
**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 March 31, 2014

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 April 28, 2014, there were 116,704,758 shares of the registrant's common stock, par value \$0.01, outstanding.

MSCI INC.
FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2014

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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, 2013 filed with the SEC on February 28, 2014, 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.

PART I

Item 1. Condensed Consolidated Financial Statements

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

	As of	
	March 31, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 260,450	\$ 358,434
Accounts receivable (net of allowances of \$698 and \$1,280 at March 31, 2014 and December 31, 2013, respectively)	191,905	169,490
Deferred taxes	75,931	52,888
Prepaid taxes	17,091	27,333
Prepaid and other assets	27,810	28,890
Assets held for sale	415,673	—
Total current assets	988,860	637,035
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$77,854 and \$75,371 at March, 2014 and December 31, 2013, respectively)	79,758	85,588
Goodwill	1,547,173	1,798,821
Intangible assets (net of accumulated amortization of \$338,141 and \$374,377 at March 31, 2014 and December 31, 2013, respectively)	462,348	595,707
Other non-current assets	15,679	17,386
Total assets	\$3,093,818	\$3,134,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,542	\$ 1,198
Accrued compensation and related benefits	42,635	121,124
Other accrued liabilities	40,252	41,212
Current maturities of long-term debt	19,775	19,772
Deferred revenue	314,247	319,735
Liabilities held for sale	128,200	—
Total current liabilities	546,651	503,041
Long-term debt, net of current maturities	783,065	788,010
Deferred taxes	159,141	221,054
Other non-current liabilities	41,230	46,068
Total liabilities	1,530,087	1,558,173
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; 126,062,931 and 125,555,268 common shares issued and 116,702,810 and 118,083,111 common shares outstanding at March 31, 2014 and December 31, 2013, respectively)	1,261	1,256
Treasury shares, at cost (9,360,121 and 7,472,157 common shares held at March 31, 2014 and December 31, 2013, respectively)	(345,550)	(268,391)
Additional paid in capital	1,057,386	1,073,893
Retained earnings	850,655	770,256
Accumulated other comprehensive income (loss)	(21)	(650)
Total shareholders' equity	1,563,731	1,576,364
Total liabilities and shareholders' equity	\$3,093,818	\$3,134,537

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended	
	March 31,	
	2014	2013
	(unaudited)	
Operating revenues	\$239,688	\$219,469
Operating expenses:		
Cost of services	75,427	65,300
Selling, general and administrative	67,658	55,515
Amortization of intangible assets	11,270	11,166
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597
Total operating expenses	<u>160,183</u>	<u>136,578</u>
Operating income	79,505	82,891
Interest income	(156)	(237)
Interest expense	5,059	7,016
Other expense (income)	1,071	1,922
Other expense (income), net	<u>5,974</u>	<u>8,701</u>
Income from continuing operations before provision for income taxes	73,531	74,190
Provision for income taxes	26,385	21,232
Income from continuing operations	<u>47,146</u>	<u>52,958</u>
Income from discontinued operations, net of income taxes	<u>33,253</u>	<u>5,979</u>
Net income	<u>\$ 80,399</u>	<u>\$ 58,937</u>
Earnings per basic common share:		
Earnings per basic common share from continuing operations	\$ 0.40	\$ 0.44
Earnings per basic common share from discontinued operations	0.28	0.05
Earnings per basic common share	<u>\$ 0.68</u>	<u>0.49</u>
Earnings per diluted common share:		
Earnings per diluted common share from continuing operations	\$ 0.40	\$ 0.43
Earnings per diluted common share from discontinued operations	0.28	0.05
Earnings per diluted common share	<u>\$ 0.68</u>	<u>\$ 0.48</u>
Weighted average shares outstanding used in computing earnings per share:		
Basic	<u>117,582</u>	<u>120,746</u>
Diluted	<u>118,597</u>	<u>121,702</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended	
	March 31,	
	2014	2013
	(unaudited)	
Net income	\$80,399	\$58,937
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,032	(5,462)
Income tax effect	(400)	2,110
Foreign currency translation adjustments, net	632	(3,352)
Unrealized gains (losses) on cash flow hedges	—	593
Income tax effect	—	(226)
Unrealized gains (losses) on cash flow hedges, net	—	367
Unrealized gains (losses) on available-for-sale securities	—	(5)
Income tax effect	—	2
Unrealized gains (losses) on available-for-sale securities, net	—	(3)
Pension and other post-retirement adjustments	(7)	92
Income tax effect	4	(31)
Pension and other post-retirement adjustments, net	(3)	61
Other comprehensive income (loss), net of tax	629	(2,927)
Comprehensive income	<u>\$81,028</u>	<u>\$56,010</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2014	2013
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 80,399	\$ 58,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	14,010	14,486
Stock-based compensation expense	5,171	6,811
Depreciation and amortization of property, equipment and leasehold improvements	6,047	5,080
Amortization of debt origination fees	445	762
Deferred taxes	(26,271)	(5,143)
Amortization of discount on long-term debt	121	246
Excess tax benefits from stock-based compensation	(1,174)	(1,172)
Other non-cash adjustments	(102)	(1,108)
Changes in assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable	(38,879)	(14,213)
Prepaid income taxes	10,385	18,418
Prepaid and other assets	(618)	827
Accounts payable	349	(2,179)
Deferred revenue	46,167	43,405
Accrued compensation and related benefits	(68,646)	(61,639)
Other accrued liabilities	3,480	2,814
Other	(5,635)	4,715
Net cash provided by operating activities	<u>25,249</u>	<u>71,047</u>
Cash flows from investing activities		
Proceeds from redemption of short-term investments	—	70,900
Acquisitions, net of cash acquired	—	(23,168)
Proceeds from the sale of capital equipment	7	—
Capitalized software development costs	(1,559)	(231)
Capital expenditures	(8,501)	(4,569)
Net cash (used in) provided by investing activities	<u>(10,053)</u>	<u>42,932</u>
Cash flows from financing activities		
Repayment of long-term debt	(5,063)	(26,000)
Repurchase of treasury shares	(107,159)	(9,397)
Proceeds from exercise of stock options	1,710	3,764
Excess tax benefits from stock-based compensation	1,174	1,172
Net cash used in financing activities	<u>(109,338)</u>	<u>(30,461)</u>
Effect of exchange rate changes	566	(3,798)
Net increase (decrease) in cash and cash equivalents	(93,576)	79,720
Cash and cash equivalents, beginning of period	358,434	183,309
Less: Cash and cash equivalents attributed to discontinued operations	(4,408)	—
Cash and cash equivalents, end of period	<u>\$ 260,450</u>	<u>\$ 263,029</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,542	\$ 5,240
Cash paid for income taxes	<u>\$ 21,131</u>	<u>\$ 10,175</u>
Supplemental disclosure of non-cash investing activities:		
Property, equipment and leasehold improvements in other accrued liabilities	<u>\$ 2,842</u>	<u>\$ 1,255</u>

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 indexes, portfolio risk and performance analytics. The Company’s flagship products are its global equity indexes and environmental, social and governance (“ESG”) products marketed under the MSCI and MSCI ESG Research brands, its private real estate benchmarks marketed under the IPD brand, 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 performance reporting products and services offered to the investment consultant community marketed under the InvestorForce brand and its valuation models and risk management software for the energy and commodities markets marketed under the FEA brand.

On March 17, 2014, MSCI entered into a definitive agreement to sell Institutional Shareholder Services Inc. (“ISS”). As a result, the Company reported the operating results of ISS in “Income from discontinued operations, net of income taxes” in the Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013. In addition, the assets and liabilities associated with ISS are reported as “Assets held for sale” and “Liabilities held for sale,” respectively, in the Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2014 (see Note 3, “Discontinued Operations,” for additional details). As a result of this change, the Company now operates as one segment. Unless otherwise indicated, the disclosures accompanying these unaudited condensed consolidated financial statements reflect the Company’s continuing operations.

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 March 31, 2014 and December 31, 2013, the results of operations and comprehensive income for the three months ended March 31, 2014 and 2013 and cash flows for the three months ended March 31, 2014 and 2013. 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, 2013. The unaudited condensed consolidated financial statement information as of December 31, 2013 has been derived from the 2013 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. Certain prior period amounts have been reclassified to conform to the current year financial statement presentation.

Concentrations

Financial instruments that may potentially subject the Company to concentrations of credit risk consist principally of cash deposits and short-term investments. At March 31, 2014 and December 31, 2013, cash and cash equivalent amounts were \$260.5 million and \$358.4 million, respectively. The Company held no short-term investments at March 31, 2014 or December 31, 2013. The Company receives interest at prevailing money market fund rates on its cash deposits.

For the three months ended March 31, 2014, BlackRock, Inc. accounted for 10.4% of the Company’s operating revenues. For the three months ended March 31, 2013, no single customer accounted for 10.0% or more of the Company’s operating revenues.

2. RECENT ACCOUNTING STANDARDS UPDATES

In July 2013, the Financial Accounting Standards Board (“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

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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 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," or ASU 2014-08. The amendments in this update change the requirements for reporting discontinued operations under ASC Subtopic 205-20, "Presentation of Financial Statements – Discontinued Operations," such as limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments in this update also require expanded disclosures in order to provide users of financial statements with more information about the assets, liabilities, revenues and expenses of discontinued operations. Further, the amendments require an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. This new guidance is to be applied prospectively for annual periods beginning on or after December 15, 2014, and interim periods within those years, with early adoption permitted. The Company has elected not to early adopt ASU 2014-08 and is still evaluating the potential impact that the update will have on the Company's unaudited condensed consolidated financial statements.

3. DISCONTINUED OPERATIONS

On March 17, 2014, MSCI entered into a definitive agreement to sell ISS. MSCI determined that ISS became a long-lived asset held for sale during the three months ended March 31, 2014. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of ISS at March 31, 2014 was less than the estimated fair value less cost to sell, no adjustment to the carrying value of this long-lived asset was necessary at that date.

ISS was classified as a discontinued operation during the three months ended March 31, 2014, and therefore MSCI has segregated the operating results of ISS, together with the CFRA product line that was disposed of in March 2013, in "Income from discontinued operations, net of income taxes" in the Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013. The assets of ISS have been reclassified to "Assets held for sale" and the liabilities have been reclassified to "Liabilities held for sale" in the Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2014.

The carrying amounts of the major classes of assets and liabilities of ISS were as follows:

	<u>As of</u> <u>March 31,</u> <u>2014</u> <u>(in thousands)</u>
ASSETS	
Cash and cash equivalents	\$ 4,408
Accounts receivable	16,947
Deferred taxes	3,070
Prepaid taxes	945
Prepaid and other assets	1,723
Total current assets	<u>27,093</u>
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$4,200)	7,945
Goodwill	252,093
Intangible assets (net of accumulated amortization of \$50,283)	121,269
Other non-current assets	7,273
Total non-current assets	<u>388,580</u>
Total assets held for sale	<u>\$ 415,673</u>
LIABILITIES	
Accrued compensation and related benefits	\$ 4,421
Other accrued liabilities	3,971
Deferred revenue	52,113
Total current liabilities	<u>60,505</u>
Deferred taxes	62,135
Other non-current liabilities	5,560
Total non-current liabilities	<u>67,695</u>
Total liabilities held for sale	<u>\$ 128,200</u>

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Net Income from Discontinued Operations. The activity associated with the discontinuation of ISS is as follows:

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Revenue from discontinued operations	\$ 32,210	\$32,440
Income from discontinued operations before provision for (benefit from) income taxes	\$ 6,217	\$ 9,361
Provision for (benefit from) income taxes (1)	(27,036)	3,382
Income from discontinued operations, net of income taxes	\$ 33,253	\$ 5,979

- (1) The three months ended March 31, 2014 included a \$30.6 million income tax benefit associated with establishing a net deferred tax asset on the difference between ISS' tax basis and book basis. This net deferred tax asset is expected to be realized in the quarter ending June 30, 2014 upon the closing of the sale.

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

As required by FASB's Accounting Standards Codification ("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 Statements of Income
	Three Months Ended	Three Months Ended	
	March 31, 2014	March 31, 2013	
Unrealized losses on cash flow hedges			
Interest rate contracts	\$ —	\$ (593)	Interest expense
	—	226	Tax benefit
	\$ —	\$ (367)	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	\$ —	\$ (364)	

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

5. 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. Common shares 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 104,272 stock options excluded from the calculation of diluted EPS for the three months ended March 31, 2014, because of their anti-dilutive effect. There were no anti-dilutive securities excluded from the calculation of diluted EPS for the three months ended March 31, 2013.

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	
	March 31, 2014	March 31, 2013
<i>(in thousands, except per share amounts)</i>		
Income from continuing operations, net of income taxes	\$ 47,146	\$ 52,958
Income from discontinued operations, net of income taxes	33,253	5,979
Net income	80,399	58,937
Less: Allocations of earnings to unvested restricted stock units ⁽¹⁾	(132)	(237)
Earnings from continuing operations available to MSCI common shareholders	\$ 80,267	\$ 58,700
Basic weighted average common shares outstanding	117,582	120,746
Effect of dilutive securities:		
Stock options and restricted stock units	1,015	956
Diluted weighted average common shares outstanding	118,597	121,702
Earnings per basic common share from continuing operations	\$ 0.40	\$ 0.44
Earnings per basic common share from discontinued operations	0.28	0.05
Earnings per basic common share	\$ 0.68	\$ 0.49
Earnings per diluted common share from continuing operations	\$ 0.40	\$ 0.43
Earnings per diluted common share from discontinued operations	0.28	0.05
Earnings per diluted common share	\$ 0.68	\$ 0.48

- (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.

6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements at March 31, 2014 and December 31, 2013 consisted of the following:

<u>Type</u>	<u>Estimated Useful Lives</u>	<u>As of</u>	
		<u>March 31, 2014⁽¹⁾</u>	<u>December 31, 2013</u>
<i>(in thousands)</i>			
Computer & related equipment	3 to 5 years	\$ 89,386	\$ 86,384
Furniture & fixtures	7 years	8,869	9,108
Leasehold improvements	3 to 21 years	48,349	52,776
Work-in-process	—	11,008	12,691
Subtotal		157,612	160,959
Accumulated depreciation and amortization		(77,854)	(75,371)
Property, equipment and leasehold improvements, net		<u>\$ 79,758</u>	<u>\$ 85,588</u>

- (1) Property, equipment and leasehold improvements as of March 31, 2014 reflects the reclassification of the amounts associated with the discontinued operations of ISS to “Assets held for sale.” See Note 3, “Discontinued Operations,” for additional information.

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Depreciation and amortization expense of property, equipment and leasehold improvements was \$5.8 million and \$4.6 million for the three months ended March 31, 2014 and 2013, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company carries goodwill reflected in the table below:

<i>(in thousands)</i>	<u>Goodwill</u>
Goodwill at December 31, 2013	\$1,798,821
Changes to goodwill (1)	(252,093)
Foreign exchange translation adjustment	445
Goodwill at March 31, 2014	<u>\$1,547,173</u>

- (1) Changes to goodwill reflects the reclassification of the goodwill associated with the discontinued operations of ISS to “Assets held for sale.” See Note 3, “Discontinued Operations,” for additional information.

Intangible Assets

Amortization expense related to intangible assets for the three months ended March 31, 2014 and 2013 was \$11.3 million and \$11.2 million, respectively.

The gross carrying amounts and accumulated amortization totals related to the Company’s identifiable intangible assets are as follows:

<i>(in thousands)</i>	<u>As of</u>	
	<u>March 31, 2014(1)</u>	<u>December 31, 2013</u>
Gross intangible assets:		
Customer relationships	\$ 359,235	\$ 478,735
Trademarks/trade names	223,182	257,282
Technology/software	187,184	199,778
Proprietary process	—	3,800
Proprietary data	28,527	28,527
Subtotal	798,128	968,122
Foreign exchange translation adjustment	2,361	1,962
Total gross intangible assets	<u>\$ 800,489</u>	<u>\$ 970,084</u>
Accumulated amortization:		
Customer relationships	\$(100,837)	\$ (125,359)
Trademarks/trade names	(72,567)	(75,696)
Technology/software	(161,560)	(168,481)
Proprietary process	—	(2,269)
Proprietary data	(2,893)	(2,326)
Subtotal	(337,857)	(374,131)
Foreign exchange translation adjustment	(284)	(246)
Total accumulated amortization	<u>\$(338,141)</u>	<u>\$ (374,377)</u>
Net intangible assets:		
Customer relationships	\$ 258,398	\$ 353,376
Trademarks/trade names	150,615	181,586
Technology/software	25,624	31,297
Proprietary process	—	1,531
Proprietary data	25,634	26,201
Subtotal	460,271	593,991
Foreign exchange translation adjustment	2,077	1,716
Total net intangible assets	<u>\$ 462,348</u>	<u>\$ 595,707</u>

- (1) Intangible assets and the associated accumulated amortization as of March 31, 2014 reflects the reclassification of the amounts associated with the discontinued operations of ISS to “Assets held for sale.” See Note 3, “Discontinued Operations,” for additional information.

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The estimated amortization expense for succeeding years is presented below:

<u>Fiscal Year</u>	<u>Amortization Expense</u> <u>(in thousands)</u>
Remainder 2014	\$ 34,430
2015	46,296
2016	45,772
2017	40,099
2018	36,899
2019	36,115
Thereafter	222,737
Total	<u>\$ 462,348</u>

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 March 31, 2014 and 2013 was \$6.3 million and \$5.2 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").

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On December 13, 2012, as part of the 2012 Repurchase Program, the Company 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”). As a result of the December 2012 ASR Program, the Company received 2.2 million shares on December 14, 2012 and 0.8 million shares on July 31, 2013 for a combined average purchase price of \$33.47 per share.

On August 1, 2013, MSCI entered into a second ASR agreement to initiate share repurchases aggregating \$100.0 million (the “August 2013 ASR Program”). As a result of the August 2013 ASR Program, the Company received 1.9 million shares on August 2, 2013 and 0.5 million shares on December 30, 2013 for a combined average purchase price of \$41.06 per share.

On February 6, 2014, MSCI utilized the remaining repurchase authorization provided by the 2012 Repurchase Program by entering into a new ASR agreement to initiate share repurchases aggregating \$100.0 million (the “February 2014 ASR Program”). The February 2014 ASR Program is structured as a capped ASR in which, on February 7, 2014, the Company paid \$100.0 million and received 1.7 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 Company anticipates that all repurchases under the February 2014 ASR Program will be completed no later than the final repurchase date in May 2014, although settlement may be accelerated under certain circumstances. Additionally, depending on the average share price through the completion date in May 2014, the Company may receive additional shares under the February 2014 ASR Program.

The \$100.0 million payment 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.

On February 4, 2014, 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 which will be available from time to time at management’s discretion (the “2014 Repurchase Program”). The 2014 Repurchase Program may be modified, suspended or terminated by the Company at any time without prior notice.

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 were scheduled to mature on May 4, 2017.

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

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

On December 12, 2013, the Company entered into an agreement that extended the maturity of the Amended and Restated Credit Facility from May 2017 to December 2018 (“New Amended and Restated Credit Facility”). The Company also amended the amortization schedule of required debt payments under the 2012 Term Loan. Pursuant to the New Amended and Restated Credit Facility, the Company is required to repay \$5.1 million in quarterly payments over the first two years and \$10.1 million in quarterly payments over the following three years, with the exception of the final payment in December 2018, which will be \$658.1 million (assuming no further prepayments).

The 2012 Term Loan bears interest equal to LIBOR plus a margin. As of March 31, 2014, the 2012 Term Loan bore interest at LIBOR plus a margin of 2.00%, or 2.15%.

Current maturities of long-term debt at March 31, 2014 were \$19.8 million, net of a \$0.5 million discount. Long-term debt, net of current maturities at March 31, 2014 was \$783.1 million, net of a \$1.6 million discount.

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Current maturities of long-term debt at December 31, 2013 were \$19.8 million, net of a \$0.5 million discount. Long-term debt, net of current maturities at December 31, 2013 was \$788.0 million, net of a \$1.7 million discount.

In connection with entering into the New Amended and Restated Credit Facility, certain fees were paid and are being amortized over the life of the New Amended and Restated Credit Facility. At March 31, 2014, \$7.9 million of the deferred financing fees remain unamortized, \$1.8 million of which is included in "Prepaid and other assets" and \$6.1 million of which is included in "Other non-current assets" on the Company's Unaudited Condensed Consolidated Statement of Financial Condition.

The Company amortized \$0.4 million and \$0.8 million of deferred financing fees in interest expense during the three months ended March 31, 2014 and 2013, respectively. Approximately \$0.1 million and \$0.2 million of debt discount was amortized in interest expense during the three months ended March 31, 2014 and 2013, respectively.

At March 31, 2014 and December 31, 2013, the fair market value of the Company's debt obligations were \$806.9 million and \$812.0 million, respectively. 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.

As of March 31, 2014, the Company's retained earnings of \$850.7 million were restricted as to the payments of dividends. As outlined in the New Amended and Restated Credit Facility, the Company cannot pay or declare any dividends except out of amounts available for restricted payments. As of March 31, 2014, the amount available for restricted payments was \$482.0 million, reflecting the Company's cumulative retained excess cash flows ("CRECF"), as defined in the New Amended and Restated Credit Facility, through December 31, 2013 and adjusted for, among other things, any restricted payments made during the three months ended March 31, 2014. To the extent the CRECF is utilized for other actions restricted under the New 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 New 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 March 31, 2014, the Company had two outstanding foreign currency forwards with a combined notional amount of \$27.5 million that were not designated as hedges in qualifying hedging relationships.

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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 March 31, 2014	As of December 31, 2013
Non-designated hedging instruments:			
Liability derivatives:			
Foreign exchange contracts	Other accrued liabilities	\$ (38)	\$ (156)
Asset derivatives:			
Foreign exchange contracts	Prepaid and other assets	\$ 64	\$ —

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 March 31,		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 March 31,		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 March 31,	
	2014	2013		2014	2013		2014	2013
	Interest rate swaps	\$ —		\$ —	Interest expense		\$ —	\$ (593)

Derivatives Not Designated as Hedging Instruments (in thousands)	Amount of Gain or (Loss) Recognized in Income on Derivatives for the Three Months Ended March 31,		Location of Gain or (Loss) Recognized in Income on Derivatives
	2014	2013	
Foreign exchange contracts	\$ 160	\$ 522	Other expense

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 March 31, 2014:

Description	Balance as of March 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	\$ 64	\$ —	\$ 64	\$ —
Liabilities:				
Foreign exchange contracts	\$ (38)	\$ —	\$ (38)	\$ —

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The Company did not hold any financial assets as of December 31, 2013. The following table summarizes the Company's financial liabilities measured at fair value on a recurring basis as of December 31, 2013:

<u>Description</u>	<u>Balance as of December 31, 2013</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
(in thousands)				
Liabilities:				
Foreign exchange contracts	\$ (156)	\$ —	\$ (156)	\$ —

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 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 \$7.3 million and \$5.8 million for the three months ended March 31, 2014 and 2013, respectively. Amounts included in cost of services were \$4.2 million and \$3.3 million for the three months ended March 31, 2014 and 2013, respectively. Amounts included in selling, general and administrative expense related to pension and post-retirement expenses for the three months ended March 31, 2014 and 2013 were \$3.1 million and \$2.5 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 \$6.7 million and \$5.2 million for the three months ended March 31, 2014 and 2013, respectively.

Net Periodic Benefit Expense. Net periodic benefit expense related to defined benefit pension plans was \$0.6 million in each of the three months ended March 31, 2014 and 2013.

11. INCOME TAXES

The Company's provision for income taxes was \$26.4 million and \$21.2 million for the three months ended March 31, 2014 and 2013, respectively. These amounts reflect effective tax rates of 35.9% and 28.6% for the three months ended March 31, 2014 and 2013, respectively.

The effective rate of 35.9% for the three months ended March 31, 2014 reflects the Company's estimate of the effective tax rate for the period and is impacted by certain discrete items totaling \$0.2 million, the effect of which was to decrease the Company's effective tax rate by 0.2 percentage points. The effective rate of 28.6% for the three months ended March 31, 2013 reflects the Company's estimate of the effective tax rate for the period and is impacted by certain discrete items totaling \$3.9 million, the effect of which was to decrease the Company's effective tax rate by 5.3 percentage points.

The Company is under examination by the Internal Revenue Service and other tax authorities in certain countries, such as the United Kingdom, and states in which the Company has significant business operations, such as New York. The tax years currently under examination vary by jurisdiction. As a result of having previously been a member of the Morgan Stanley consolidated group, the Company may have future settlements with Morgan Stanley related to the ultimate disposition of their New York State and New York City examination relating to the tax years 2007 through 2008 and their 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. 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.

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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:

<u>Tax Jurisdiction</u>	<u>Tax Years</u>
United States	2005-2012
California	2009-2012
New York State	2007-2012
New York City	2007-2012
Hong Kong	2007-2012
United Kingdom	2012
Canada	2006-2012
Japan	2009-2012
India	2008-2013

12. SEGMENT INFORMATION

Prior to March 31, 2014, MSCI operated as two segments, the Performance and Risk business and the Governance business. These designations were made as the discrete operating results of these segments were reviewed by the Company's CODM for purposes of making operating decisions and assessing financial performance.

On March 17, 2014, MSCI entered into a definitive agreement to sell ISS, which, together with the previously disposed of CFRA product line, made up the Company's Governance segment and are now reflected in "Income from discontinued operations, net of income taxes" in the Unaudited Condensed Consolidated Statements of Income. As a result, the Company now operates and reports as a single business segment (see Note 3, "Discontinued Operations," and Note 13, "Acquisitions and Dispositions," for further details).

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:

	<u>Three Months Ended March 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>(in thousands)</u>	
Revenues		
Americas:		
United States	\$ 110,832	\$ 101,268
Other	9,427	7,767
Total Americas	<u>120,259</u>	<u>109,035</u>
EMEA:		
United Kingdom	37,476	34,018
Other	51,128	46,440
Total EMEA	<u>88,604</u>	<u>80,458</u>
Asia & Australia:		
Japan	11,960	12,116
Other	18,865	17,860
Total Asia & Australia	<u>30,825</u>	<u>29,976</u>
Total	<u>\$ 239,688</u>	<u>\$ 219,469</u>

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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	
	March 31, 2014 ⁽¹⁾	December 31, 2013
	(in thousands)	
Long-lived assets		
Americas:		
United States	\$1,931,255	\$2,323,781
Other	3,959	4,082
Total Americas	1,935,214	2,327,863
EMEA:		
United Kingdom	132,864	133,411
Other	13,515	11,871
Total EMEA	146,379	145,282
Asia & Australia:		
Japan	1,177	1,543
Other	6,509	5,428
Total Asia & Australia	7,686	6,971
Total	\$2,089,279	\$2,480,116

- (1) As a result of MSCI entering into a definitive agreement to sell ISS, long-lived assets as of March 31, 2014 exclude amounts classified as assets held for sale. See Note 3, "Discontinued Operations," for more information on the sale.

13. ACQUISITIONS AND DISPOSITIONS

The 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 InvestorForce

On January 29, 2013, MSCI completed the acquisition of Investor Force Holdings, Inc. ("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 of and reporting on institutional assets. InvestorForce was deemed to not be a significant acquisition and, therefore, no pro forma financial results have been presented.

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The final 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.

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.

Disposition of ISS

On March 17, 2014, MSCI entered into a definitive agreement to sell ISS. The sale of ISS was completed on April 30, 2014 for approximately \$367.4 million, subject to final working capital adjustments. The Company does not expect to incur a cash tax liability on the proceeds from the sale (see Note 3, “Discontinued Operations,” for additional details). The Company expects to record a net gain on the sale, which will be reflected in “Income from discontinued operations, net of income taxes” in the Company’s Unaudited Condensed Consolidated Statements of Income in the quarter ending June 30, 2014.

The results of operations from ISS and the CFRA product line are now reflected in “Income from discontinued operations, net of income taxes” in the Unaudited Condensed Consolidated Statements of Income.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of MSCI Inc.

We have reviewed the accompanying condensed consolidated balance sheet of MSCI Inc. and its subsidiaries as of March 31, 2014, and the related condensed consolidated statements of income and of comprehensive income for the three month period ended March 31, 2014 and the condensed consolidated statement of cash flows for the three month period ended March 31, 2014. These interim financial statements are the responsibility of the Company's management.

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

/s/ PricewaterhouseCoopers LLP

May 2, 2014

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 income, comprehensive income and cash flows of MSCI Inc. and subsidiaries (the “Company”) for the three month period ended March 31, 2013. These interim financial statements are the responsibility of the Company’s management.

We conducted our review 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 review, 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, 2013 and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for the fiscal year then ended prior to reclassification for the discontinued operations (not presented herein); and in our report dated February 28, 2014, 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, 2013 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

February 28, 2014 (May 2, 2014 as to the effects of the discontinued operations as discussed in Note 3)

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, 2013 (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, 2013.

Overview

We are a leading global provider of investment decision support tools, including indexes, portfolio risk and performance analytics. 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 March 31, 2014, we had offices related to continuing operations in 34 cities in 22 countries in order to help serve our diverse client base, with 50.1% of our revenue from clients in the Americas, 37.0% in Europe, the Middle East and Africa (“EMEA”) and 12.9% in Asia and Australia based on revenues for the three months ended March 31, 2014.

Our principal sales model 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 up front. Additionally, our recurring subscriptions are increasingly related to our managed services offering whereby we oversee the production of risk and performance reports on behalf of our clients. Fees attributable to annual, recurring subscriptions are recorded as deferred revenues on our Unaudited Condensed Consolidated Statement of Financial Condition and are recognized on our Unaudited Condensed Consolidated Statement of Income as the service is rendered. Additionally, a portion of our revenues come from clients who use our indexes as the basis for index-linked investment products such as ETFs or 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 indexes 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 from certain products and services that are designed for one-time usage.

In evaluating our financial performance, we focus on revenue growth for the Company in total and by product category as well as operating profit growth. In addition, we focus on operating metrics, including Run Rates and retention rates to manage the business. 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 additional product management, sales and client support staff and facilities in locations around the world and additional staff and supporting technology for our research and our data operations and technology functions. At the same time, managing and controlling our operating expenses is very important to us and a distinct part of our culture.

The purpose of these investments is to maximize our medium-term revenue and operating income growth, while at the same time ensuring that we will remain a leading provider of investment decision support tools into the future. As a result, the rate of growth of our investments may from time to time exceed that of our revenues, which would slow the growth of, or even reduce, our operating profit. For example, for the three months ended March 31, 2014, our revenues grew by 9.2% but our operating income decreased by 4.1% compared to 2013 due, in part, to increased investment in our business. We anticipate that our increases in spending in areas such as sales, client service, information technology and product development in 2014 will continue to exceed the rate of growth of our revenues and will again slow the growth of our operating profit. However, we believe these investments will result in higher revenue and operating profit growth over the medium-term.

Changes in Presentation

On March 17, 2014, we entered into a definitive agreement to sell Institutional Shareholder Services Inc. (“ISS”) which, together with the previously disposed of CFRA product line, made up our Governance segment. The sale of ISS was completed on April 30, 2014 for approximately \$367.4 million, subject to final working capital adjustments. As a result, we now operate as a single business segment and the operating results of ISS and the CFRA product line are reported as discontinued operations for all periods presented. Prior to March 31, 2014, we operated under two segments: the Performance and Risk business and the Governance business. Our Performance and Risk business is a leading global provider of investment decision support tools, including indexes and portfolio risk and performance analytics, credit analytics and environmental, social and governance (“ESG”) products. Our Governance business was a leading provider of corporate governance products and services and specialized financial research and analysis services to institutional investors and corporations around the world.

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In addition, we had previously reported energy and commodity analytics products separately as its own product category for disclosures related to operating revenues, Run Rate and Aggregate and Core Retention Rates. Beginning with the three months ended March 31, 2014, we reported the results of energy and commodity analytics products as part of the risk management analytics product category as we view the product offerings and customer base of energy and commodity analytics products to be similar in nature to those in the risk management analytics product category. Prior periods have also been presented to reflect this change in categorization.

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. The 2011 Term Loan would have matured in March 2017.

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 provided 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. Prior to the amendment to the Amended and Restated Credit Facility discussed below, the 2012 Term Loan and the 2012 Revolving Credit Facility were to mature on May 4, 2017.

At March 31, 2014, the 2012 Term Loan bore interest of LIBOR plus 2.00%, or 2.15%.

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”). As a result of the December 2012 ASR Program, we received 2.2 million shares on December 14, 2012 and 0.8 million shares on July 31, 2013 for a combined average purchase price of \$33.47 per share.

On August 1, 2013, we entered into a second ASR agreement to initiate share repurchases aggregating \$100.0 million (the “August 2013 ASR Program”). As a result of the August 2013 ASR Program, we received 1.9 million shares on August 2, 2013 and 0.5 million shares on December 30, 2013 for a combined average purchase price of \$41.06 per share.

On February 6, 2014, we utilized the remaining repurchase authorization provided by the 2012 Repurchase Program by entering into a new ASR agreement to initiate share repurchases aggregating \$100.0 million (the “February 2014 ASR Program”). The February 2014 ASR Program is structured as a capped ASR in which, on February 7, 2014, we paid \$100.0 million and received 1.7 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. We anticipate that all repurchases under the February 2014 ASR Program will be completed no later than the final repurchase date in May 2014, although settlement may be accelerated under certain circumstances. Additionally, depending on the average share price through the completion date in May 2014, we may receive additional shares under the February 2014 ASR Program.

The discussion of our results of operations for the three months ended March 31, 2014 and 2013 are presented below. The results of operations for interim periods may not be indicative of future results.

Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013

Results of Operations

The following table presents the results of operations for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013		
Operating revenues	\$239,688	\$219,469	\$20,219	9.2%
Operating expenses:				
Cost of services	75,427	65,300	10,127	15.5%
Selling, general and administrative	67,658	55,515	12,143	21.9%
Amortization of intangible assets	11,270	11,166	104	0.9%
Depreciation and amortization of property, equipment, and leasehold improvements	5,828	4,597	1,231	26.8%
Total operating expenses	<u>160,183</u>	<u>136,578</u>	<u>23,605</u>	<u>17.3%</u>
Operating income	79,505	82,891	(3,386)	(4.1%)
Other expense (income), net	5,974	8,701	(2,727)	(31.3%)
Income from continuing operations before provision for income taxes	73,531	74,190	(659)	(0.9%)
Provision for income taxes	26,385	21,232	5,153	24.3%
Income from continuing operations	47,146	52,958	(5,812)	(11.0%)
Income from discontinued operations, net of income taxes	33,253	5,979	27,274	456.2%
Net income	<u>\$ 80,399</u>	<u>\$ 58,937</u>	<u>\$21,462</u>	<u>36.4%</u>
Earnings per basic common share:				
From continuing operations	\$ 0.40	\$ 0.44	\$ (0.04)	(9.1%)
From discontinued operations	0.28	0.05	0.23	460.0%
Earnings per basic common share	<u>\$ 0.68</u>	<u>\$ 0.49</u>	<u>\$ 0.19</u>	<u>38.8%</u>
Earnings per diluted common share:				
From continuing operations	\$ 0.40	\$ 0.43	\$ (0.03)	(7.0%)
From discontinued operations	0.28	0.05	0.23	460.0%
Earnings per diluted common share	<u>\$ 0.68</u>	<u>\$ 0.48</u>	<u>\$ 0.20</u>	<u>41.7%</u>
Operating margin	<u>33.2%</u>	<u>37.8%</u>		

Operating Revenues

Our revenues are grouped into the following three product and/or service categories:

- Index and ESG
- Risk management analytics
- Portfolio management analytics

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The following table summarizes the revenue by product category for the three months ended March 31, 2014 compared to the three months ended March 31, 2013:

	Three Months Ended March 31,		Increase / (Decrease)	
	2014	2013	(in thousands)	
Index and ESG:				
Subscriptions	\$ 97,343	\$ 84,888	\$12,455	14.7%
Asset-based fees	40,900	36,515	4,385	12.0%
Total index and ESG products	138,243	121,403	16,840	13.9%
Risk management analytics	75,580	70,420	5,160	7.3%
Portfolio management analytics	25,865	27,646	(1,781)	(6.4%)
Total operating revenues	<u>\$239,688</u>	<u>\$219,469</u>	<u>\$20,219</u>	9.2%
Recurring subscriptions	\$194,972	\$179,663	\$15,309	8.5%
Asset-based fees	40,900	36,515	4,385	12.0%
Non-recurring revenue	3,816	3,291	525	16.0%
Total operating revenues	<u>\$239,688</u>	<u>\$219,469</u>	<u>\$20,219</u>	9.2%

Our index and ESG products primarily consist of equity and real estate 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, the assessment of corporate management of ESG risks and opportunities, investment manager selection and investment research. 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 indexes and non-recurring licenses of our index historical data. Revenues related to index and ESG products increased \$16.8 million, or 13.9%, to \$138.2 million for the three months ended March 31, 2014 compared to \$121.4 million for the three months ended March 31, 2013.

Subscription revenues from the index and ESG products were up 14.7% to \$97.3 million for the three months ended March 31, 2014 compared to \$84.9 million for the three months ended March 31, 2013. The increase was primarily driven by growth in revenues from equity index benchmark products, in addition to the impact of the timing of revenue recognition related to IPD products, which contributed to an increase in revenues of \$5.2 million relative to the three months ended March 31, 2013.

Asset-based fee revenues attributable to index and ESG products increased \$4.4 million, or 12.0%, to \$40.9 million for the three months ended March 31, 2014 compared to \$36.5 million for the three months ended March 31, 2013. The year-over-year difference resulted from higher fees from non-ETF passive funds and ETFs linked to MSCI indexes, in addition to a change in the mix of ETFs linked to MSCI indexes, which more than offset a decline of \$38.2 billion, or 10.4%, in the average value of assets in ETFs linked to MSCI indexes. The decrease in the average value of assets in ETFs linked to MSCI indexes was primarily related to the decision of The Vanguard Group, Inc. to change the target benchmarks of 22 of its ETFs from MSCI's equity indexes (the "Vanguard ETFs"). The transition of the Vanguard ETFs was completed by the end of June 2013. Excluding the \$2.5 million of asset-based fees related to the Vanguard ETFs included in the three months ended March 31, 2013, asset-based fees would have grown by 20.3%.

As of March 31, 2014, the value of assets in ETFs linked to MSCI equity indexes was \$340.8 billion, representing a decrease of \$16.5 billion, or 4.6%, from \$357.3 billion as of March 31, 2013. Of the \$340.8 billion of assets in ETFs linked to MSCI equity indexes as of March 31, 2014, 54.5% were linked to indexes related to developed markets outside of the U.S., 24.2% were linked to emerging market indexes, 16.4% were linked to U.S. market indexes and 4.9% were linked to other global indexes.

The following table sets forth the value of assets in ETFs linked to MSCI indexes and the sequential change of such assets under management ("AUM") as of the periods indicated:

(in billions)	Period Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
AUM in ETFs linked to MSCI Indexes	\$ 357.3	\$ 269.7	\$ 302.6	\$ 332.9	\$ 340.8
Sequential Change (\$ in Billions)					
Market Appreciation/(Depreciation)	\$ 16.0	\$ (13.2)	\$ 20.2	\$ 10.9	\$ 1.3
Cash Inflow/Outflow	(61.0) ⁽¹⁾	(74.4) ⁽¹⁾	12.7	19.4	6.6
Total Change	<u>\$ (45.0)</u>	<u>\$ (87.6)</u>	<u>\$ 32.9</u>	<u>\$ 30.3</u>	<u>\$ 7.9</u>

Source: Bloomberg and MSCI

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

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

(in billions)	Quarterly Average				
	2013	2014			2014
	March	June	September	December	March
AUM in ETFs linked to MSCI Indexes	\$369.0	\$324.1	\$ 286.2	\$ 321.5	\$330.8

Source: Bloomberg and MSCI

The historical values of the assets in ETFs linked to our indexes 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 Indexes” 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. Additionally, we provide products consisting 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 related to risk management analytics products increased \$5.2 million, or 7.3%, to \$75.6 million for the three months ended March 31, 2014 compared to \$70.4 million for the three months ended March 31, 2013. The increase in risk management analytics revenues was driven primarily by higher revenues from our RiskManager and BarraOne products, as well as from one additional month of revenues from InvestorForce products totaling \$0.9 million, which were acquired on January 29, 2013.

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 6.4% to \$25.9 million for the three months ended March 31, 2014 compared to \$27.6 million for three months ended March 31, 2013. The decrease in revenues was the result of lower sales of equity analytics products in prior periods, as well as lower revenue from fixed income analytics products.

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, for ETF fees, the market value on the last trading day of the period, and for non-ETF funds and futures and options, the most recent periodic fee earned under such license or subscription. 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 indexes;

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- fluctuations in fees based on trading volumes of futures and options contracts linked to our indexes;
- 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 of growth over the periods indicated:

	As of			Year-Over-Year Comparison	Sequential Comparison
	March 31, 2014	March 31, 2013	December 31, 2013		
Run Rates	(in thousands)				
Index and ESG products					
Subscription	\$382,383	\$344,267	\$ 371,511	11.1%	2.9%
Asset-based fees	161,882	134,186	158,305	20.6%	2.3%
Index and ESG products total	544,265	478,453	529,816	13.8%	2.7%
Risk management analytics	307,460	287,554	301,957	6.9%	1.8%
Portfolio management analytics	103,531	106,091	103,125	(2.4%)	0.4%
Total Run Rate	<u>\$955,256</u>	<u>\$872,098</u>	<u>\$ 934,898</u>	9.5%	2.2%
Subscription total	<u>\$793,374</u>	<u>\$737,912</u>	<u>\$ 776,593</u>	7.5%	2.2%
Asset-based fees total	<u>161,882</u>	<u>134,186</u>	<u>158,305</u>	20.6%	2.3%
Total Run Rate	<u>\$955,256</u>	<u>\$872,098</u>	<u>\$ 934,898</u>	9.5%	2.2%

Total Run Rate grew by \$83.2 million, or 9.5%, to \$955.3 million as of March 31, 2014 compared to \$872.1 million as of March 31, 2013. Changes in foreign currency rates positively impacted Run Rate by \$5.5 million relative to March 31, 2013.

Subscription Run Rate from the index and ESG products grew by \$38.1 million, or 11.1%, to \$382.4 million at March 31, 2014 from \$344.3 million at March 31, 2013 driven primarily by growth in equity index benchmark and data products, in addition to strong growth in IPD and ESG products.

Asset-based fee Run Rate from index and ESG products increased by \$27.7 million, or 20.6%, to \$161.9 million at March 31, 2014, from \$134.2 million at March 31, 2013. The increase was primarily driven by higher market performance and inflows into ETFs linked to MSCI indexes. The March 31, 2013 asset-based fee Run Rate excludes those Vanguard ETFs that later switched benchmarks.

As of March 31, 2014, AUM in ETFs linked to MSCI indexes were \$340.8 billion, down \$16.5 billion, or 4.6%, from March 31, 2013 and up \$7.9 billion, or 2.4%, from December 31, 2013. During the three months ended March 31, 2014, MSCI-linked ETFs were impacted by market increases of \$1.3 billion and net inflows of \$6.6 billion. If the AUM related to those Vanguard ETFs which transitioned in 2013 were excluded from the March 31, 2013 balance, AUM in MSCI-linked ETFs would have risen \$55.4 billion, or 19.4%, compared to March 31, 2013.

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Risk management analytics products Run Rate increased \$19.9 million, or 6.9%, to \$307.5 million at March 31, 2014 compared to \$287.6 million at March 31, 2013, primarily driven by strong growth in Run Rate from our RiskManager products. Changes in foreign currency positively benefited Run Rate by \$3.5 million compared to Run Rate at March 31, 2013.

Portfolio management analytics products Run Rate declined \$2.6 million, or 2.4%, to \$103.5 million at March 31, 2014 from \$106.1 million at March 31, 2013. Year over year Run Rate was negatively impacted by product swaps totaling \$1.5 million and by changes in foreign currency exchange rates, which lowered Run Rate by an additional \$0.7 million.

Aggregate and Core Retention Rates

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

	March 31, 2014	March 31, 2013
Index and ESG products	94.9%	95.0%
Risk management analytics	91.0%	93.4%
Portfolio management analytics	90.6%	81.7%
Total	92.8%	92.4%

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

	March 31, 2014	March 31, 2013
Index and ESG products	94.9%	95.0%
Risk management analytics	91.0%	93.7%
Portfolio management analytics	93.4%	82.8%
Total	93.2%	92.7%

The Aggregate Retention Rates for a period are calculated by annualizing the cancellations for which we have received a notice of termination or where we believe there is an intention to not renew during the period and we believe that such notice or intention evidences the client's final decision to terminate or not renew the applicable 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 indexes or to trading volumes of futures and options contracts linked to our indexes.

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 four categories:

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

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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 March 31,		Increase/(Decrease)	
	2014	2013		
	(in thousands)			
Cost of services:				
Compensation and benefits	\$ 56,282	\$ 49,404	\$ 6,878	13.9%
Non-compensation expenses	19,145	15,896	3,249	20.4%
Total cost of services	75,427	65,300	10,127	15.5%
Selling, general and administrative:				
Compensation and benefits	46,133	40,350	5,783	14.3%
Non-compensation expenses	21,525	15,165	6,360	41.9%
Total selling, general and administrative	67,658	55,515	12,143	21.9%
Amortization of intangible assets	11,270	11,166	104	0.9%
Depreciation and amortization of property, equipment, and leasehold improvements	5,828	4,597	1,231	26.8%
Total operating expenses	<u>\$160,183</u>	<u>\$136,578</u>	<u>\$23,605</u>	17.3%
Compensation and benefits	\$102,415	\$ 89,754	\$12,661	14.1%
Non-compensation expenses	40,670	31,061	9,609	30.9%
Amortization of intangible assets	11,270	11,166	104	0.9%
Depreciation and amortization of property, equipment, and leasehold improvements	5,828	4,597	1,231	26.8%
Total operating expenses	<u>\$160,183</u>	<u>\$136,578</u>	<u>\$23,605</u>	17.3%

Operating expenses were \$160.2 million for the three months ended March 31, 2014, an increase of \$23.6 million, or 17.3%, compared to \$136.6 million for the three months ended March 31, 2013 reflecting increases in product development, sales and marketing, client service and corporate infrastructure.

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. We had 2,623 and 2,233 employees not related to the ISS operations as of March 31, 2014 and 2013, respectively, with the increase primarily driven by increased staffing levels. 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 March 31, 2014, 47.1% of our employees not expected to leave as part of the ISS disposition were located in emerging market centers compared to 40.4% as of March 31, 2013.

During the three months ended March 31, 2014, compensation and benefits costs were \$102.4 million, an increase of 14.1% compared to \$89.8 million for the three months ended March 31, 2013. The increase in compensation and benefits costs was driven primarily by increases in technology, client coverage and product management personnel.

Non-compensation expenses for the three months ended March 31, 2014 increased \$9.6 million, or 30.9%, to \$40.7 million compared to \$31.1 million for the three months ended March 31, 2013. The increase was associated with increased professional services, information technology, occupancy, market data fees, marketing and recruiting costs, among other items.

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 and information technology services. 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 March 31, 2014, total cost of services increased \$10.1 million, or 15.5%, to \$75.4 million compared to \$65.3 million for the three months ended March 31, 2013.

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Compensation and benefits expenses for the three months ended March 31, 2014 increased \$6.9 million, or 13.9%, to \$56.3 million compared to \$49.4 million for the three months ended March 31, 2013. The increase in compensation and benefits expenses was primarily impacted by increased costs related to current staff and increased staffing levels.

Non-compensation expenses for the three months ended March 31, 2014 increased 20.4% to \$19.1 million compared to \$15.9 million for the three months ended March 31, 2013. The increase was primarily driven by higher costs related to market data, occupancy and professional services.

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 March 31, 2014, SG&A increased 21.9% to \$67.7 million compared to \$55.5 million for the three months ended March 31, 2013.

Compensation and benefits expenses increased 14.3% to \$46.1 million for the three months ended March 31, 2014 compared to \$40.4 million for the three months ended March 31, 2013. Similar to compensation and benefits expenses in cost of services, the increase was primarily impacted by increased costs related to current staff and increased staffing levels.

Non-compensation expenses for the three months ended March 31, 2014 increased 41.9% to \$21.5 million compared to \$15.2 million for the three months ended March 31, 2013. The increase was primarily driven by higher costs related to professional services, information technology, marketing and recruiting.

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 Group Limited in November 2012 and Investor Force Holdings, Inc. in January 2013, as well as capitalized software development costs. Amortization of intangible assets expense totaled \$11.3 million and \$11.2 million for the three months ended March 31, 2014 and 2013, respectively.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment and leasehold improvements was \$5.8 million and \$4.6 million for the three months ended March 31, 2014 and 2013, respectively. The increase was related to higher depreciation associated with investments in the information technology infrastructure.

Other Expense (Income), Net

Other expense (income), net for the three months ended March 31, 2014 was \$6.0 million, a decrease of \$2.7 million compared to \$8.7 million for the three months ended March 31, 2013, primarily driven by lower average outstanding principal on our debt and lower associated interest rates.

Provision For Income Taxes

The provision for income taxes for the three months ended March 31, 2014 was \$26.4 million, an increase of \$5.2 million, or 24.3%, compared to \$21.2 million for the three months ended March 31, 2013. These amounts reflect effective tax rates of 35.9% and 28.6% for the three months ended March 31, 2014 and 2013, respectively. For the three months ended March 31, 2014, income tax expense benefited from discrete items of \$0.2 million, which were primarily related to a reduction in state taxes.

Income from Discontinued Operations, Net of Income Taxes

As a result of entering into the definitive agreement to sell ISS, that business, together with the previously sold CFRA product line, is now reflected as discontinued operations in our unaudited condensed consolidated financial statements. Income from discontinued operations, net of income taxes was \$33.3 million for the three months ended March 31, 2014 compared to \$6.0 million for three months ended March 31, 2013. The three months ended March 31, 2014 included a \$30.6 million income tax benefit associated with establishing a net deferred tax asset on the difference between the ISS tax basis and book basis. This net deferred tax asset is expected to be realized upon the closing of the sale.

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The sale of ISS was completed on April 30, 2014 for approximately \$367.4 million, subject to final working capital adjustments. We do not expect to incur a cash tax liability on the proceeds from the sale. The gain on the sale of ISS will be reported in “Income from discontinued operations, net of income taxes” in the quarter ending June 30, 2014.

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, 2013 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, 2013. There have been no significant changes in our accounting policies or critical accounting estimates since the end of the fiscal year ended December 31, 2013.

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, 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 repurchases of our common stock. 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. The 2011 Term Loan was scheduled to mature in March 2017.

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 were scheduled to mature on May 4, 2017. 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.

On December 12, 2013, we entered into Amendment No. 1 to the Amended and Restated Credit Facility (the “New Amended and Restated Credit Facility”), which extended the maturity of the Amended and Restated Credit Facility from May 2017 to December 2018. It also amended the amortization schedule of required debt payments under the 2012 Term Loan. We are required to repay \$5.1 million in quarterly payments over the first two years and \$10.1 million in quarterly payments over the next three years, with the exception of the final payment in December 2018, which will be \$658.1 million (assuming no prepayments).

The effective combined rate on our debt was 2.16% at March 31, 2014.

The obligations under the New Amended and Restated Credit Facility are guaranteed by each of our material direct and indirect wholly-owned domestic subsidiaries, subject to limited exceptions. The obligations under the New Amended and Restated Credit Facility are secured by a lien on substantially all of the equity interests of our present and future material 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 New 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;

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- 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 New 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 New 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 New Amended and Restated Credit Facility: (1) the maximum Consolidated Leverage Ratio (as defined in the New 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 New Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall be at least 5.00:1.00. As of March 31, 2014, our Consolidated Leverage Ratio (as defined in the New Amended and Restated Credit Facility) was 1.89:1.00 and our Consolidated Interest Coverage Ratio (as defined in the New Amended and Restated Credit Facility) was 21.57:1.00.

On February 6, 2014, 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 February 7, 2014, we paid \$100.0 million and received 1.7 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 completion date in May 2014, we may receive additional shares under this ASR agreement.

Cash Flows

Cash and cash equivalents

	As of	
	March 31, 2014	December 31, 2013
Cash and cash equivalents	\$260,450	\$ 358,434

Cash and cash equivalents were \$260.5 million and \$358.4 million as of March 31, 2014 and December 31, 2013, respectively. As of March 31, 2014 and December 31, 2013, \$61.5 million and \$95.6 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.

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 for at least the next 12 months and for the foreseeable future thereafter.

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

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Cash provided by operating activities	\$ 25,249	\$ 71,047
Cash (used in) provided by investing activities	(10,053)	42,932
Cash used in financing activities	(109,338)	(30,461)
Effect of exchange rates on cash and cash equivalents	566	(3,798)
Net (decrease) increase in cash and cash equivalents	<u>\$ (93,576)</u>	<u>\$ 79,720</u>

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 \$25.2 million and \$71.0 million for the three months ended March 31, 2014 and 2013, respectively. The year-over-year decrease reflects increased expenses and a related increase in cash payments as well as increased payments for income taxes and previously accrued compensation amounts.

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 used in investing activities was \$10.1 million for the three months ended March 31, 2014 compared to cash provided by investing activities of \$42.9 million for the three months ended March 31, 2013. The \$53.0 million year-over-year increase in cash used in investing activities primarily reflects decreased cash proceeds from the maturation of short-term investments without any corresponding reinvestment of the proceeds during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. Partially offsetting this was a decrease in net cash outflows resulting from acquisitions during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. In the three months ended March 31, 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 \$109.3 million and \$30.5 million for the three months ended March 31, 2014 and 2013, respectively. The year-over-year change primarily reflects higher purchases of treasury shares, partially offset by lower repayments on our debt.

Balance Sheet Items

Total current assets increased 55.2% to \$988.9 million as of March 31, 2014 from \$637.0 million as of December 31, 2013. Total current liabilities increased 8.7% to \$546.7 million as of March 31, 2014 from \$503.0 million as of December 31, 2013. The increase was primarily driven by the reclassification of certain non-current asset line items into "Assets held for sale" and certain non-current liability line items into "Liabilities held for sale" which are reflected as current assets and current liabilities, respectively.

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

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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 \$40.9 million, or 15.0%, and \$36.5 million, or 14.5%, of our total revenues for the three months ended March 31, 2014 and 2013, 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 three months ended March 31, 2014 and 2013, approximately 15.3% and 14.1% of our total revenues, respectively, were invoiced in currencies other than U.S. dollars. For the three months ended March 31, 2014, 50.4% of our foreign currency revenues were in Euros, 24.0% were in British pounds sterling and 11.6% were in Japanese yen. For the three months ended March 31, 2013, 60.2% of our foreign currency revenues were in Euros, 15.6% were in Japanese yen and 13.3% were in British pounds sterling.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately \$83.3 million, or 44.7%, and \$68.4 million, or 42.4%, of our total operating costs for the three months ended March 31, 2014 and 2013, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Euros, Indian rupees, Swiss francs, Hungarian forints, Hong Kong dollars, and Mexican pesos. Expenses incurred 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 total foreign currency exchange losses of \$0.9 million and \$1.8 million for the three months ended March 31, 2014 and 2013, respectively. These amounts were recorded in "Other expense (income), net" in our Unaudited Condensed Consolidated Statements of Income.

Interest Rate Sensitivity

We had unrestricted cash and cash equivalents totaling \$260.5 million at March 31, 2014 and \$358.4 million at December 31, 2013, 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. 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 March 31, 2014, the 2012 Term Loan, as amended, bore interest at 2.15%. Assuming an average of \$797.3 million of variable rate debt outstanding, a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately \$8.0 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 Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), as of March 31, 2014, 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.

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There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2014 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, 2013.

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 March 31, 2014.

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 (January 1, 2014-January 31, 2014)	27,537	\$ 43.72	—	\$ 100,000,000
Month #2 (February 1, 2014-February 28, 2014) ⁽³⁾	1,856,782	N/A	1,718,214	\$ 300,000,000
Month #3 (March 1, 2014-March 31, 2014)	3,645	\$ 44.36	—	\$ 300,000,000
Total	<u>1,887,964</u>	N/A	1,718,214	\$ 300,000,000

- (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 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 programs.
- (3) Average price paid per share information will not be available for the February 2014 ASR Program until final settlement.

Item 3. Defaults Upon Senior Securities

None.

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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.

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: May 2, 2014

MSCI INC.
(Registrant)

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

EXHIBIT INDEX

MSCI INC.

QUARTER ENDED MARCH 31, 2014

2.1	Stock Purchase Agreement dated as of March 17, 2014 among MSCI Inc., RiskMetrics Group Holdings, LLC and VISS Acquisition Corp. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-33812), filed with the SEC on March 20, 2014 and incorporated herein by reference)
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	Letter Agreement regarding a Fixed Dollar Capped Accelerated Share Repurchase Transaction, dated as of February 6, 2014, between MSCI Inc. and Morgan Stanley & Co. LLC
†*10.2	Form of Award Agreement for Restricted Stock Units for Directors under the MSCI Inc. Independent Directors' Equity Compensation Plan, as amended
†*10.3	Summary of Non-Employee Director Compensation
11	Statement Re: Computation of Earnings Per Common Share (The calculation of per share earnings is in Part I, Item 1, Note 5 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)
*15.1	Letter of awareness from PricewaterhouseCoopers LLP, dated May 2, 2014, concerning unaudited interim financial information
*15.2	Letter of awareness from Deloitte & Touche LLP, dated May 2, 2014, 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.

† Indicates a management compensation plan, contract or arrangement.

Morgan Stanley

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

February 6, 2014

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 <u>minus</u> (ii) the Discount; <u>provided, however</u> , 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; <u>provided, however</u> , 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:	<p>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.</p> <p>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.</p> <p>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</p>

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; provided 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; <u>provided</u> 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; <u>provided</u> 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. Certain Payments and Deliveries by MSCO.

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; provided, however, 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. Certain Payments and Deliveries by Issuer.

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; provided, however, 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.

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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 February 6, 2014.

The Discount equals USD 0.2688.

The Forward Cap Price equals USD 58.20.

The Initial Shares equal 859,107 shares.

The Prepayment Amount equals USD 50,000,000.

The Scheduled Valuation Date shall be May 29, 2014.

The Lock-Out Date shall be May 1, 2014.

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 February 6, 2014.

The Discount equals USD 0.2688.

The Forward Cap Price equals USD USD 58.20.

The Initial Shares equal 859,107 shares.

The Prepayment Amount equals USD 50,000,000.

The Scheduled Valuation Date shall be May 29, 2014.

The Lock-Out Date shall be May 1, 2014.

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.

Morgan Stanley

1585 BROADWAY
NEW YORK, NY 10036-8293

February 6, 2014

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 February 6, 2014, Confirm Number DP1:7015023 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 May 29, 2014, 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/ Anita Rios
Name: Anita Rios
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 February 6, 2014

**AWARD AGREEMENT
FOR RESTRICTED STOCK UNITS
FOR DIRECTORS
UNDER THE MSC INC. INDEPENDENT DIRECTORS' EQUITY COMPENSATION PLAN**

MSCI Inc. (together with all of its subsidiaries, the “**Company**”) hereby grants to you Restricted Stock Units (“**RSUs**”) as described below. The awards are being granted under the MSCI Inc. Independent Directors’ Equity Compensation Plan (as may be amended from time to time, the “**Plan**”).

Participant: [Name]
Number of RSUs Granted: [#] RSUs
Grant Date: [Date] (the “**Grant Date**”)
Vesting Schedule: 100% of your RSUs shall vest on the earlier to occur of (a) the first anniversary of the Grant Date and (b) MSCI’s next annual general meeting of shareholders (such date, the “**Scheduled Vesting Date**”).

Provided you continue to provide services to the Company through the Scheduled Vesting Date, the RSUs will vest and convert as provided above and as further described in Exhibit A attached hereto. Your RSUs may be subject to forfeiture if you terminate service with the Company before the Scheduled Vesting Date, as set forth in the Plan and this Restricted Stock Unit Award Agreement (including Exhibit A attached hereto, this “**Award Agreement**”).

You agree that this Award Agreement is granted under the Plan and governed by the terms and conditions of the Plan and Exhibit A attached hereto. Unless defined in this Award Agreement, capitalized terms shall have the meanings ascribed to them in the Plan.

IN WITNESS WHEREOF, MSCI has duly executed and delivered this Award Agreement as of the Grant Date.

MSCI INC.

Name: Scott Crum
Title: Chief Human Resources Officer

Attachments: Exhibit A (Terms and Conditions of the Award)

**TERMS AND CONDITIONS
OF THE RESTRICTED STOCK UNIT AWARD AGREEMENT**

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Section 1. *RSUs Generally.*

MSCI has awarded you RSUs as an incentive for you to continue to provide services as a Director of MSCI and to, among other things, align your interests with those of the Company and to reward you for your continued service as a Director of MSCI in the future. As such, you will earn your RSU award only if you remain in continuous service as a Director of MSCI through the Scheduled Vesting Date.

Each of your RSUs corresponds to one share of MSCI common stock. An RSU constitutes a contingent and unsecured promise by MSCI to deliver one share of MSCI common stock on the conversion date for the RSU. As the holder of RSUs, you have only the rights of a general unsecured creditor of MSCI. You will not be a stockholder with respect to the shares of MSCI common stock underlying your RSUs unless and until your RSUs convert to shares.

Section 409A imposes rules relating to the taxation of deferred compensation, including your RSU award. The Company reserves the right to modify the terms of your RSU award, including, without limitation, the payment provisions applicable to your RSUs, to the extent necessary or advisable to comply with Section 409A.

Section 2. Vesting Schedule and Conversion.

(a) *Vesting Schedule.* Your RSUs will vest according to the following schedule: 100% of your RSUs will vest on the Scheduled Vesting Date. Except as otherwise provided in this Award Agreement, your RSUs will vest only if you continue to provide future services to the Company by remaining in continuous service as a Director of MSCI through the Scheduled Vesting Date. The special vesting terms set forth in Sections 4 and 5 of this Award Agreement apply (i) if your service as a Director of MSCI terminates by reason of your death or Disability or (ii) upon a Change in Control.

(b) *Conversion.*

(i) Except as otherwise provided in this Award Agreement or pursuant to any election form submitted in connection with the MSCI Inc. Independent Directors Deferral Plan, each of your vested RSUs will convert to one share of MSCI common stock within 30 days following the Scheduled Vesting Date.

(ii) Shares to which you are entitled to receive upon conversion of RSUs under any provision of this Award Agreement shall not be subject to any transfer restrictions, other than those that may arise under securities laws or the Company's policies.

Section 3. *Dividend Equivalent Payments.*

Until your RSUs convert to shares of MSCI common stock, if and when MSCI pays a regular or ordinary cash dividend on its common stock, you will be entitled to a dividend equivalent payment in the same amount as the dividend you would have received if you held shares for your RSUs immediately prior to the record date. No dividend equivalents will be paid to you with respect to any canceled or forfeited RSUs.

MSCI will decide on the form of payment and may pay dividend equivalents in shares of MSCI common stock, in cash or in a combination thereof. MSCI will pay the dividend equivalent when it pays the corresponding dividend on its common stock.

Because dividend equivalent payments are considered part of your compensation for income tax purposes, they will be subject to applicable tax obligations.

Section 4. *Death and Disability.*

The following special vesting and payment terms apply to your RSUs:

(a) *Death.* If your service as a Director of MSCI terminates due to death, all of your unvested RSUs will immediately vest. Your RSUs will convert into shares of MSCI common stock upon your death. Such shares will be delivered to the beneficiary(ies) you have designated pursuant to Section 8 or the legal representative of your estate, as applicable.

(b) *Disability*. If your service as a Director of MSCI terminates due to Disability, all of your unvested RSUs will immediately vest. All of your RSUs will convert into shares of MSCI common stock on the date your service as a Director of MSCI terminates or within 30 days thereafter.

Section 5. *Change in Control*.

In the event of a Change in Control, all of your RSUs will immediately vest and convert into shares of MSCI common stock effective on the date of such Change in Control.

Section 6. *Termination of Service and Cancellation of Awards*.

Unless otherwise determined by the Board, your unvested RSUs will be canceled and forfeited in full if your service as a Director of MSCI terminates prior to the Scheduled Vesting Date for any reason other than under the circumstances set forth in this Award Agreement.

Section 7. *Nontransferability*.

You may not sell, pledge, hypothecate, assign or otherwise transfer your RSUs, other than as provided in Section 8 (which allows you to designate a beneficiary or beneficiaries in the event of your death) or by will or the laws of descent and distribution or otherwise as provided for by the Board. This prohibition includes any assignment or other transfer that purports to occur by operation of law or otherwise. During your lifetime, payments relating to the RSUs will be made only to you.

Your personal representatives, heirs, legatees, beneficiaries, successors and assigns, and those of MSCI, shall all be bound by, and shall benefit from, the terms and conditions of your award.

Section 8. *Designation of a Beneficiary*.

You may make a written designation of a beneficiary or beneficiaries to receive all or part of the shares to be paid under this Award Agreement in the event of your death. To make a beneficiary designation, you must complete and file the form attached hereto as Appendix A with MSCI's Human Resources Department.

Any shares that become payable upon your death, and as to which a designation of beneficiary is not in effect, will be distributed to your estate.

You may replace or revoke your beneficiary designation at any time. If there is any question as to the legal right of any beneficiary(ies) to receive shares under this Award Agreement, MSCI may determine in its sole discretion to deliver the shares in question to your estate. MSCI's determination shall be binding and conclusive on all persons and it will have no further liability to anyone with respect to such shares.

Section 9. *Ownership and Possession.*

(a) *Prior to Conversion.* Prior to conversion of your RSUs, you will not have any rights as a stockholder in the shares of MSCI common stock corresponding to your RSUs. However, you will receive dividend equivalent payments, as set forth in Section 3 of this Award Agreement.

(b) *Following Conversion.* Following conversion of your RSUs, you will be the beneficial owner of the shares of MSCI common stock issued to you, and you will be entitled to all rights of ownership, including voting rights and the right to receive cash or stock dividends or other distributions paid on the shares.

Section 10. *Securities Law Compliance Matters.*

MSCI may, if it determines it is appropriate, affix any legend to the stock certificates representing shares of MSCI common stock issued upon conversion of your RSUs and any stock certificates that may subsequently be issued in substitution for the original certificates. MSCI may advise the transfer agent to place a stop order against such shares if it determines that such an order is necessary or advisable.

Section 11. *Compliance with Laws and Regulations.*

Any sale, assignment, transfer, pledge, mortgage, encumbrance or other disposition of shares issued upon conversion of your RSUs (whether directly or indirectly, whether or not for value, and whether or not voluntary) must be made in compliance with any applicable constitution, rule, regulation, or policy of any of the exchanges, associations or other institutions with which MSCI has membership or other privileges, and any applicable law, or applicable rule or regulation of any governmental agency, self-regulatory organization or state or federal regulatory body.

Section 12. *Consents under Local Law.*

Your award is conditioned upon the making of all filings and the receipt of all consents or authorizations required to comply with, or be obtained under, applicable local law.

Section 13. *Award Modification and Section 409A*

(a) *Award Modification.* MSCI reserves the right to modify or amend unilaterally the terms and conditions of your RSUs, without first asking your consent, or to waive any terms and conditions that operate in favor of MSCI. These amendments may include (but are not limited to) changes that MSCI considers necessary or advisable as a result of changes in any, or the adoption of any new, Legal Requirement. MSCI may not modify your RSUs in a manner that would materially impair your rights in your RSUs without your consent; provided, however, that MSCI may, without your consent, amend or modify your RSUs in any manner that MSCI considers necessary or advisable to comply with any Legal Requirement or to ensure that your RSUs are not subject to United States federal, state or local income tax or any equivalent taxes in territories

outside the United States prior to payment. MSCI will notify you of any amendment of your RSUs that affects your rights. Any amendment or waiver of a provision of this Award Agreement (other than any amendment or waiver applicable to all recipients generally), which amendment or waiver operates in your favor or confers a benefit on you, must be in writing and signed by the Global Head of Human Resources, the Chief Administrative Officer, the Chief Financial Officer or the General Counsel (or if such positions no longer exist, by the holders of equivalent positions) to be effective.

(b) *Section 409A.* You understand and agree that all payments made pursuant to this Award Agreement are intended to be exempt and/or comply with Section 409A, and shall be interpreted on a basis consistent with such intent. Notwithstanding the other provisions of this Award Agreement, to the extent necessary to comply with Section 409A, if MSCI considers you to be one of its “specified employees” at the time of your “separation from service” (as such terms are defined in the Code) from the Company, no conversion specified hereunder shall occur prior to your death or the expiration of the six-month period measured from the date of your separation from service from the Company (such period, the “**Delay Period**”). Any conversion of RSUs into shares that would have occurred during the Delay Period but for the fact that you are deemed to be a specified employee shall be satisfied either by (i) conversion of such RSUs into shares of MSCI common stock on the first business day following the Delay Period or (ii) a cash payment on the first business day following the Delay Period equal to the value of such RSUs on the scheduled conversion date (based on the value of the stock on such date) plus accrued interest as determined by MSCI.

Section 14. Severability.

In the event MSCI determines that any provision of this Award Agreement would cause you to be in constructive receipt for United States federal or state income tax purposes of any portion of your award, then such provision will be considered null and void and this Award Agreement will be construed and enforced as if the provision had not been included in this Award Agreement as of the date such provision was determined to cause you to be in constructive receipt of any portion of your award.

Section 15. Governing Law.

This Award Agreement and the related legal relations between you and MSCI will be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts or choice of law, rule or principle that might otherwise refer the interpretation of the award to the substantive law of another jurisdiction.

Section 16. Rule of Construction for Timing of Conversion.

With respect to each provision of this Award Agreement that provides for your RSUs to convert to shares on the Scheduled Vesting Date or upon a different specified event or date, such conversion will be considered to have been timely made, and neither you nor any of your beneficiaries or your estate shall have any claim against the Company for damages based on a delay in payment, and the Company shall have no

liability to you (or to any of your beneficiaries or your estate) in respect of any such delay, as long as payment is made by December 31 of the year in which the Scheduled Vesting Date or such other specified event or date occurs, or if later, by March 15th of the year following such specified event or date.

Section 17. *Defined Terms.*

For purposes of this Award Agreement, the following terms shall have the meanings set forth below:

(a) **“Board”** means the Board of Directors of MSCI.

(b) A **“Change in Control”** shall be deemed to have occurred if any of the following conditions shall have been satisfied:

(i) any one person or more than one person acting as a group (as determined under Section 409A), other than (A) any employee plan established by MSCI or any of its subsidiaries, (B) MSCI or any of its affiliates (as defined in Rule 12b-2 promulgated under the Exchange Act), (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by stockholders of MSCI in substantially the same proportions as their ownership of MSCI, is or becomes, during any 12-month period, the beneficial owner, directly or indirectly, of securities of MSCI (not including in the securities beneficially owned by such person(s) any securities acquired directly from MSCI or its affiliates other than in connection with the acquisition by MSCI or its affiliates of a business) representing 30% or more of the total voting power of the stock of MSCI; *provided, however*, that the provisions of this subsection (i) are not intended to apply to or include as a Change in Control any transaction that is specifically excepted from the definition of Change in Control under subsection (iii) below;

(ii) a change in the composition of the Board such that, during any 12-month period, the individuals who, as of the beginning of such period, constitute the Board (the **“Existing Board”**) cease for any reason to constitute at least 50% of the Board; *provided, however*, that any individual becoming a member of the Board subsequent to the beginning of such period whose election, or nomination for election by MSCI’s stockholders, was approved by a vote of at least a majority of the directors immediately prior to the date of such appointment or election shall be considered as though such individual were a member of the Existing Board; and *provided, further, however*, that, notwithstanding the foregoing, no individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act or successor statutes or rules containing analogous concepts) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or “person” other than the Board, shall in any event be considered to be a member of the Existing Board;

(iii) the consummation of a merger or consolidation of the Company with any other corporation or other entity, or the issuance of voting securities in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of MSCI) pursuant to applicable stock exchange requirements; *provided* that immediately following such merger or consolidation the voting securities of MSCI outstanding immediately prior thereto do not continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity of such merger or consolidation or parent entity thereof) 50% or more of the total voting power of MSCI stock (or if the Company is not the surviving entity of such merger or consolidation, 50% or more of the total voting power of the stock of such surviving entity or parent entity thereof); and *provided, further*, that a merger or consolidation effected to implement a recapitalization of MSCI (or similar transaction) in which no person (as determined under Section 409A) is or becomes the beneficial owner, directly or indirectly, of securities of MSCI (not including in the securities beneficially owned by such person any securities acquired directly from MSCI or its affiliates other than in connection with the acquisition by MSCI or its affiliates of a business) representing 50% or more of either the then outstanding shares of MSCI common stock or the combined voting power of MSCI's then-outstanding voting securities shall not be considered a Change in Control; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets in which any one person or more than one person acting as a group (as determined under Section 409A) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions.

Notwithstanding the foregoing, (1) no Change in Control shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of MSCI common stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns substantially all of the assets of the Company immediately prior to such transaction or series of transactions and (2) no event or circumstances described in any of clauses (i) through (iv) above shall constitute a Change in Control unless such event or circumstances also constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as defined in Section 409A. In addition, no Change in Control shall be deemed to have occurred upon the acquisition of additional control of the Company by any one person or more than one person acting as a group that is considered to effectively control the Company. In no event will a Change in Control be deemed to have occurred if you are part of a "group" within the meaning of Section 13(d)(3) of the Exchange Act that effects a Change in Control.

Terms used in the definition of a Change in Control shall be as defined or interpreted pursuant to Section 409A.

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- (c) **“Disability”** means “permanent and total disability” (as defined in Section 22(e) of the Code).
- (d) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.
- (e) **“Legal Requirement”** means any law, regulation, ruling, judicial decision, accounting standard, regulatory guidance or other legal requirement.
- (f) **“MSCI”** means MSCI Inc., a Delaware corporation.
- (g) **“Section 409A”** means Section 409A of the Code, and the rules, regulations and guidance thereunder.

**Designation of Beneficiary(ies) Under
MSCI Independent Directors' Equity Compensation Plan**

This Designation of Beneficiary(ies) shall remain in effect with respect to all awards issued to me under any MSCI equity compensation plan, including any awards that may be issued to me after the date hereof, unless and until I modify or revoke it by submitting a later dated beneficiary designation. This Designation of Beneficiary(ies) supersedes all my prior beneficiary designations with respect to all my equity awards.

I hereby designate the following beneficiary(ies) to receive any survivor benefits with respect to all my equity awards:

Beneficiary(ies) Name(s)	Relationship	Percentage
(1)		
(2)		

Address(es) of Beneficiary(ies):

(1)
(2)

Contingent Beneficiary(ies)

Please also indicate any contingent beneficiary(ies) and to which beneficiary(ies) above such interest relates.

Beneficiary(ies) Name(s)	Relationship	Nature of Contingency
(1)		
(2)		

Address(es) of Contingent Beneficiary(ies):

(1)
(2)

Name: (please print)

Date:

Signature

Please sign and return this form to MSCI's Human Resources Department.

Non-Employee Director Compensation
(Effective April 29, 2014)

	<u>Retainer</u>
Annual Cash Retainer	\$ 75,000
Annual Equity Retainer in Restricted Stock Units	\$140,000 ⁽¹⁾
Lead Director Annual Equity Retainer in Restricted Stock Units	\$165,000 ⁽¹⁾
Committee Chair	
Audit Committee	\$ 25,000
Compensation Committee	\$ 20,000
Nominating and Corporate Governance Committee	\$ 15,000
Committee Non-Chair Member	
Audit Committee	\$ 10,000
Compensation Committee	\$ 10,000
Nominating and Corporate Governance Committee	\$ 10,000

- (1) The aggregate fair market value of the restricted stock units is based on the closing price of MSCI Inc.'s common stock as reported by The New York Stock Exchange on the date prior to the date of grant (any fractional shares are paid in cash).

Members of the Board of Directors are subject to stock ownership guidelines, under which the target level of share ownership equals the sum of the restricted stock units granted to a non-employee director during the prior five years. Shares counted toward these guidelines include any shares held by the director directly or indirectly and restricted stock units with respect to MSCI Inc.'s common stock granted under the Independent Directors Equity Compensation Plan, as amended.

Additional information regarding MSCI Inc.'s non-employee director compensation program is available in its proxy statement for its annual meeting of shareholders.

May 2, 2014

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated May 2, 2014 on our review of interim financial information of MSCI Inc. for the three month period ended March 31, 2014 and included in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2014 is incorporated by reference in Registration Statement No. 333-147540, No. 333-165888 and No. 333-167624 dated November 20, 2007, June 3, 2010 and June 18, 2010, respectively, on Form S-8 and the Registration Statement No. 333-181533 dated May 18, 2012 on Form S-3.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

New York, New York

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 statements of income, comprehensive income and cash flows for the three month period ended March 31, 2013, as indicated in our report dated February 28, 2014 (May 2, 2014 as to the effects of discontinued operations as discussed in Note 3); 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 March 31, 2014, 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
May 2, 2014

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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: May 2, 2014

/s/ Henry A. Fernandez

Henry A. Fernandez
Chairman, Chief Executive Officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: May 2, 2014

/s/ Robert Qutub

Robert Qutub
Chief Financial Officer
(Principal Financial Officer and
Authorized Signatory)

**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 March 31, 2014, 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: May 2, 2014

/s/ Henry A. Fernandez

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

/s/ Robert Qutub

Robert Qutub
Chief Financial Officer
(Principal Financial Officer and
Authorized Signatory)