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction, (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets or liabilities (including any capital stock or other ownership interests in subsidiaries) or other similar event by Issuer or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Issuer or its subsidiaries exceeds 25% of the market capitalization of Issuer and (v) any transaction with respect to which Issuer or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

11. MSCO Adjustments.

In the event that MSCO reasonably determines based on the advice of counsel that it is appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (so long as such requirements, policies and procedures are generally applicable to transactions similar to the Transaction, and whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by MSCO, and including, without limitation, Rule 10b-18, Rule 10b-5, Regulations 13D-G and Regulations 14 D-E under the Exchange Act), for MSCO to refrain from purchasing Shares or engaging in other market activity or to purchase fewer than the number of Shares or to engage in fewer or smaller other market transactions MSCO would otherwise purchase or engage in on any Trading Day on or prior to the last day of the Calculation Period, then MSCO may, in its commercially reasonable discretion, elect that a Market Disruption shall be deemed to have occurred on such Trading Day. MSCO shall notify Issuer upon the exercise of MSCO's rights pursuant to this Section 11 and shall subsequently notify Issuer on the day MSCO believes that the circumstances giving rise to such exercise have changed.

12. Covenants.

Issuer covenants and agrees that:

(a) Until the end of the Potential Purchase Period (as defined below), neither it nor any of its affiliated purchasers (as defined in Rule 10b-18 under the Exchange Act) shall directly or indirectly (which shall be deemed to include the writing or purchase of any cash-settled or other derivative or structured Share repurchase transaction with a hedging period, calculation period or settlement valuation period or similar period that overlaps with the Transaction) purchase, offer to purchase, place any bid or limit order relating to a purchase of or commence any tender offer relating to Shares (or any security convertible into or exchangeable for Shares) except through MSCO without the prior written approval of MSCO (other than (w) purchases of Shares that do not constitute "Rule 10b-18 purchases" under subparagraphs (ii) or (iii) of Rule 10b-18(a)(13) and that are not reasonably expected to result in purchases of Shares in the market, (x) withholding of Shares from holders of employee stock options to cover amounts payable (including tax liabilities and/or payment of exercise price) in respect of the exercise of such employee stock options, (y) purchases of Shares from employees to satisfy obligations under employee compensation agreements with such employees and (z) privately negotiated off-exchange repurchases of Shares that are not reasonably expected to result in purchases of Shares in the market) or take any other action that would cause the purchase by MSCO of any Shares in connection with this Agreement not to qualify for the safe harbor provided in Rule 10b-18 under the Exchange Act (assuming for the purposes of this paragraph that such safe harbor were otherwise available for such purchases). "**Potential Purchase Period**" means the period from, and including, the Trade Date to, and including, the latest of (i) the last day of the Calculation Period, (ii) the earlier of (A) the date ten Exchange Business Days immediately following the last day of the Calculation Period and (B) the Scheduled Valuation Date and (iii) if an Early Termination Date occurs or the Transaction is cancelled pursuant to Article 12 of the Equity Definitions, a date determined by MSCO in its commercially reasonable discretion and communicated to Issuer no later than the Exchange Business Day immediately following such date.

(b) [Reserved.]

(c) Without limiting the generality of Section 13.1 of the Equity Definitions, it is not relying, and has not relied, upon MSCO or any of its representatives or advisors with respect to the legal, accounting, tax or other implications of this Agreement and that it has conducted its own analyses of the legal, accounting, tax and other implications of this Agreement, and that MSCO and its affiliates may from time to time effect transactions for their own account or the account of customers and hold positions in securities or options on securities of Issuer and that MSCO and its affiliates may continue to conduct such transactions during the term of this Agreement. Without limiting the generality of the foregoing, Issuer acknowledges that MSCO is not making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity's Own Equity* (or any successor issue statements) or under FASB's Liabilities & Equity Project.

(d) Neither it nor any affiliates shall take any action that would cause a restricted period (as defined in Regulation M under the Exchange Act ("**Regulation M**")) to be applicable to any purchases of Shares, or of any security for which Shares is a reference security (as defined in Regulation M), by Issuer or any affiliated purchasers (as defined in Regulation M) of Issuer during the Potential Purchase Period unless Issuer has delivered written notice to MSCO of the relevant restricted period (as defined in Regulation M) not later than the Scheduled Trading Day immediately preceding the first day of such restricted period, in which case an Additional Termination Event shall occur with the Transaction as the sole Affected Transaction and Issuer as the sole Affected Party and MSCO shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement; Issuer acknowledges that, in addition, delivery of any such notice may cause a Disrupted Day to occur pursuant to Section 11 above.

(e) It will not make any election hereunder while aware of any material nonpublic information regarding Issuer or the Shares.

(f) It shall not declare or pay any Extraordinary Dividend until the earlier of (i) the Scheduled Valuation Date or (ii) the date ten Exchange Business Days immediately following the Valuation Date.

13. Representations, Warranties and Acknowledgments.

(a) Issuer hereby represents and warrants to MSCO on the date hereof and on and as of the Initial Share Delivery Date that:

(i) (A) None of Issuer and its officers and directors is aware of any material nonpublic information regarding Issuer or the Shares, and Issuer is entering into the Transaction in good faith and not as part of a plan or scheme to evade the prohibitions of federal securities laws, including, without limitation, Rule 10b-5 under the Exchange Act and (B) Issuer agrees not to alter or deviate from the terms of the Agreement or enter into or alter a corresponding or hedging transaction or position with respect to the Shares (including, without limitation, with respect to any securities convertible or exchangeable into the Shares) during the term of the Agreement. Without limiting the generality of the foregoing, all reports and other documents filed by Issuer with the Securities and Exchange Commission pursuant to the Exchange Act when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents) do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) The transactions contemplated by this Confirmation have been authorized under Issuer's publicly announced program to repurchase Shares and, prior to the Trade Date, MSCO shall deliver to Issuer a resolution of Issuer's board of directors authorizing the Transaction and such other certificate or certificates as MSCO shall reasonably request.

(iii) Issuer is not entering into this Agreement to facilitate a distribution of the Shares (or any security convertible into or exchangeable for Shares) or in connection with a future issuance of securities.

(iv) Issuer is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress the price of the Shares (or any security convertible into or exchangeable for Shares) in violation of the federal securities laws.

(v) There have been no purchases of Shares in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) by or for Issuer or any of its affiliated purchasers during each of the four calendar weeks preceding the Trade Date and during the calendar week in which the Trade Date occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18).

(vi) Issuer is as of the date hereof, and immediately after giving effect to the transactions contemplated hereby will be, Solvent. As used in this paragraph, the term "**Solvent**" means, with respect to a particular date, that on such date (A) the present fair market value (or present fair saleable value) of the assets of Issuer is not less than the total amount required to pay the liabilities of Issuer on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (B) Issuer is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (C) assuming consummation of the transactions as contemplated by this Agreement, Issuer is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature, (D) Issuer is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which Issuer is engaged, (E) Issuer is not a defendant in any civil action that could reasonably be expected to result in a judgment that Issuer is or would become unable to satisfy, (F) Issuer is not "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")) and (G) Issuer would be able to purchase Shares with an aggregate purchase price equal to the Prepayment Amount in compliance with the corporate laws of the jurisdiction of its incorporation.

(vii) Issuer is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(viii) No state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of MSCO or its affiliates owning or holding (however defined) Shares.

(b) Issuer acknowledges and agrees that the Initial Shares may be sold short to Issuer. Issuer further acknowledges and agrees that MSCO may purchase Shares in connection with the Transaction, which Shares may be used to cover all or a portion of such short sale or may be delivered to Issuer. Such purchases and any other market activity by MSCO will be conducted independently of Issuer by MSCO as principal for its own account. All of the actions to be taken by MSCO in connection with the Transaction shall be taken by MSCO independently and without any advance or subsequent consultation with Issuer. It is the intent of the parties that the Transaction comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act, and the parties agree that this Confirmation shall be interpreted to comply with the requirements of such Rule, and Issuer shall not take any action that results in the Transaction not so complying with such requirements. Without limiting the generality of the preceding sentence, Issuer acknowledges and agrees that (A) Issuer does not have, and shall not attempt to exercise, any influence over how, when or whether MSCO effects any market transactions in connection with the Transaction and (B) neither Issuer nor its officers or employees shall, directly or indirectly, communicate any information regarding Issuer or the Shares to any employee of MSCO or its Affiliates identified by MSCO in writing to Issuer responsible for executing market transactions in connection with the Transaction. Issuer also acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Issuer or any officer or director of Issuer is aware of any material nonpublic information regarding Issuer or the Shares.

(c) Each of Issuer and MSCO represents and warrants to the other that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(d) Each of Issuer and MSCO acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) thereof. Accordingly, it represents and warrants to the other party that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof and (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws.

(e) Notwithstanding anything to the contrary in this Confirmation, the Agreement or the Definitions, under no circumstances will any MSCO Payment Amount or Early Settlement Payment payable in connection with any early termination or cancellation of the Transaction include the effects of any Dividends declared or paid by Issuer.

14. Acknowledgements of Issuer Regarding Hedging and Market Activity.

Issuer agrees, understands and acknowledges that:

(a) during the period from (and including) the Trade Date to (and including) the Settlement Date, MSCO and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative transactions in order to adjust its Hedge Position with respect to the Transaction;

(b) MSCO and its Affiliates also may be active in the market for the Shares or options, futures contracts, swaps or other derivative transactions relating to the Shares other than in connection with hedging activities in relation to the Transaction;

(c) MSCO shall make its own determination as to whether, when and in what manner any hedging or market activities in Issuer's securities or other securities or transactions shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Transaction; and

(d) any such market activities of MSCO and its Affiliates may affect the market price and volatility of the Shares, including the 10b-18 VWAP and the Forward Price, each in a manner that may be adverse to Issuer.

15. [Reserved].

16. Other Provisions.

(a) Issuer agrees and acknowledges that MSCO is a "financial institution" and "financial participant" within the meaning of Sections 101(22) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that it is the intent of the parties that (A) this Confirmation is a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "settlement payment," within the meaning of Section 546 of the Bankruptcy Code, and (B) MSCO is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 555 and 561 of the Bankruptcy Code.

(b) MSCO and Issuer hereby agree and acknowledge that MSCO has authorized Issuer to disclose the Transaction to any and all persons, and there are no express or implied agreements, arrangements or understandings to the contrary, and authorizes Issuer to use any information that Issuer receives or has received with respect to the Transaction in any manner.

(c) In the event Issuer becomes the subject of proceedings ("**Bankruptcy Proceedings**") under the Bankruptcy Code or any other applicable bankruptcy or insolvency statute, any rights or claims of MSCO hereunder in respect of the Transaction shall rank for all purposes no higher than, but on a parity with, the rights or claims of holders of Shares, and MSCO hereby agrees that its rights and claims hereunder shall be subordinated to those of all parties with claims or rights against Issuer (other than common stockholders) to the extent necessary to assure such ranking. Without limiting the generality of the foregoing, after the commencement of Bankruptcy Proceedings, the claims of MSCO hereunder shall for all purposes have rights equivalent to the rights of a holder of a percentage of the Shares equal to the aggregate amount of such claims (the "**Claim Amount**") taken as a percentage of the sum of (i) the Claim Amount and (ii) the aggregate fair market value of all outstanding Shares on the record date for distributions made to the holders of such Shares in the related Bankruptcy Proceedings. Notwithstanding any right it might otherwise have to assert a higher priority claim in any such Bankruptcy Proceedings, MSCO shall be entitled to receive a distribution solely to the extent and only in the form that a holder of such percentage of the Shares would be entitled to receive in such Bankruptcy Proceedings, and, from and after the commencement of such Bankruptcy Proceedings, MSCO expressly waives (i) any other rights or distributions to which it might otherwise be entitled in such Bankruptcy Proceedings in respect of its rights and claims hereunder and (ii) any rights of setoff it might otherwise be entitled to assert in respect of such rights and claims.

(d) Notwithstanding any provision of this Confirmation or any other agreement between the parties to the contrary, neither the obligations of Issuer nor the obligations of MSCO hereunder are secured by any collateral, security interest, pledge or lien.

(e) Each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(f) Notwithstanding anything to the contrary herein, MSCO may, by prior notice to Issuer, satisfy its obligation to deliver any Shares or other securities on any date due (an "**Original Delivery Date**") by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.

(g) It shall constitute an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Issuer is the sole Affected Party and MSCO shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement if, on any Exchange Business Day on or prior to the Valuation Date, the closing price per Share on the Exchange, as determined by the Calculation Agent, is at or below the Threshold Price (as specified in Schedule I).

17. Share Cap.

Notwithstanding any other provision of this Confirmation or the Agreement to the contrary, in no event shall Issuer be required to deliver to MSCO in the aggregate a number of Shares that exceeds the Share Cap as of the date of delivery (as specified in Schedule I).

18. Transfer and Assignment.

MSCO may transfer or assign its rights and obligations hereunder and under the Agreement, in whole or in part, to any of its Affiliates of equivalent credit quality (or whose obligations are guaranteed by an entity of equivalent credit quality) without the consent of Issuer; provided that MSCO may not assign its rights and obligations hereunder and under the Agreement if such assignment would result in (i) Issuer being required to pay the assignee an amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) of the Agreement greater than the amount in respect of which Issuer would have been required to pay to MSCO in the absence of such assignment or (ii) Issuer receiving a payment from which an amount has been withheld or deducted, on account of a Tax under Section 2(d)(i) of the Agreement in excess of that which Issuer would have been required to so withhold or deduct in the absence of such assignment, unless the assignee would be required to make additional payments pursuant to Section 2(d)(i)(4) of the Agreement corresponding to such withholding or deduction.

19. Governing Law; Jurisdiction; Waiver.

THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE

JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

EACH PARTY HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF ISSUER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

Remainder of Page Intentionally Blank

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us by facsimile to the number provided on the attached facsimile cover page.

Confirmed as of the date first written above:

MSCI INC.	MORGAN STANLEY & CO. LLC
By: /s/ Robert Qutub	By: /s/ Sebastian Crapanzano
Name: Robert Qutub	Name: Sebastian Crapanzano
Title: Chief Financial Officer	Title: Managing Director

Schedule I

For the purposes of the Transaction, the following terms shall have the following values or meanings:

Tranche #1:

The Trade Date shall be August 1, 2013.

The Discount equals USD 0.34.

The Forward Cap Price equals USD 52.1714.

The Initial Shares equal 958,379 Shares.

The Prepayment Amount equals USD 50,000,000.

The Scheduled Valuation Date shall be December 27, 2013.

The Lock-Out Date shall be November 1, 2013.

Observation Dates: Until (and including) the later of the Lock-Out Date and the “Lock-Out Date” in respect of Tranche 2, alternate Scheduled Trading Days beginning on the Scheduled Trading Day immediately following the Trade Date; thereafter, each Scheduled Trading Day.

Threshold Price: USD 10.00

Tranche #2:

The Trade Date shall be August 1, 2013.

The Discount equals USD 0.34.

The Forward Cap Price equals USD 52.1714.

The Initial Shares equal 958,379 Shares.

The Prepayment Amount equals USD 50,000,000.

The Scheduled Valuation Date shall be December 27, 2013.

The Lock-Out Date shall be November 1, 2013.

Observation Dates: Until (and including) the later of the Lock-Out Date and the “Lock-Out Date” in respect of Tranche 1, alternate Scheduled Trading Days beginning on the second Scheduled Trading Day immediately following the Trade Date; thereafter, each Scheduled Trading Day.

Threshold Price: USD 10.00

As of any date, the Share Cap (applicable to both Tranches in aggregate) shall equal the lesser of (i) 5 million Shares and (ii) 20% of the total number of Shares that Issuer has outstanding as of such date.

Annex A

Morgan Stanley

1585 BROADWAY
NEW YORK, NY 10036-8293

August 1, 2013

To:
MSCI INC.
250 GREENWICH STREET 49TH FLOOR 7 WORLD TRADE CENTER
NEW YORK, NY 10007

Ladies and Gentlemen:

In consideration of MSCI INC. (hereinafter "Counterparty") having entered into or entering into that certain trade dated as of August 1, 2013, Confirm Number DP1:7015020 with Morgan Stanley & Co. LLC (hereinafter "Obligor") (such confirmation exchanged between the parties hereinafter the "Confirmation"), Morgan Stanley, a Delaware corporation (hereinafter "Guarantor"), hereby irrevocably and unconditionally guarantees to Counterparty, with effect from the date of the Confirmation, the due and punctual payment of all amounts payable by Obligor under the Confirmation when the same shall become due and payable, whether on scheduled payment dates, upon demand, upon declaration of termination or otherwise, in accordance with, and subject to, the terms of the Confirmation and giving effect to any applicable grace period. Upon failure of Obligor punctually to pay any such amounts, and upon written demand by Counterparty to Guarantor at its address set forth in the signature block of this guarantee (the "Guarantee") (or to such other address as Guarantor may specify in writing), Guarantor agrees to pay or cause to be paid such amounts; provided that delay by Counterparty in giving such demand shall in no event affect Guarantor's obligations under this Guarantee. This Guarantee is of payment and not of collection.

Guarantor hereby agrees that its obligations hereunder shall be continuing and unconditional and will not be discharged except by complete payment of the amounts payable under the Confirmation, irrespective of (1) any claim as to the Confirmation's validity, regularity or enforceability or the lack of authority of Obligor to execute or deliver the Confirmation; or (2) any change in or amendment to the Confirmation; or (3) any waiver or consent by Counterparty with respect to any provisions thereof; or (4) the absence or existence of any action to enforce the Confirmation, or the recovery of any judgment against Obligor or of any action to enforce a judgment against Obligor under the Confirmation; or (5) the dissolution, winding up, liquidation or insolvency of Obligor, including any discharge of obligations therefrom; or (6) any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally.

Guarantor hereby waives diligence, presentment, demand on Obligor for payment or otherwise (except as provided hereinabove), filing of claims, requirement of a prior proceeding against Obligor and protest or notice, except as provided for in the Confirmation with respect to amounts payable by Obligor. If at any time payment under the Confirmation is rescinded or must be otherwise restored or returned by Counterparty upon the insolvency, bankruptcy or reorganization of Obligor or Guarantor or otherwise, Guarantor's obligations hereunder with respect to such payment shall be reinstated upon such restoration or return being made by Counterparty.

Guarantor represents to Counterparty, as of the date hereof, that:

1. it is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has full power and legal right to execute and deliver this Guarantee and to perform the provisions of this Guarantee on its part to be performed;

2. its execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of its certificate of incorporation or by-laws or any law, regulation or contractual restriction binding on it or its assets;

3. all consents, authorizations, approvals and clearances (including, without limitation, any necessary exchange control approval) and notifications, reports and registrations requisite for its due execution, delivery and performance of this Guarantee have been obtained from or, as the case may be, filed with the relevant governmental authorities having jurisdiction and remain in full force and effect and all conditions thereof have been duly complied with and no other action by, and no notice to or filing with, any governmental authority having jurisdiction is required for such execution, delivery or performance; and

4. this Guarantee is its legal, valid and binding obligation enforceable against it in accordance with its terms except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' right or by general equity principles.

Each of the provisions contained in this Guarantee shall be severable and distinct from one another and if one or more of such provisions are now or hereafter becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Guarantee shall not in any way be affected, prejudiced or impaired thereby.

By accepting this Guarantee and executing the Confirmation, Counterparty agrees that Guarantor shall be subrogated to all rights of Counterparty against Obligor in respect of any amounts paid by Guarantor pursuant to this Guarantee, *provided* that Guarantor shall be entitled to enforce or to receive any payment arising out of or based upon such right of subrogation only to the extent that it has paid all amounts payable by Obligor under the Confirmation.

This Guarantee shall expire on December 27, 2013, however, this guarantee may be terminated upon 15 days prior written notice to that effect actually received by Counterparty. Such expiration or termination shall not, however, affect or reduce Guarantor's obligation hereunder for any liability of Obligor incurred with respect to transactions entered into by Obligor prior to such expiration.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York, without reference of its choice of law doctrine. All capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in the Confirmation.

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MORGAN STANLEY

By: /s/ Marc Sgaraglino

Name:	Marc Sgaraglino
Title:	Authorized Signatory
Address:	1585 Broadway
	New York, NY 10036
Attn:	Treasurer
Fax No.:	212-762-0337
Phone:	212-761-4000

Signature page to Morgan Stanley Guarantee issued to MSCI INC.
and dated August 1, 2013

Exhibit 15

To the Board of Directors and Shareholders of MSCI Inc.:

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited condensed consolidated statement of financial condition of MSCI Inc. and subsidiaries as of September 30, 2013, the related condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2013 and 2012, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2013 and 2012, as indicated in our report dated November 1, 2013; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, is incorporated by reference in Registration Statement Nos. 333-167624, 333-147540, and 333-165888 on Form S-8 and Registration Statement No. 333-181533 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

New York, New York
November 1, 2013

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Henry A. Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Henry A. Fernandez

Henry A. Fernandez
Chairman, CEO and President
(Principal Executive Officer)

SECTION 302 CERTIFICATION

I, Robert Qutub, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Robert Qutub
Robert Qutub
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Henry A. Fernandez, Chairman, CEO and President of MSCI Inc. (the "Registrant") and Robert Qutub, the Chief Financial Officer of the Registrant, each hereby certifies that, to the best of his knowledge:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the period covered by the Periodic Report and results of operations of the Registrant for the periods covered by the Periodic Report.

Date: November 1, 2013

/s/ Henry A. Fernandez
Henry A. Fernandez
Chairman, CEO and President
(Principal Executive Officer)

/s/ Robert Qutub
Robert Qutub
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)