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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from __________ to __________

Commission file number 001-33812

MSCI INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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MSCI INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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AVAILABLE INFORMATION

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

WEBSITE AND SOCIAL MEDIA DISCLOSURE

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

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PART I

Item 1. Financial Statements

MSCI INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share and per share data)

	As of September 30, 2013	As of December 31, 2012
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 283,750	$ 183,309
Short-term investments		70,898
Accounts receivable (net of allowances of $978 and $964 at September 30, 2013 and December 31, 2012, respectively)	179,920	153,557
Deferred taxes	50,386	49,552
Prepaid taxes	47,377	32,431
Prepaid and other assets	28,662	25,088
Total current assets	590,095	514,835
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of $73,856 and $59,078 at September 30, 2013 and December 31, 2012, respectively)	73,809	67,419
Goodwill	1,797,223	1,783,410
Intangible assets (net of accumulated amortization of $359,513 and $316,099 at September 30, 2013 and December 31, 2012, respectively)	607,766	641,074
Other non-current assets	12,696	12,901
Total assets	$ 3,081,589	$ 3,019,639
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,319	$ 2,985
Accrued compensation and related benefits	96,030	113,359
Other accrued liabilities	46,380	42,486
Current maturities of long-term debt	54,130	43,093
Deferred revenue	334,094	308,022
Total current liabilities	531,953	509,945
Long-term debt, net of current maturities	753,285	811,623

Deferred taxes	229,877	234,245
Other non-current liabilities	44,327	38,595
Total liabilities	1,559,442	1,594,408
Commitments and Contingencies (see Note 8)		
Shareholders equity:		
Preferred stock (par value $0.01; 100,000,000 shares authorized; no shares issued)		
Common stock (par value $0.01; 750,000,000 common shares authorized; 125,305,504 and 124,033,980 common shares issued and 118,403,925 and 120,114,586 common shares outstanding at September 30, 2013 and December 31, 2012, respectively)	1,253	1,240
Treasury shares, at cost (6,901,579 and 3,919,394 common shares held at September 30, 2013 and December 31, 2012, respectively)	(236,136)	(120,926)
Additional paid in capital	1,036,732	1,000,014
Retained earnings	722,999	547,699
Accumulated other comprehensive income (loss)	(2,701)	(2,796)
Total shareholders equity	1,522,147	1,425,231
Total liabilities and shareholders equity	$ 3,081,589	$ 3,019,639

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

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

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

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

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)	
Cash flows from operating activities		
Net income	$ 175,300	$ 129,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	43,443	47,877
Stock-based compensation expense	19,150	19,409
Depreciation and amortization of property, equipment and leasehold improvements	16,260	13,711
Amortization of debt origination fees	2,179	17,099
Deferred taxes	(2,125)	(23,701)
Amortization of discount on long-term debt	699	5,072
Excess tax benefits from stock-based compensation	(1,766)	(1,579)
Other non-cash adjustments	(748)	(136)
Changes in assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable	(26,762)	56,822
Prepaid income taxes	(13,067)	84
Prepaid and other assets	(3,393)	436
Accounts payable	(2,017)	1,448
Deferred revenue	25,454	33,301
Accrued compensation and related benefits	(16,161)	(22,683)
Other accrued liabilities	3,147	(4,531)
Other	6,444	15,248
Net cash provided by operating activities	226,037	287,663
Cash flows from investing activities		
Proceeds from redemption of short-term investments	70,900	153,032
Purchase of short-term investments		(106,315)
Acquisitions, net of cash acquired	(23,268)	
Proceeds from the sale of capital equipment	29	
Capitalized software development costs	(1,829)	
Capital expenditures	(20,899)	(38,109)
Net cash provided by investing activities	24,933	8,608
Cash flows from financing activities		
Proceeds from borrowing, net of discount		876,087

Repayment of long-term debt	(48,000)	(1,092,563)
Payment of debt issuance costs		(3,870)
Repurchase of treasury shares	(109,928)	(2,924)
Proceeds from exercise of stock options	9,308	10,761
Excess tax benefits from stock-based compensation	1,766	1,579
Net cash used in financing activities	(146,854)	(210,930)
Effect of exchange rate changes	(3,675)	2,906
Net increase (decrease) in cash and cash equivalents	100,441	88,247
Cash and cash equivalents, beginning of period	183,309	252,211
Cash and cash equivalents, end of period	$ 283,750	$ 340,458
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 15,099	$ 28,593
Cash paid for income taxes	$ 99,642	$ 92,575
Supplemental disclosure of non-cash investing activities:		
Property, equipment and leasehold improvements in other accrued liabilities	$ 5,219	$ 3,463

See Notes to Unaudited Condensed Consolidated Financial Statements

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MSCI INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. INTRODUCTION AND BASIS OF PRESENTATION

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

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

Basis of Presentation and Use of Estimates

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

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

Intercompany balances and transactions are eliminated in consolidation.

Adjustment to Revenue

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

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Concentrations

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

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

2. RECENT ACCOUNTING STANDARDS UPDATES

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

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

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

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

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

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)[1]

(in thousands)

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

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

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4. EARNINGS PER COMMON SHARE

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

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

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

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

computation.

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5. SHORT-TERM INVESTMENTS

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

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

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

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

6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

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

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

7. GOODWLL AND INTANGIBLE ASSETS

Goodwill

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

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

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

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

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Intangible Assets

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

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

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

Subtotal	607,296	640,241
Foreign exchange translation adjustment	470	833
Total net intangible assets	$ 607,766	$ 641,074

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The estimated amortization expense for succeeding years is presented below:

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

8. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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:

erivatives in ash Flow edging elationships n thousands)	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion) for the Three Months Ended September 30, 2013	2012	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion) for the Three Months Ended September 30, 2013	2012	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended September 30, 2013	2012
nterest rate waps	$	$	Interest expense	$ (197)	$ (610)	Interest expense	$	$

erivatives in ash Flow edging elationships n thousands)	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion) for the Nine Months Ended September 30, 2013	2012	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion) for the Nine Months Ended September 30, 2013	2012	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Nine Months Ended September 30, 2013	2012
nterest rate waps	$	$ (695)	Interest expense	$ (1,364)	$ (1,827)	Interest expense	$	$

Derivatives Not Designated as Hedging Instruments (in thousands)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives for the Three Months Ended

		September 30,	
		2013	**2012**
Foreign exchange contracts	Other expense	$ (1,472)	$

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

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9. FAIR VALUE MEASURES

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

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

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

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

Liabilities:								
Foreign exchange contracts	$	(203)	$		$	(203)	$	

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

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

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

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10. EMPLOYEE BENEFITS

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

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

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

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

11. INCOME TAXES

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

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

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

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

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

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

12. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(in thousands)			
Revenues				
Americas:				
United States	$ 126,333	$ 122,199	$ 375,263	$ 362,464
Other	10,015	8,418	27,605	24,313
Total Americas	136,348	130,617	402,868	386,777
Europe, Middle East and Africa (EMEA):				

United Kingdom	38,502	28,127	111,303	84,337
Other	53,190	45,639	164,172	139,559
Total EMEA	91,692	73,766	275,475	223,896
Asia & Australia:				
Japan	12,950	14,403	38,125	43,222
Other	17,248	16,658	51,577	49,166
Total Asia & Australia	30,198	31,061	89,702	92,388
Total	$ 258,238	$ 235,444	$ 768,045	$ 703,061

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

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

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

13. ACQUISITIONS AND DISPOSITIONS

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

Acquisition of IPD

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

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

Acquisition of InvestorForce

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

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

Disposition of CFRA

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

/s/ Deloitte & Touche LLP

New York, New York

November 1, 2013

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

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

Overview

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

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

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

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

Operating Segments

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

Our Performance and Risk business is a leading global provider of investment decision support tools, including indices and portfolio risk and performance analytics, credit analytics and environmental, social and governance (ESG) products. Our Performance and Risk products are used in many areas of the investment process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, assessment of social responsibility, environmental stewardship and the effects of climate change on investments, investment manager

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selection and investment research. The flagship products within our Performance and Risk business are our global equity indices and ESG products marketed under the MSCI and MSCI ESG brands, our market and credit risk analytics marketed under the RiskMetrics and Barra brands, our portfolio risk and performance analytics covering global equity and fixed income markets marketed under the Barra brand, our valuation models and risk management software for the energy and commodities markets marketed under the FEA brand, our real estate indices and analytics marketed under the IPD brand and our products for monitoring, analyzing and reporting on institutional assets for institutional investment consultants marketed under the InvestorForce brand.

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

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

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

Factors Affecting the Comparability of Results

Term Loan Repricing

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

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

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

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

Acquisitions

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

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

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

Share Repurchase

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

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

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

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

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

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

Results of Operations

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

	Three Months Ended September 30,			
	2013	2012	Increase/(Decrease)	
	(in thousands, except per share data)			
Operating revenues	$ 258,238	$ 235,444	$ 22,794	9.7%

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

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Operating Revenues

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

Index and ESG

Risk management analytics

Portfolio management analytics

Energy and commodity analytics

Governance

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

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

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

Non-recurring revenue	4,532	3,811	721	18.9%
Total operating revenues	$ 258,238	$ 235,444	$ 22,794	9.7%

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

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

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

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

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

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

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

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

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

Source: Bloomberg and MSCI

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

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

Source: Bloomberg and MSCI

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

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

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

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

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

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

Run Rate

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

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

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

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fluctuations in the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;

price changes;

revenue recognition differences under U.S. GAAP;

fluctuations in foreign exchange rates; and

the impact of acquisitions and dispositions.

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

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

Total Run Rate grew by $110.8 million, or 12.1%, to $1,025.8 million as of September 30, 2013 compared to $915.0 million as of September 30, 2012. Changes in foreign currency rates negatively impacted Run Rate by $2.0 million relative to September 30, 2012. Total subscription Run Rate grew by $78.4 million, or 9.8%, to $878.8 million as of

September 30, 2013, compared to $800.4 million at September 30, 2012. Excluding the impact of the acquisitions of IPD and InvestorForce as well as the disposition of the CFRA product line, total subscription Run Rate grew by 4.4%.

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

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

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

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

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

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

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

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

Aggregate and Core Retention Rates

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

	September 30,	September 30,