MSCI Inc.
Form 10-K
February 28, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

Commission file number 001-33812

MSCI INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-4038723**
(State or Other Jurisdiction of Incorporation or Organization)	**(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)

(212) 804-3900

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 Act).

YES ¨ NO x

The aggregate market value of Common Stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter (based on the closing price of these securities as reported by The New York Stock Exchange on June 28, 2013) was $3,946,204,439. Shares of Common Stock held by executive officers and directors of the registrant are not included in the computation. However, the registrant has made no determination that such individuals are affiliates within the meaning of Rule 405 under the Securities Act of 1933.

As of February 21, 2014, there were 116,608,423 shares of the Registrant s $0.01 par value Common Stock outstanding.

Documents incorporated by reference: Portions of the Registrant s proxy statement for its annual meeting of stockholders, to be held on April 30, 2014, are incorporated herein by reference into Part III of this Form 10-K.

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MSCI INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2013

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Except as the context otherwise indicates, the terms MSCI, the Company, we, our and us refer to MSCI Inc. together with its subsidiaries.

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FORWARD-LOOKING STATEMENTS

We have included in this Annual Report on Form 10-K and from time to time may make in our public filings, press releases or other public statements, certain statements that constitute forward-looking statements. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only MSCI s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

In some cases you can identify these statements by forward-looking words such as may, might, should, anticipates, expects, intends, plans, seeks, estimates, potential, continue, believes and similar expressions, although some forward-looking statements are expressed differently. Statements concerning our financial position, business strategy and plans or objectives for future operations are forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict and may cause actual results to differ materially from the forward-looking statements and from management s current expectations. Such risks and uncertainties include those set forth under Risk Factors in Part I, Item 1A of this Annual Report on Form 10-K and may also include risks and uncertainties associated with the process of evaluating strategic alternatives for our Governance business, including whether any appropriate alternatives will be identified and, if identified, whether any such alternative will result in a consummated transaction. The forward-looking statements in this report speak only as of the time they are made and do not necessarily reflect our outlook at any other point in time. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or for any other reason. You are therefore cautioned not to place undue reliance on forward-looking statements. However, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the Securities and Exchange Commission (the SEC).

PART I

Item 1. ***Business***
Overview

We are a leading global provider of investment decision support tools, including indexes, 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 December 31, 2013, we had approximately 8,300 clients across 84 countries. We had offices in 34 cities in 22 countries to help serve our diverse client base, with 52.6% of our revenue from clients in the Americas, 35.5% in Europe, the Middle East and Africa (EMEA) and 11.9% in Asia and Australia, based on revenues for the year ended December 31, 2013. See Clients below for an explanation of how we calculate our number of clients.

The Company consists of two industry leading businesses: the Performance and Risk business and the Governance business. Together, these businesses offer what we believe is the most comprehensive suite of performance, risk management and corporate governance products and services available in our industry. See Company History below.

Our Performance and Risk business is a leading global provider of investment decision support tools, including equity indexes, real estate indexes and benchmarks, 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, regulatory and client reporting, index-linked investment product creation, asset allocation, the assessment of corporate management of ESG risks and opportunities, investment manager selection and investment research.

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Our Governance business is a leading provider of corporate governance products and 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 equity security coverage and fully integrated products and services, including proxy voting; policy creation, application and management; research; vote recommendations; vote execution; post-vote disclosure and reporting; and data and analytical tools. It also provides securities class action monitoring and claims filing services to aid institutional investors in the recovery of funds from securities class action settlements. Within a firewall designed to separate it from the rest of the Governance business, a 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.

On October 31, 2013, we announced that we had 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.

Our principal sales model is to license annual, recurring subscriptions to our products and services for use at specified locations, often by a given number of users or for a certain volume of services, for an annual fee paid up-front. For the year ended December 31, 2013, $860.7 million, or 83.1%, of our revenues was attributable to annual, recurring subscriptions. An additional $149.5 million of our revenues came from clients who use our indexes as the basis for index-linked investment products such as ETFs. We also derived revenues from certain institutional clients that used our indexes 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 generated a limited amount of our revenues from certain exchanges that used our indexes as the basis for futures and options contracts and paid us a license fee for the use of our intellectual property based on their volume of trades. We also received revenues from one-time fees related to implementation, customized reports, advisory and consulting services, overages relating to proxy research and voting services, licenses of historical data, fees relating to recovery of securities class action settlements and from certain products and services that are designed for one-time usage.

Company History

We were a pioneer in developing the market for global equity index products and began licensing our first equity index products in 1969. We were incorporated in Delaware in 1998 and until we became a public company in November 2007 our only two shareholders were Morgan Stanley and Capital Group International, Inc. (Capital Group International).

In June 2004, we acquired Barra, LLC (formerly Barra, Inc., Barra), a provider of portfolio risk analytics tools that launched its first risk analytics products in 1975, broadening our product range beyond index products.

In November 2007, we completed an initial public offering (IPO) of 16.1 million shares of our class A common stock. In connection with the IPO, we reclassified our outstanding common stock into shares of class A common stock and class B common stock and immediately following the IPO, Morgan Stanley and Capital Group International held 81.0 million and 2.9 million shares of our class B common stock, respectively. Morgan Stanley and Capital Group International converted and sold their remaining shares of our class B common stock in subsequent registered secondary equity offerings from May 2008 through May 2009. Although we began the transition to an independent, stand-alone public company at the time of our IPO in November 2007, we became a fully independent, stand-alone public company following the May 2009 secondary offering. At MSCI s annual shareholders meeting held on May 2, 2012, the shareholders approved amendments to the MSCI Amended and Restated Certificate of Incorporation to (i) eliminate our authorized class B common stock, (ii) increase the total

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number of authorized shares of class A common stock by the aggregate number of shares of class B common stock being eliminated, (iii) rename the Company s class A common stock as common stock and (iv) make certain other conforming changes.

In June 2010, we acquired RiskMetrics Group, LLC (formerly RiskMetrics Group, Inc., RiskMetrics), a leading provider of, among other things, risk management and governance products and services, in a cash-and-stock transaction valued at $1,572.4 million. In addition to its risk management products and services, RiskMetrics owned Institutional Shareholder Services Inc. (ISS), a pioneer in the development of policy-based proxy voting recommendations. ISS expanded our product and service offerings to include a fully-outsourced proxy research, voting and vote reporting service, a securities class action monitoring and claims filing service and corporate governance products and services. RiskMetrics acquired the Center for Financial Research and Analysis (CFRA), Innovest Strategic Value Advisors, Inc. (currently MSCI ESG Research Inc., MSCI ESG Research) and KLD Research and Analytics, Inc. (KLD) in August 2007, March 2009 and October 2009, respectively. The acquisitions of these companies has permitted us to offer research and analysis products that provide our clients with research reports and analytical tools covering many investment criteria that we believe have become increasingly important to investors, including ESG products and services. On March 31, 2013, we completed the sale of the CFRA product line. As discussed above, on October 31, 2013, we announced that we engaged Morgan Stanley to explore strategic alternatives for the Governance business, including the potential divestiture or other separation of the entire business.

In July 2010, we acquired Measurisk, LLC (Measurisk), a provider of risk transparency and risk measurement tools for hedge fund investors, to aid us in developing a broad platform and setting the standard for analyzing and reporting hedge fund risk in response to our clients demands for increasing levels of transparency from their hedge fund managers.

In November 2012, we acquired real estate performance measurement group IPD Group Limited (IPD). Headquartered in London, England with 9 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 indexes. The acquisition of IPD expands MSCI s 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 indexes to MSCI s family of equity indexes. Revenues attributable to IPD s product offerings are included in our index and ESG products category.

In January 2013, we acquired Investor Force Holdings, Inc. (InvestorForce), a leading provider of performance reporting solutions to the institutional investment community in the U.S., providing investment consultants with an integrated solution for daily monitoring, analysis of and reporting on institutional assets. Revenues attributable to InvestorForce s product offerings are included in our risk management analytics products category.

Over the course of more than 40 years, we believe our organization has accumulated an in-depth understanding of the investment process worldwide. Based on this wealth of knowledge, we have created and continue to develop, enhance and refine sophisticated tools to meet the growing, complex and diverse needs of our clients investment and governance processes. Our models and methodologies are the intellectual foundation of our business and include the innovative algorithms, formulas and analytical and quantitative techniques that we use, together with market data, to produce our products. Our long history has allowed us to build extensive databases of proprietary index, risk and governance data, as well as accumulate valuable historical market data, which we believe would be difficult to replicate and which provides us with a substantial competitive advantage.

Our revenues and the number of our employees have grown significantly, both organically and through acquisitions, such as those described above. As we have grown, we have increased our operations outside of the United States. We currently have branches or subsidiaries located in the following countries: Australia, Belgium, Brazil, Canada, Cayman Islands, Chile, China, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Mexico, the Netherlands, the Philippines, Portugal, Singapore, South Africa, Korea, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates, the U.K. and the U.S.

Business Segments, Products and Services

We divide our business operations into two segments: the Performance and Risk business and the Governance business. Business segment revenue, segment income from operations and assets attributable to foreign and domestic operations are set forth in Note 14, Segment Information, of the Notes to the Consolidated Financial Statements included herein.

Performance and Risk Business Segment

Our primary Performance and Risk products consist of indexes, portfolio risk and performance analytics, credit analytics and ESG products. We also have product offerings in the areas of energy and commodity asset valuation analytics, fixed income portfolio analytics and various real estate products. Our products are generally comprised of proprietary index data, proprietary risk and analytics data and ESG ratings, analysis and research delivered via data feeds and proprietary software applications. Our indexes and risk data are created by applying our models and methodologies to market, company and fundamental data. For example, we input closing stock prices and other market data into our index methodologies to calculate our equity index data, and we input fundamental data and other market data into our risk models to produce risk forecasts for individual assets and portfolios of multiple asset classes, including equities, bonds, commodities, foreign exchange, futures, options, derivatives, structured products, interest-rate products, credit products and private investments, such as private equity and private real estate. Our clients can use our data together with our proprietary software applications, third-party applications or their own applications in their investment process. Our software applications offer our clients sophisticated portfolio analytics to perform in-depth analysis of their portfolios, using our risk data, the client s portfolio data and fundamental and market data. Our equity index products are typically branded MSCI and MSCI ESG. Our private real estate benchmarks and indexes are typically branded IPD. Our portfolio risk, performance and credit analytics are typically branded Barra and RiskMetrics. Our performance reporting products and services offered to the investment consultant community are typically branded InvestorForce. In addition to MSCI ESG indexes, we offer other ESG products that are branded MSCI ESG Research. Our valuation models and risk management software for the energy and commodities markets are typically branded FEA.

Index and ESG Products

Our MSCI-branded global equity indexes are designed to measure returns available to investors across a wide variety of equity markets (*e.g.*, Europe, Japan or emerging markets), sizes (*e.g.*, small capitalization or large capitalization), styles (*e.g.*, growth or value), industries (*e.g.*, banks or media), strategies (*e.g.*, factors) and themes (*e.g.,* economic exposure). Our IPD benchmarks are designed to measure the performance and risk indicators of our clients against their peers. Our MSCI-branded ESG indexes are designed to help clients incorporate ESG factors into their investment processes. As of December 31, 2013, we calculated over 160,000 indexes daily.

In addition to delivering our products directly to our clients, as of December 31, 2013, there were more than 65 third-party financial information and analytics software providers that distributed our various equity index products worldwide. The performance of our equity indexes is also frequently referenced when selecting investment managers, assigning return benchmarks in mandates, comparing performance and providing market and academic commentary. The performance of certain of our equity indexes is reported on a daily basis in the financial media.

Our primary equity index products include:

MSCI Global Equity Indexes. The MSCI Global Equity Indexes are our flagship index products. They are designed to measure returns available to global investors across a variety of public equity markets.

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As of December 31, 2013, the MSCI Global Equity Indexes provided broad equity market coverage for over 75 countries in our developed, emerging and frontier market categories, as well as various regional and composite indexes built from the component country indexes, including the MSCI EAFE, MSCI World, MSCI ACWI IMI and MSCI Emerging Market Indexes. In addition, the MSCI Global Equity Indexes include industry indexes, value and growth style indexes and large-, mid-, small- and micro-capitalization size segment indexes.

We believe that the MSCI Global Equity Indexes are the most widely used benchmarks for cross-border equity funds. Various pension plans have announced their adoption of one of our broadest equity indexes, MSCI ACWI IMI, as the policy benchmark for their equity portfolios. We also continue to enhance and expand successful product offerings as evidenced by the launch of new indexes (*e.g.*, MSCI EM beyond BRIC Index and MSCI All Colombia Index) to be used as the basis for financial products such as ETFs.

MSCI Factor Indexes. The MSCI Factor Indexes (formerly Risk Premia) seek to address an emerging trend among institutional investors whose asset allocation processes are gradually shifting from asset classes to risk groupings such as growth, income, inflation, volatility and liquidity. The MSCI Factor Indexes reflect the many equity return components that were once considered added value, or alpha, but that can be attributed to sources of systematic return such as value, size, volatility, or momentum. Today, MSCI offers a wide array of such factor or alternative beta indexes, including the MSCI Minimum Volatility, Risk Weighted, Value Weighted, Quality and Momentum Indexes as well as combinations of factor indexes, or multi-factor indexes such as the award-winning MSCI Quality Mix Indexes.

MSCI Economic Exposure Products and Indexes. MSCI recently launched economic exposure data modules to provide clients with a systematic framework for measuring global sources of revenue for each security across a portfolio or equity opportunity set. The economic exposure of companies can serve as a complementary or alternative definition of the country factor and can bring a new dimension to enhance and support the construction, evaluation and risk management of global equity portfolios. Also, the MSCI Economic Exposure Indexes, which reflect the performance of companies with significant economic exposure to specific regions or countries, may be relevant benchmarks for investors that face direct investment restrictions in certain markets or wish to increase their indirect allocations to targeted markets.

MSCI Custom Indexes. In recent years we have significantly expanded our capabilities for calculating custom indexes. We currently calculate approximately 6,500 custom indexes, which apply a client s customization criteria to an existing MSCI index. Examples of customization criteria include currency, hedging, stock exclusions or special weighting. Custom indexes can reflect specific investment criteria, such as socially responsible investment requirements or regulatory constraints; they can be used for back-testing strategies or developing specialized investment products, minimizing portfolio tracking error and constructing index-linked products.

MSCI ESG Indexes. The MSCI ESG Indexes allow clients to effectively benchmark ESG investment performance and manage, measure and report on their compliance with ESG mandates, as well as to issue index-based ESG investment products. The MSCI ESG Indexes include Best-in-Class Indexes that integrate sustainability analysis into the investment process, Socially Responsible Indexes that take into account certain values, norms or ethical standards, Environmental Indexes that focus on alternative energy or clean technology and Custom Indexes based on client ESG requirements.

Global Industry Classification Standard (GICS®). GICS was developed and is maintained jointly by MSCI and Standard & Poor s Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. (Standard & Poor s). This classification system was designed to respond to our clients needs for a comprehensive, consistent and accurate framework for classifying companies into industries. GICS is widely accepted as an industry analysis framework for investment research, portfolio management and asset allocation. Our equity index products classify constituent securities according to GICS.

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We also offer GICS Direct, a joint product of MSCI and Standard & Poor s. GICS Direct is a database of more than 43,400 active companies and more than 51,300 securities classified by sector, industry group, industry and sub-industry in accordance with proprietary GICS methodology.

Our primary ESG and IPD products are:

MSCI ESG Research Products. MSCI ESG Research products and services help investors integrate ESG factors into their investment decisions. Investors integrate ESG factors to better understand investment risk and opportunities and/or to align investment with a set of ESG values.

MSCI ESG Research products include screening and modeling tools that allow institutional investors and asset managers to: align investments with a set of ESG values such as perceptions of certain business activities, religious views or international norms; generate buy/restricted lists of companies that meet those criteria; understand the implications of restrictions on portfolios; and examine company specific profiles. The tools also include the ability to monitor a company s adherence to internationally recognized norms and principles.

MSCI ESG Research products also provide ESG ratings and analysis on thousands of companies worldwide. These industry based research reports are designed to identify and analyze key ESG issues for the industry, which may include the intersection of a corporations major social and environmental impacts with its core business operations, thereby identifying potential risks and opportunities for the company and its investors.

IPD Products. The IPD Portfolio Analysis Service (PAS) analyzes the strengths and weaknesses of a real estate portfolio s performance relative to its benchmark. We also offer income, management, fund level and cost benchmarking services. IPD market publications provide key real estate market analysis on countries, regions and sectors.

Risk Management Analytics Products

Our risk management analytics products offer a risk assessment framework for managing and monitoring investments in a variety of asset classes across an organization. The products are based on our proprietary integrated fundamental multi-factor risk models, value-at-risk (VaR) methodologies and asset valuation models. They enable clients to identify, monitor, report and manage potential market risks, and to analyze portfolios and systematically analyze risk and return across multiple asset classes, including equities, bonds, commodities, foreign exchange, futures, options, derivatives, alternative and private asset classes, structured products, interest-rate products and credit products. Using these tools, clients can identify the drivers of market and credit risk across their investments, produce daily risk reports, run pre-trade analysis, perform what-if stress tests and simulation analysis and optimizations, evaluate and monitor multiple asset managers and investment teams and assess correlations across a group of selected assets or portfolios.

We offer the following products in this area:

RiskManager. RiskManager is an industry leader in VaR simulation and stress testing. Clients use RiskManager for daily analyzing, measuring and monitoring of market risk at fund and firm levels, sensitivity and stress testing, interactive what-if analysis, and counterparty credit exposure. RiskManager is a highly scalable platform accessed by clients via a license to a secure, interactive web-based application service, as an outsourced risk reporting service or as a web service in which a client s systems access RiskMetrics core risk elements by connecting directly to our systems.

BarraOne. BarraOne, powered by the Barra Integrated Model (BIM), provides clients with global, multi-asset class risk analysis using Barra s fundamental factor methodology. BarraOne also includes VaR simulation, stress testing, optimization and performance attribution modules that enable clients to manage multi-asset class portfolios, carry out risk allocation budgeting, manager monitoring,

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performance attribution and regulatory risk reporting. The product is accessed by clients via a secure, interactive web-based session, web services or on an outsourced basis.

Hedge Fund Risk Transparency Solutions. HedgePlatform, a reporting service, and InterSight, an interactive web-based reporting service, allow clients that invest in hedge funds, including funds of funds, pension funds and endowments, to measure, evaluate and monitor the risk of their hedge fund investments across multiple hedge fund strategies. We collect position-level information from hedge funds on a monthly basis and provide our clients with risk information for each individual hedge fund in which they invest as well as aggregate risk information for their overall portfolio of hedge funds. Our clients who use RiskManager to measure the risk of their own holdings can further integrate the positions collected via our HedgePlatform and InterSight services to allow computation of risk across their entire portfolio, while the confidential and proprietary nature of the underlying hedge fund holdings is maintained. HedgePlatform and InterSight reports include statistics such as exposure (*e.g.*, long, short, net and gross), sensitivities, scenario analysis, stress tests and VaR analysis.

DataMetrics. DataMetrics is a data service that allows clients to access the market data embedded in RiskManager for use in their own proprietary or other third-party systems. In addition to direct access to market data, DataMetrics can provide clients with customized data processing services.

WealthBench. WealthBench is an investment planning platform for private banks, financial advisors, brokerages and trust companies. WealthBench assists users in delivering informed, tailored investment planning proposals for high net worth individuals reflecting their needs, goals and risk tolerances while remaining consistent with firm-driven investment and risk-based policies. WealthBench incorporates robust analytics, market-consistent inputs and transparent methodologies.

InvestorForce. Our InvestorForce products offer performance reporting solutions to the institutional investment community in the U.S. by providing investment consultants with an integrated solution for daily monitoring, analysis of and reporting on institutional assets. InvestorForce products also offer clients access via a web portal to their rich database of information including portfolio analytics and transaction and holdings information, which is updated in real time as data is collected from custodial banks and fund managers.

CreditManager. Our CreditManager product is a portfolio credit risk management system used primarily by banks to calculate economic capital, facilitate risk-based pricing and measure credit risk concentrations. The application is designed to consolidate and compare risks and opportunities across multiple credit exposures including bonds, credit derivatives and traditional lending.

Portfolio Management Analytics Products

Our Barra-branded equity portfolio management analytics products are designed to assist investment professionals in analyzing and managing risks and returns for equities at both the asset and portfolio level in developed, emerging and frontier equity markets. Barra equity models identify and analyze the factors that influence equity asset returns and risk. Our most widely used Barra equity products utilize our fundamental multi-factor equity risk model data to help our clients construct, analyze, optimize and manage portfolios. Our multi-factor models identify factors that influence stock price movements, such as industry and style characteristics, based on market and fundamental data. The proprietary risk data available in our products identify an asset s or a portfolio s sensitivities to these factors. In 2013, we introduced an innovative approach to risk modeling, Systematic Equity Strategies (SES), a rules-based implementation of investment strategies and anomalies. When used as a complement to traditional equity risk factors in risk models, SES can help better explain sources of risk and return.

Our global equity models include the following:

Barra Global Equity Model (GEM3). GEM3 is a multi-factor risk model designed for use in global equity portfolio management and construction. It uses a set of factors that explain the sources of global equity risk and returns.

BIM. BIM provides a detailed view of risk across markets and asset classes, including currencies, equities, fixed income assets, commodities, mutual fund assets and hedge fund assets. It begins by identifying the factors that affect the returns of many asset classes, including equity and fixed income securities and currencies. These factors are then combined into a single global model that can forecast the risk of multi-asset class global portfolios.

Our single country and regional risk models include the following:

Barra Single Country Equity Models. Our single country equity models identify a set of factors to explain sources of risk and return of portfolios in that country. Examples include the Barra US Equity Model (USE4) which models risk for U.S. equity assets and portfolios and the Barra UK Equity Model (UKE7) which models risk for United Kingdom equity assets and portfolios.

Barra Regional Equity Models. We produce two regional equity models, the Europe Equity Model (EUE4) and the Asia-Pacific Equity Model (ASE1). These models are designed to be used across a broad range of applications and are available in different versions to reflect local and regional commonalities, as well as short-term and long-term investment horizons.

When assigning investment mandates to asset managers, institutional asset owners often prescribe investment restrictions for portfolio risk and tracking error that are measured, reported and monitored using Barra products. Our clients can use our portfolio analytics by installing our proprietary software applications and equity risk data in their technology platforms, by accessing our software applications and risk data via the Internet, by integrating our equity risk data into their own applications or through third-party applications, like those provided by FactSet Research Systems Inc. (FactSet), which have incorporated our equity risk data and analytics into their offerings.

Our primary portfolio analytics products are:

Barra Aegis. Barra Aegis is a sophisticated software application for equity risk management and portfolio analysis that is powered by our proprietary equity risk data. It is deployed by the client as a desktop application. Barra Aegis is an integrated suite of equity investment analytics modules, specifically designed to help clients actively manage their equity risk against their expected returns. It also enables clients to construct optimized portfolios based on client-specified expectations and constraints.

Barra Aegis also provides a factor-based performance attribution module which allows clients to analyze realized returns relative to risk factors by sectors, styles, currencies and regions. Barra Aegis s tools also help clients identify returns attributable to stock selection skills. Additionally, using Barra Aegis s advanced automation tools, clients can back-test their portfolio construction strategies over time.

Barra Portfolio Manager. Barra Portfolio Manager is an integrated risk and performance platform that is designed to help fund managers and their teams gain additional portfolio insight, manage a more systematic investment process and make faster, more informed investment decisions. The hosted interactive user interface allows users to construct portfolios and back-test their strategies using the Barra Optimizer. It also allows users to decompose the risk and attribute the return of their portfolios according to Barra models. The platform supports optional data management services that allow users to outsource the loading and reconciliation of their portfolio and other proprietary data.

Barra Equity Models Direct. Barra Equity Models Direct delivers our proprietary risk data to clients for integration into their own software applications. The proprietary risk data in Barra Equity Models Direct is also available via third-party providers. We offer the proprietary risk data from global, regional and single country Barra risk models and most of these models are available in short-term and long-term time horizons so that clients can select the risk data that best suits their investment processes.

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Energy and Commodity Analytics Products

Our Energy and Commodity Analytics products are software applications that offer a variety of quantitative analytics tools for valuing, modeling and facilitating the hedging of physical assets and derivatives across a number of market segments including energy and commodity assets. These products are used by investors, traders and those hedging investments in these asset classes. The software applications are not provided with any market data or proprietary index or risk data. These products are typically branded FEA and include products such as FEA@Energy, FEA VaRworks and FEA StructureTool.

Governance Segment

Our Governance business is a leading provider of corporate governance products and services to institutional investors and corporations around the world. Following the disposition of our Financial Research and Analysis (FR&A) product line on March 31, 2013, we categorized our Governance business into two distinct categories: (i) Proxy Research and Voting, Data & Analytics, Global Proxy Distribution (GPD) and Securities Class Action Services (SCAS) and (ii) ISS Corporate Services. The pricing model for our Governance business products and services is primarily subscription-based and varies depending on the product or service purchased.

Proxy Research and Voting, Data & Analytics, GPD and SCAS

Our Proxy Research and Voting, Data & Analytics, GPD and SCAS products are designed to provide proxy services, including data, proxy voting and in-depth research and analysis to help inform voting decisions and assess issuer-specific risk, to institutional investors globally. ISS is the largest proxy advisory firm that offers a fully-integrated, end-to-end proxy voting service, including policy creation, comprehensive research, vote recommendations, vote execution and reporting and analytical tools. During 2013, Proxy Research and Voting, Data & Analytics, GPD and SCAS accounted for 68.8% of revenues attributable to our Governance business.

Our primary product categories are:

Proxy Research and Voting. Through its ProxyExchange platform, ISS provides clients with vote recommendations, comprehensive analyses and online voting capabilities that enable users to make informed decisions about how to vote on all items with respect to each shareholder meeting agenda related to their portfolio holdings, execute their votes and monitor and track their votes for reporting purposes. Built on the ProxyExchange platform and launched late in 2013, ISS s Policy Engine application provides clients with tools for enhancing the transparency of voting policies and improving control over the design and application of their own voting policies.

Research coverage is currently provided on approximately 5,700 U.S.-based companies and more than 33,000 non-U.S. companies. ISS s research and recommendations are based on benchmark, specialized and client-specific custom policies. ISS s benchmark policies are designed to serve as an industry standard and best practice guide to corporate governance and are developed with the input of institutional clients and industry professionals around the world. In addition to our benchmark policies, we recognize that the philosophies and policies used to make proxy voting decisions range widely among different types of investors. By understanding the diverse needs of our clients, we are able to create policies that meet their requirements through a number of specialized policies such as SRI policies based on environmentally and socially responsible guidelines and ISS s Taft-Hartley policy which is based on guidelines of the American Federation of Labor and Congress of Industrial Organizations. For many institutional investors with highly specialized or unique needs for proxy research and policy guidelines, we frequently provide custom proxy advisory services in which we work with our clients to develop and refine governance policy guidelines that match their particular views and are unique to them. Additionally, ISS s M&A Edge research service provides independent, in-depth research analysis that focuses specifically on proposed merger and acquisition deals and proxy

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contests to inform institutional investors. It also delivers ongoing deal notes that keep users abreast of key events as the deal or contest evolves and analyzes key aspects of a transaction, including strategic rationale, corporate governance and shareholder rights issues.

ISS s proxy voting services include notifying clients of upcoming shareholder meetings, receiving proxy ballots from third-party proxy distributors, generating consolidated proxy ballots and vote instructions across its clients portfolios, executing its clients votes in accordance with their instructions, maintaining voting records and providing comprehensive vote reporting.

Data & Analytics. As governance plays a heightened role in investment decision-making, investors are increasingly using ISS data and analytics to support their analysis. Accordingly, in February of 2013, ISS introduced Governance QuickScore, the first in a series of ISS QuickScore products intended to identify risk within portfolio companies. ISS Governance QuickScore provides high-level scoring and individual datapoints on corporate audit, board and compensation practices and shareholder rights, which is used by both the institutional investor and corporate communities as a yardstick for measuring governance.

Global Proxy Distribution Services (GPD). Our GPD service offers a complete global proxy distribution solution to custodian banks for non-U.S. securities through a single independent platform. GPD provides for the efficient distribution and voting of proxies giving clients the ability to review and download detailed meeting information and individualized account information. GPD also provides online access to customized record-keeping and reporting across all custodians and sub-custodians.

Securities Class Action Services (SCAS). We deliver a complete securities class action monitoring and claims filing service to institutional investors who have potential recovery rights in securities class action lawsuits. We provide an extensive securities litigation database, including historical and current case information, and provide fully-outsourced notification, tracking and claims filing services to our institutional clients. Our relationships with claims administrators and law firms around the world enable us to inform clients of new cases in global markets. Combined with our global operations, SCAS offers a streamlined, cost-effective research and filing solution for our clients.

SCAS offers more detailed portfolio specific views of cases and settlements with an online database that allows clients to keep track of the complete securities class action lifecycle, from when a case is first identified until payment is disbursed. Securities class action data provided to our clients through our RecoverMax platform include class periods, settlement dates, status reports, award amounts, claim deadline dates, claims administrator details and pertinent related data.

ISS Corporate Services

Our ISS Corporate Services products and services are designed to help clients reduce risk and build shareholder value through strong governance programs by leveraging our expertise in the areas of executive compensation, governance-related risk identification, capital structure, voting trends and corporate governance research. ISS Corporate Services tools, data and advisory services help clients to design, manage and measure their corporate governance programs. During 2013, revenues related to our ISS Corporate Services products and services represented 29.2% of our Governance business total revenues.

Our primary ISS Corporate Services products and services include:

Compensation Data and Analytics. We provide a set of turnkey products and services that enable compensation and governance professionals to enhance compensation plan design and communication of compensation programs by modeling, analyzing and benchmarking executive compensation and equity plans. Our ExecComp Analytics product provides historical data, benchmarking and analytics on executive compensation and pay for performance. Compass is a web-based tool enabling clients to

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model the cost of equity compensation plans and determine optimal equity plan design. Our flagship product is the ExecComp Suite, which includes our ExecComp Analytics product and ongoing benchmarking of equity plan value transfer, burn rates, and dilution. It also provides access to experienced and dedicated compensation plan analysts and support in modeling the cost of equity compensation plans and determining optimal compensation plan design.

Governance Suite. The Governance Suite provides online analytics to enable governance professionals to more effectively manage their corporate governance programs by utilizing governance benchmarking tools, databases of shareholder meeting results and mutual fund proxy voting records, and accessing ISS governance research and publications. Subscribers of Governance Suite also have access to Governance Exchange, which provides a diverse range of corporate governance viewpoints and research through webcasts, white papers, surveys and expert analysis. Governance Suite also provides access to experienced and dedicated governance analysts and support in benchmarking governance practices and understanding trends and best practices.

Proxy Research and Publications. Proxy Research and Publications offers a searchable database of publications, research articles and online reports designed to help corporate secretaries, investor relations professionals, executives, directors and other professionals access ISS research reports and other corporate governance-related information. Through an alerts service, users of Proxy Research and Publications also receive the latest proxy research reports released for their company or peer companies, and can opt to be alerted when proxy research reports containing specific proposal types are released.

On October 31, 2013, we announced that we had 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.

Growth Strategy

We have grown in recent years with operating revenues and operating income increasing by 9.0% and 7.1%, respectively, for the year ended December 31, 2013 compared to the year ended December 31, 2012, and by 5.5% and 7.7%, respectively, for the year ended December 31, 2012 compared to the year ended December 31, 2011.

We believe we are well-positioned for growth over time and have a multi-faceted growth strategy that builds on our strong client relationships, products, brands and integral role in the investment process. Set forth below are the principal elements of our strategy to grow our Company and meet the increasing needs of our clients for investment decision support tools:

Client Growth. We believe there are opportunities to increase the number of users and locations and the number of products we license to existing client organizations, and to obtain new clients in both existing and new geographic markets and client types worldwide. We intend to:

Increase product subscriptions within our current client base. Many of our clients use only one or a limited number of our products, and we believe there are opportunities to sell new modules and capabilities to our existing clients. We believe our deep knowledge of our clients and our familiarity with their investment processes enable us to license these additional products to our clients. In 2013, 76.3% of our sales consisted of upsells to our existing clients.

Expand client base. We seek to add new clients by expanding our sales efforts and by increasing our marketing investment. We are also expanding our geographic presence to take advantage of the liberalization of markets in additional countries. In recent years, for

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example, we have opened new sales and client coverage offices in Seoul, Korea and Taipei, Taiwan and expanded our sales presence in China and the Middle East. In 2013, we also significantly increased the number of client coverage and sales people in Canada, the Philippines and the U.S., and in 2014 we have opened a sales office in Santiago, Chile. We believe that these new sales efforts will enable us to leverage our brand strength, product reach and access to the global investment community to attract new clients.

We are also making investments that will enable us to target new client segments, including smaller asset managers and hedge funds, financial advisors and insurance firms by expanding our dedicated sales efforts with respect to these client segments and developing new products designed to meet their needs.

Increase licensing of indexes for ETFs and other exchange traded investment products. We believe that there is potential for continued growth and expansion in the ETF market in the future, and we will continue to pursue opportunities to increase licensing of our indexes for index-linked investment products to capitalize on their growth in number and variety. The MSCI brand continues to play an important role in the choice of index provider. In a 2013 report by Greenwich Associates (Institutional Investors Relationship with ETFs Deepens , May 2013), we were named the benchmark of choice for international equity ETFs. The table below illustrates the growth trend with respect to the number of exchange listings of ETFs linked to MSCI equity indexes.

Number of Exchange Listings of ETFs Linked to MSCI Equity Indexes

	As of		
Region	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**
Americas	190	186	150
EMEA	381	365	348
Asia	36	30	26
Total	607	581	524

Historical values of the assets in ETFs linked to our indexes are set forth in a table under the section Management s Discussion and Analysis Results of Operations Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012 Operating Revenues below.

Product Development. We plan to develop new product offerings and continue to enhance our existing products. Much of our product development is based on an ongoing and active dialogue with clients, which helps us to understand their needs and anticipate market developments.

Create innovative new product offerings and enhancements. In order to maintain and enhance our leadership position, we plan to introduce innovative new products and enhancements to existing products. We believe that the integration of product platforms, research, including the development of new models, enhanced client customization capabilities, and the introduction of new ESG and governance products will increase the competitiveness of our Company. For example, the addition of IPD s database of real estate information has the potential to enhance MSCI s risk and performance management analytics products.

Expand our capacity to design and develop new products. We intend to increase our investment in product development teams, new model research, data production systems, technology infrastructure and software application design to enable us to design and develop new products more quickly and cost-effectively. Increasing our ability to process additional models and data, and design and code software applications more effectively, will allow us to respond faster to client needs and bring new products and product enhancements to the market more quickly.

*Growth through acquisition*s. We intend to continue to seek to acquire products, technologies and companies, such as IPD and InvestorForce, that will enhance, complement or expand our product offerings and client base, as well as increase our ability to provide investment decision support tools to equity, fixed income and multi-asset class investment institutions, and the financial intermediaries that service such institutions.

Competitive Advantages

We believe our competitive advantages include the following:

Strong client relationships and deep understanding of client needs. Our consultative approach to product development, dedication to client support and our range of products have helped us build strong relationships with investment institutions around the world. We believe the skills, knowledge and experience of our research, applications development, global sales, data management and production and product management teams enable us to develop and enhance our models, methodologies, data and software applications in accordance with client demands and needs. We consult with our clients and other market participants during the product development process to take into account their actual investment process requirements. For the year ended December 31, 2013, we had an Aggregate Retention Rate of 91.3%. See Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Metrics and Drivers *Operating Metrics Retention Rates* for the definition of Aggregate Retention Rate and more detailed retention rate data.

Client reliance on our products. Many of our clients have come to rely on our products in their investment management processes, integrating our products into their performance measurement and risk management processes, where they become an integral part of their daily portfolio management functions. In certain cases, our clients are requested by their customers to report using our tools or data. Additionally, our tools can help clients comply with local regulations or client reporting requirements. Consequently, we believe that certain of our clients may experience business disruption and additional costs if they choose to cease using or replace our products.

Strong brand recognition. Our global equity indexes and ESG products and services are marketed under the MSCI and MSCI ESG Research brands; our portfolio risk and performance analytics covering global equity and fixed income are marketed under the Barra brand; our multi-asset class, market and credit risk analytics are marketed under the RiskMetrics and Barra brands; our performance reporting products and services offered to the investment consultant community are marketed under the InvestorForce brand; our energy and commodity asset valuation analytics are marketed under the FEA brand; our private real estate benchmarks are marketed under the IPD brand; and our corporate governance products and services are marketed under the ISS brand. These brands are well-established and recognized throughout the investment community worldwide. Our brand strength reflects the longstanding quality and widespread use of our products. We believe our products are well-positioned to be the tools of choice for investment institutions increasingly looking to third-party products and services for help with benchmarking, index-linked product creation and portfolio risk management and for corporate clients for help with governance practices.

Global products and operations. Our products cover most major investment markets throughout the world. For example, our MSCI Global Equity Indexes provide broad equity market coverage for over 75 countries in our developed, emerging and frontier market categories; and we produce equity risk data for single country models, regional equity models and an integrated multi-asset

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class risk model covering equity markets and fixed income markets. As of December 31, 2013, our clients were located in 84 countries and many of them have a presence in multiple locations around the world. As of December 31, 2013, our employees were located in 22 countries in order to maintain close contact with our clients and the international markets we follow. We believe our global presence and focus allow us to serve our clients well and capitalize on a great number of business opportunities in many countries and regions of the world.

Sophisticated models with practical application. We have invested significant time and resources for more than three decades in developing highly sophisticated and practical index methodologies and risk models that combine financial theory and investment practice. We enhance our existing models to reflect the evolution of markets and to incorporate methodological advances in risk forecasting. New models and major enhancements to existing models are reviewed by our model review committee.

Open architecture and transparency. We have an open architecture philosophy. Clients can access our data through our software applications, third-party applications or their own applications. We also recognize that the marketplace is complex and that a competitor in one context may be a supplier or distributor in another context. For example, Standard & Poor s competes with us in index products, supplies index data that we distribute in our portfolio analytics software products and jointly developed and maintains GICS and GICS Direct with us. In order to provide transparency, we document and disclose many details of our models and methodologies to our clients so that they can better understand and utilize the tools we offer. We believe this open architecture approach benefits us and our clients.

Scalable application platforms. We continue to make significant investments in our data centers, technology platform and software products to provide highly scalable solutions for the processing of large volumes of asset and portfolio data. In doing so, we are able to offer clients computing capacity that they would otherwise not be able to economically access through internal development.

Highly skilled employees. Our workforce is highly skilled, technical and, in some instances, specialized. In particular, our research and software application development departments include experts in advanced mathematics, statistics, finance, portfolio investment and application development, who combine strong academic credentials with market experience. Our employees experience and knowledge give us access to, and allow us to add value at, the highest levels of our clients organizations.

Extensive historical databases. We have accumulated extensive databases of historical global market data, proprietary equity index data, private real estate benchmark data, risk data, ESG data and governance data. We believe our substantial and valuable databases of proprietary index and risk data, including over 40 years of certain index data history, nearly 40 years of certain risk data history and over 15 years of certain historical governance data, would be difficult and costly for another party to replicate. The information is not available from any single source and would require intensive data checking and quality assurance testing that we have performed over our many years of accumulating this data. Historical data is a critical component of our clients investment processes, allowing them to research and back-test investment strategies and analyze portfolios over many investment and business cycles and under a variety of historical situations and market environments.

Clients

For the year ended December 31, 2013, we served approximately 8,300 clients across 84 countries worldwide with 52.6% of revenue from our client base in the Americas, 35.5% in EMEA and 11.9% in Asia and Australia. Our clients include 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

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assets, mutual funds, ETFs, real estate, hedge funds and private wealth; and financial intermediaries such as banks, broker-dealers, exchanges, custodians and investment consultants. To calculate the number of clients, we may count certain affiliates and business units within a single organization as separate clients. For example, the asset management and broker-dealer units of a diversified financial services firm may be treated as separate clients, even though the financial services firm is the only party to the applicable subscriptions or licenses.

Our Aggregate Retention Rates were 91.3% and 89.7% for the years ended December 31, 2013 and 2012, respectively. Our Core Retention Rates were 91.6% and 90.4% for the years ended December 31, 2013 and 2012, respectively. For a description of the calculation of our Aggregate and Core Retention Rates, see Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Metrics and Drivers *Operating Metrics Retention Rates*.

Revenues from our ten largest clients contributed a total of 23.5%, 25.0% and 25.8% of our total revenues for the years ended December 31, 2013, 2012, and 2011 respectively.

In the years ended December 31, 2013, 2012 and 2011, our largest client organization by revenue, BlackRock, Inc. and its affiliates (BlackRock), accounted for 8.8%, 7.6% and 8.1% of our operating revenues, respectively. For the years ended December 31, 2013, 2012 and 2011 87.0%, 81.7% and 83.9% of our revenues from BlackRock were attributable to fees based on the assets of ETFs linked to MSCI equity indexes, including its iShares ETF business.

Marketing

We market our products to investment institutions, financial service providers, financial advisors and corporations worldwide. See Clients above. Our research and product management teams seek to understand our clients investment and governance processes and their needs and to design tools that help clients effectively and efficiently address them. Because of the sophisticated nature of our products, our main means of marketing is through face-to-face meetings, hosted events, targeted campaigns and 24-hour client support, as described in Sales and Client Support below. These marketing and support efforts are supplemented by our website, our email newsletters, our client events, our participation in industry conferences, our ongoing product consultations and research papers, and our public relations efforts. Our strategic marketing department collaborates with our product specialists to analyze our clients use of our products and to analyze the competitive landscape for our products.

Members of our research team and other employees regularly speak at industry conferences, as well as at our own events. For example, we hosted over 500 seminars, webinars, conferences and workshops in various locations across the globe in fiscal 2013. These seminars, webinars, conferences and workshops bring our staff and our clients together, expose those clients to our latest research and product enhancements and give our staff an opportunity to gain insight into our clients needs. Our marketing communications professionals also arrange interviews for our industry and product experts in prominent financial and trade media and issue press releases from time to time on client wins, new research and product developments. We also communicate directly with both clients and prospective clients through our email newsletters which deliver research, company news and product specific news. Our strategic marketing department collaborates with our product specialists to analyze our clients use of our products and to analyze the competitive landscape for our products. We also supplement these direct marketing efforts with targeted online advertising and co-branding initiatives with some of our major clients.

Sales and Client Support

As of December 31, 2013, our client coverage offices included nearly 235 sales people and over 250 client support people worldwide. Of these, over 85 were located in our New York offices and over 65 were located in our London office. In the last few years we have expanded our sales efforts to grow our revenues and our client

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service efforts to ensure client satisfaction and develop client loyalty. In recent years, for example, we have opened new sales and client coverage offices in Seoul, Korea and Taipei, Taiwan and expanded our sales presence in China and the Middle East. In 2013, we also significantly increased the number of client coverage and sales people in Canada, the Philippines and the U.S., and in 2014 we have opened a sales office in Santiago, Chile. We have also created more specialized sales and client support teams to increase our impact in each client segment, namely hedge funds, asset owners, financial advisors, private wealth managers and broker dealers. In the Americas, we also increased our focus on smaller asset managers and hedge funds, financial advisors and insurance firms. Our sales and client support staff are based in 29 offices around the world enabling us to provide valuable face-to-face client service and focus efforts on developing new clients in more locations.

The sophisticated nature of our products and their uses demand a sales and client support staff with strong academic and financial backgrounds. Most new sales require several face-to-face meetings with the prospective client and the sales process for large and complex sales is likely to involve a team from sales, client support, product management and research. For Barra and RiskMetrics branded products, sales and client support personnel are available to onboard new clients and new users, which includes, providing intensive on-site training in the use of the models, data and software applications underlying each product. Client support also provides ongoing support, which may include on-site visits, telephone and e-mail support 24 hours, five days a week and routine client support needed in connection with the use of the product or how it can help clients improve their process, all of which are included in the recurring subscription fee. We believe that the size, quality, knowledge and experience of our sales and client support staff, as well as their proximity to clients, differentiate us from our competitors.

Product Development and Production

We take a coordinated team approach to product development and production. Our product management, research, data operations and technology and application development departments are at the center of this process. Despite the challenging market environment, we remained committed to our product development and production efforts and, in some cases, increased these efforts.

Utilizing a deep understanding of the investment process worldwide, our research department develops, reviews and enhances our various methodologies and models. Our global data operations and technology team designs and manages our processes and systems for market data procurement, proprietary data production and quality control. Our application development team builds our sophisticated software applications. As part of our product development process, we also commonly undertake extensive consultations with our clients and other market participants to understand their specific needs and investment process requirements. Our product management team facilitates this collaborative product development and production approach.

Research. Our models are developed by a cross-functional research team of mathematicians, economists, statisticians, financial engineers and investment industry experts. Our index and risk and analytics research departments combine extensive academic credentials with broad financial and investment industry experience. They work on both developing new models and methodologies and enhancing existing ones. We monitor investment trends and their drivers globally, as well as analyze product-specific needs in areas such as capitalization-weighted, factor and specialized indexes, as well as instrument valuation, risk modeling, portfolio construction, asset allocation and value-at-risk simulation. An important way we monitor global investment trends and their implications for our business is through the forum provided by our Editorial Advisory Board (EAB). Our EAB, which was established in 1999, meets twice a year and is comprised of senior investment professionals from around the world and senior members of our performance and risk research team. In 2013, our index and risk and analytics researchers participated in numerous industry events and conferences, and their papers have been published in leading academic and industry journals. In 2013, we hosted the MSCI Client Summits, annual investment and risk management conferences, which took place in New York, London, Sacramento and Bangkok, where our researchers presented their current work, research papers

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and projects to senior professionals from client organizations. They also play a leading role in many of the seminars, workshops and webinars we host throughout the year, presenting and discussing their latest research findings with both clients and prospective clients.

Within the governance research department, ISS s policy board works to ensure ISS s voting policies are developed and applied within a framework of corporate governance best practices. Each year, ISS solicits broad feedback from multiple constituencies, including through an annual policy survey of our institutional clients and other investors, corporations, and other market participants, to assess opinions on emerging topics and practices. Direct outreach with institutional investors, corporate board members, and executives is then done through multiple and geographically diverse channels, including in-person and telephonic roundtables. Participants are invited to share their perspectives on corporate governance issues, including board structure, executive compensation, mergers and acquisitions and corporate accountability to ensure that our standard voting policies are aligned with the views of our institutional clients. Those discussions result in the creation of draft policies for the coming year, which are then published for public comment before being finalized. ISS s engagement with key governance stakeholders continues year round through in-person meetings, speaking engagements and other channels.

Data Operations and Information Technology. Our data operations and technology teams consist of a combination of operations and information technology specialists. We licensed a large volume and variety of market data for every major market in the world, including fundamental and return data, from more than 200 third party sources in 2013. We apply our models and methodologies to this market data to produce our proprietary risk and index data. Our data operations team oversees this complex process. Our experienced information technology staff builds proprietary software and databases that house all of the data we license or produce in order for our data operations team to perform data quality checks and run our data production systems. This data factory produces our proprietary index data such as end of day and real time equity indexes, ESG indexes, real estate benchmarks, and our proprietary risk data such as daily and monthly equity risk forecasts, IPD performance and risk reporting and MSCI ESG Research reports. We have data operations and technology offices in North America, Europe and Asia.

Application Development. Certain of our proprietary risk data are made available to clients through our proprietary software applications, such as Barra Aegis, BarraOne, RiskManager, HedgePlatform, WealthBench, Credit Manager and ESG Manager. Our application development team consists of individuals with significant experience in both the finance and software industries. Our staff has an extensive skill set, including expertise in both the Java-based technologies used in our web-based, on-demand software application tool for multi-asset class risk analysis and reporting and Microsoft-based technologies used in our desktop equity and fixed income analytics software products. We also have extensive experience with database technologies, computational programming techniques, scalability and performance analysis and quality assurance. We use a customized software development methodology that leverages best practices from the software industry, including agile programming, test-driven development, parallel tracking, iterative cycles, prototyping and beta releases. We build our software applications by compiling multiple components, which enables us to reuse designs and codes in multiple products. Our software development projects involve extensive collaboration with our product management team and directly with clients. We have application development offices in the U.S., Europe and Asia.

Our Competition

Many industry participants compete directly with us by offering one or more similar products. Our principal competitors on a global basis for our MSCI Global Equity Index products are FTSE International, Ltd. (a subsidiary of The London Stock Exchange), Russell Investment Group (a unit of Northwestern Mutual Life Insurance Group) and S&P Dow Jones Indices LLC (a joint venture company owned 24.4% by CME Group through its affiliates, 2.6% indirectly by Dow Jones & Company, Inc. and 73.0% by The McGraw-Hill

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Companies, Inc.) (S&P Dow Jones). Additionally, we compete with equity index providers whose primary strength is in a local market or region. These include S&P Dow Jones, Russell Investment Group and the Center for Research in Securities Prices (CRSP) in the U.S.; S&P/TSX index published by S&P Dow Jones Indices LLC in Canada, the CAC index published by NYSE Euronext, the DAX and STOXX Ltd. in Europe; the Bovespa Index in Brazil; the Korea Stock Exchange Kospi Index in Korea; China Securities Index Co., Ltd. in China; the Hang Seng Index in Hong Kong; a strategic partnership between CME Group and Singapore Exchange Limited in Singapore; and Nikkei Inc., Nomura Securities, Ltd., Russell Investment Group, and Tokyo Stock Exchange, Inc. in Japan. There are also many smaller companies that create indexes primarily for use as the basis of ETFs.

The principal competitors for our portfolio analytics products are Advanced Portfolio Technologies (a unit of SunGard), Axioma, Inc., Bloomberg Finance L.P., Capital IQ s ClariFI (a Standard & Poor s business), FactSet, Northfield Information Services, Inc., Style Research Inc. and Wilshire Analytics.

Our risk management analytics products compete with firms such as Algorithmics (a unit of IBM), Barclays Capital, BlackRock Solutions (a unit of BlackRock), FactSet, Imagine Software, KMV (a unit of Moody s Corporation) and SunGard Data Systems Inc. Additionally, many of the larger broker-dealers have developed proprietary risk management analytics tools for their clients. Similarly, many investment institutions, particularly the larger global organizations, have developed their own internal risk management analytics tools.

ISS s institutional business competes with firms such as Glass, Lewis & Co. in proxy research and voting, as well as Broadridge Investor Communications Solutions, Inc. (Broadridge) in proxy distribution. ISS also competes with local proxy voting and research providers in certain international markets. ISS Corporate Services competes with Equilar, Inc.

For our other products where our revenues are less significant, we also have a variety of other competitors.

Intellectual Property and other Proprietary Rights

We consider many aspects of our products, processes and services to be proprietary. We have registered, among others, MSCI , Barra , FEA , InvestorForce , IPD and RiskMetrics as trademarks or service marks in the U.S. and in certain foreign countries. We will continue to evaluate the registration of additional trademarks, service marks and copyrights as appropriate. From time to time, we also file patent applications to protect our proprietary rights. We currently hold 21 U.S. and foreign patents and have five U.S. and foreign patents pending. Additionally, many of our products, processes and services require the use of intellectual property obtained from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of our products, processes and services.

Although we believe the ownership of such patents, copyrights, trademarks, service marks, the implementation of certain measures to protect our intellectual property and proprietary rights and our ability to obtain the rights to use intellectual property of third parties are important to our business and contribute in part to our overall success, we do not believe we are dependent on any one of our intellectual property rights or any one license to use third party intellectual property. For a discussion of the risks associated with legal protection of our intellectual property and other rights, infringement claims and the ability to obtain or renew licenses for third party intellectual property see Part I, Item 1A. Risk Factors *Legal Protections for our intellectual property rights and other rights may not be sufficient or available to protect our competitive advantages. Third parties may infringe on our intellectual property rights, and third-party litigation may adversely affect our ability to protect our intellectual property rights.*

Employees

As of December 31, 2013, the number of our employees increased by 502 to 3,261 from 2,759 on December 31, 2012. As of December 31, 2013, 46.6% of our employees were located in emerging market centers.

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Government Regulation

The Company is subject to reporting, disclosure and recordkeeping obligations pursuant to SEC requirements. ISS and MSCI ESG Research Inc. are registered investment advisers and must comply with the requirements of the Investment Advisers Act of 1940 and related SEC regulations. Such requirements relate to, among other things, disclosure obligations, recordkeeping and reporting requirements, marketing restrictions and general anti-fraud prohibitions. A subsidiary of ISS in Australia is also registered as an investment adviser with the Australian Financial Services Authority and must comply with its applicable requirements. MSCI is registered with the State Council Information Office of the Ministry of Commerce and the State Administration for Industry and Commerce in China as a foreign institution supplying financial information services in China.

Available Information

Our corporate headquarters are located at 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, and our telephone number is (212) 804-3900. We maintain a website on the Internet at www.msci.com. The contents of our website are not a part of or incorporated by reference in this Annual Report on Form 10-K.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements and other information that we file electronically with the SEC at www.sec.gov. We also make available free of charge, on or through this website, these reports, proxy statements and other information as soon as reasonably practicable following the time they are electronically filed with or furnished to the SEC. To access these, click on the SEC Filings link found on our Investor Relations homepage.

We also use our website (http://ir.msci.com/) and corporate Twitter account (@MSCI_Inc) as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about us when you enroll your email address by visiting the Email Alert Subscription section at http://ir.msci.com/alerts.cfm?. The contents of our website and social media channels are not, however, a part of or incorporated by reference in this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

You should carefully consider the following risks and all of the other information set forth in this Annual Report on Form 10-K. If any of the following risks actually occurs, our business, financial condition or results of operations would likely suffer. You should read the section titled Forward-Looking Statements beginning on page 1 for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this Annual Report on Form 10-K.

Risks Related to Our Business

If we lose key outside suppliers of data and products or if the data or products of these suppliers have errors or are delayed, we may not be able to provide our clients with the information and products they desire.

Our ability to produce our products and develop new products is dependent upon the products of other suppliers, including certain data, software and service suppliers. Our index, analytics and governance products are dependent upon (and of little value without) updates from our data suppliers and most of our software products are dependent upon (and of little value without) continuing access to historical and current data.

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Throughout our businesses, we utilize certain data provided by third party data sources in a variety of ways, including large volumes of data from certain stock exchanges around the world. As of December 31, 2013, there were over 200 such data suppliers. If the data from our suppliers has errors, is delayed, has design defects, is unavailable on acceptable terms or is not available at all, our business, financial condition or results of operations could be materially adversely affected.

Many of our data suppliers compete with one another and, in some cases, with us. For example, ISS relies on a data feed agreement with Broadridge which allows for a large number of proxy ballots to be received, and proxy votes to be processed, electronically, minimizing the manual aspects of the proxy voting process and limiting the risk of error inherent in manual processes. If the data feed agreement with Broadridge was terminated, we would have to incur significant expenses in order to input our clients voting instructions directly into Broadridge s proprietary electronic voting systems and our business and results of operations would be materially and adversely affected. Some of our agreements with data suppliers allow them to cancel on short notice and we have not completed formal agreements with all of our data suppliers, such as certain stock exchanges. From time to time we receive notices from data suppliers, including stock exchanges, threatening to terminate the provision of their data to us, and some data suppliers, including at least one stock exchange, have terminated the provision of their data to us. Termination of one or more of our significant data agreements or exclusion from, or restricted use of, or litigation in connection with, a data provider s information could decrease the available information for us to use (and offer our clients) and may have a material adverse effect on our business, financial condition or results of operations.

Although data suppliers and stock exchanges typically benefit from providing broad access to their data, some of our competitors could enter into exclusive contracts with our data suppliers, including with certain stock exchanges. If our competitors enter into such exclusive contracts, we may be precluded from receiving certain data from these suppliers or restricted in our use of such data, which would give our competitors a competitive advantage. Such exclusive contracts could hinder our ability to provide our clients with the data they prefer, which could lead to a decrease in our client base and could have a material adverse effect on our business, financial condition or results of operations.

Some data suppliers have sought and others may seek to increase licensing fees for providing their content to us. If we are unable to negotiate acceptable licensing arrangements with these data suppliers or find alternative sources of equivalent content, we may be required to reduce our profit margins or experience a reduction in our market share.

Our clients that pay us a fee based on the assets of an investment product may seek to negotiate a lower asset-based fee percentage or may cease using our indexes, which could limit the growth of or decrease our revenues from asset-based fees.

A portion of our revenues are from asset-based fees and these revenue streams are concentrated in some of our largest clients, including BlackRock, and in our largest market, the United States. Our clients, including our largest clients, may seek to negotiate a lower asset-based fee percentage for a variety of reasons. As the assets of index-linked investment products managed by our clients change, they may request to pay us lower asset-based fee percentages. Additionally, as competition among our clients increases, they may have to lower the fees they charge to their clients, which could cause them to decrease our fees correspondingly or otherwise lead to a reduction of our fees in certain cases. See *Our revenues and earnings attributable to asset-based fees may be affected by changes in the capital markets, particularly the equity capital markets, or other factors that are tied to the calculation of our fees for certain index-linked investment products* below. Competition is intense and increasing rapidly among our clients that provide exchange traded funds (ETFs), among other products. The fees ETF providers charge their clients are one of the competitive differentiators for these exchange traded fund managers. For example, on October 15, 2012, BlackRock announced that its iShares ETF business launched a new series of funds based on certain MSCI investable market indexes pursuant to a license with fee levels that are lower than those the Company currently receives with respect to existing iShares ETFs based on MSCI s standard indexes. Additionally, clients that have licensed our indexes to serve as the basis of index-linked investment products are generally not required to continue to use our indexes and could elect to cease offering the product or could change the index to a non-MSCI index, in which case our asset-based fees could dramatically decrease, which could have a material adverse effect on our business, financial condition or results of operations. For example, on October 2, 2012, we announced that Vanguard had informed the Company of its decision to no longer use MSCI s indexes as the basis for certain of its index funds, including both ETF and other share classes, beginning in 2013, representing a loss of Run Rate of $24.8 million at December 31, 2012. The ability of our licensees to cease using our indexes is generally true not just with respect to an index s use as the basis of an ETF but also with respect to its use as the basis of other financial products, including mutual funds and institutional funds. Finally, to the extent that an asset manager finds it beneficial to offer clients ETFs and institutional funds based on the same indexes, a shift away from use of an index as the basis of one type of product may lead to a corresponding shift away from the same index as the basis of the other type of product.

Our revenues and earnings attributable to asset-based fees may be affected by changes in the capital markets, particularly the equity capital markets, or other factors that are tied to the calculation of our fees for certain index-linked investment products. A decrease in our fees for these products could have a material adverse effect on our business, financial condition or results of operations.

Clients that use our indexes as the basis for certain index-linked investment products, such as ETFs and mutual funds, commonly pay us a fee based on the investment product s assets. The value of an investment product s assets may increase or decrease in response to changes in market performance and inflows and outflows, which could impact our revenues. In addition, in many cases our fees can be affected by an increase or decrease in a product provider s total expense ratio (TER). In those cases, a reduction in the TER may negatively impact our revenues. Asset-based fees make up a significant portion of our revenues. They accounted for 14.4% and 14.8% of revenues for the fiscal years ended December 31, 2013 and 2012, respectively. These asset-based fees accounted for 41.1% and 43.3% of the revenues from our ten largest clients for the fiscal years ended December 31, 2013 and 2012, respectively. Volatile capital markets, as well as changing investment styles, may influence an investor s decision to invest in and maintain an investment in an index-linked investment product. For example, as of December 31, 2013, the month-end value of assets in ETFs linked to MSCI equity indexes was $332.9 billion, which was 17.3% lower than the value of such assets as of December 31, 2012, and 10.0% higher than the value of such assets at September 30, 2013.

A limited number of clients account for a material portion of our revenue. Cancellation of subscriptions or investment product licenses by any of these clients could have a material adverse effect on our business, financial condition or results of operations.

For the fiscal years ended December 31, 2013 and 2012, revenues from our ten largest clients accounted for 23.5% and 25.0% of our total revenues, respectively. If we fail to obtain a significant number of new clients or if one of our largest clients cancels or reduces its subscriptions or investment product licenses and we are unsuccessful in replacing those subscriptions or licenses, our business, financial condition or results of operation could be materially adversely affected. For the fiscal year ended December 31, 2013, our largest client organization by revenue, BlackRock, accounted for 8.8% of our total revenues. For the fiscal years ended December 31, 2013 and 2012, 87.0% and 81.7%, respectively, of the revenue from BlackRock came from fees based on the assets in BlackRock s ETFs based on MSCI indexes. See *Our clients that pay us a fee based on the assets of an investment product may seek to negotiate a lower asset-based fee percentage or may cease using our indexes, which could limit the growth of or decrease our revenues from asset-based fees* above.

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

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

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

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

Data Privacy Legislation. Changes in laws, rules or regulations, or consumer environments relating to consumer privacy or information collection and use may affect our ability to collect and use data. There could be a material adverse impact on our direct marketing, licensing of historical data and business due to the enactment of legislation or industry regulations, or simply a change in practices, arising from public concern over consumer privacy issues. Restrictions could be placed upon the collection, management, aggregation and use of information that is currently legally available, in which case our cost of collecting some kinds of data could materially increase. It is also possible that we could be prohibited from collecting or disseminating certain types of data, which could affect our ability to meet our clients needs.

Potential and Proposed Regulation Affecting Benchmarks. On September 18, 2013, the European Commission issued its proposal for regulating indexes used as benchmarks in financial instruments and financial contracts and as benchmarks used to measure the performance of investment funds (COM(2013) 641/3 and 2013/0314(COD)), which if adopted as proposed or with certain substantially similar provisions, could result in the regulation of many aspects of our equity and real estate index product lines, including, but not limited to, index development, calculation, dissemination, governance, maintenance and recordkeeping, as well as input data licensing, collection and dissemination. At this point, we do not know whether this proposal, or a similar proposal, will be adopted as regulation by the European Union, or if it is adopted, when it will be adopted and have an effect on our equity and real estate index products. Compliance with any regulation resulting from this proposal that leads to a material change in our business practices or our ability to offer indexes in the European Union, materially increases our costs of doing business, diminishes our intellectual property rights, materially impacts our contractual commitments to our data contributors or causes our data contributors to refuse to contribute data to us at reasonable cost or at all could have a material adverse effect on our index business.

On October 20, 2011, the European Commission issued its proposal for MiFID/MiFIR 2 (COM (2011) 0652 and COM (2011) 0656). Agreement in principle has been reached between the European Commission, Parliament and Council, and we expect that the regulation when adopted and implemented will among other things mandate that, where the value of a financial instrument is calculated by reference to a benchmark, a person with proprietary rights to the benchmark will be required to ensure that clearing entities and trading venues will be entitled to licenses to the benchmark as well as to relevant price and data feeds and information regarding the composition, methodology and pricing of the benchmark and that access to such information will have to be granted by the benchmark owner within three months of the request at a fair, reasonable and non-discriminatory rate unless there are objective reasons to charge otherwise. We still await the final text as well as the results of ESMA s issuance of further guidance on the relevant technical standards. Thus, it is difficult to predict its full effect on our index business, but complying with this regulation to the extent that it leads to a material change in our business practices or reduces our ability to offer indexes in the European Union on terms of our choosing, as it appears it will, could have a material adverse effect on our index business.

On December 18, 2012, ESMA published guidelines on ETFs and other Undertakings for Collective Investment in Transferable Securities (UCITS) issues (ESMA/2012/832EN), which are updated from time to time by ESMA (Guidelines). The Guidelines limit the types of indexes that can be used as the basis of UCITS funds and require, among other things, index constituents, together with their respective weightings, to be made easily accessible free of charge, such as via the Internet, to investors and prospective investors on a delayed and periodic basis. The Guidelines became effective as of February 17, 2013 with respect to newly launched UCITS funds. They became effective for all UCITS funds on February 17, 2014. We have made available a client communication with respect to our policies as they relate to the Guidelines. Although the full effects of the Guidelines will be largely unknown until we have more clarification from ESMA and/or individual regulators, complying with any related requirements could have a negative impact on our business and results of operations, including a negative impact on our licensing of index data and/or our indexes as the basis of ETFs and UCITS. Additionally, other jurisdictions outside of Europe have adopted, and others could adopt, similar concepts, proposals or regulations.

On June 6, 2013, ESMA published its final report setting out Principles for Benchmark-Setting Processes in the EU (ESMA/2013/659) (ESMA Principles). The ESMA Principles are intended to provide a general framework covering all stages of the benchmark setting process including data submission, administration, calculation, publication, the use of benchmarks and the continuity of benchmarks. The ESMA Principles are non-binding, but ESMA intends them to help transition to a potential European Union framework for benchmarks, and ESMA will review the ESMA Principles application 18 months after their initial publication. We are assessing the impact that compliance with the ESMA Principles could have on our equity and real estate index product lines, but complying with ESMA Principles to the extent that it leads to a material change in our business practices or our ability to offer our indexes, materially increases our cost of doing business, materially diminishes our intellectual property rights, materially impacts our contractual commitments to our data contributors, or causes our data contributors to refuse to contribute data to us at reasonable cost or at all, could have a material adverse effect on our index business.

On July 17, 2013, the International Organization of Securities Commissions (IOSCO) published its final report on principles for financial benchmarks (IOSCO Principles). The IOSCO Principles cover conflicts of interest, benchmark quality and integrity, methodology requirements, procedures related to handling complaints, documentation requirements and audit reviews. The IOSCO Principles require benchmark administrators to publicly disclose whether they comply with the IOSCO Principles within 12 months of their initial publication. IOSCO will review the extent to which the IOSCO Principles have been implemented within 18 months of publication. We are assessing the impact that compliance with the IOSCO Principles could have on our equity and real estate index product lines, but complying with IOSCO Principles to the extent that it leads to a material change in our business practices or our

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ability to offer our indexes, materially increases our cost of doing business, materially diminishes our intellectual property rights, materially impacts our contractual commitments to our data contributors, or causes our data contributors to refuse to contribute data to us at reasonable cost or at all, could have a material adverse effect on our equity and real estate index product lines.

Proposed Regulation for Fiduciaries. On October 21, 2010, the U.S. Department of Labor (DOL) issued a proposed regulation that would expand the definition of fiduciary under the Employee Retirement Income Security Act of 1974, as amended (ERISA). As proposed, the definition of fiduciary would include, among others, an investment adviser that provides advice and recommendations to employee benefit plans regarding exercise of rights incidental to stock ownership (*e.g.,* proxy voting). If this regulation were adopted as proposed, ISS, for example, could be deemed to be a fiduciary for purposes of ERISA. As such, it would be subject to ERISA s prohibited transaction (*e.g.,* conflict) provisions, which could have an impact on the manner in which ISS and its affiliates conduct business. On September 19, 2011, the DOL announced that it had withdrawn this proposal and would re-propose the regulation sometime in early 2012. Although that target date and a series of later target dates have not been met, the DOL reportedly is still actively working on this issue with a goal of proposing a new fiduciary rule.

Potential and Proposed Regulation of the Proxy Advisory Industry. On July 14, 2010, the SEC voted unanimously to issue for public comment a concept release focusing on a wide range of topics related to the U.S. proxy voting system. The concept release focused on three general topics: (1) the accuracy, transparency and efficiency of the proxy voting system; (2) communications with shareholders and shareholder participation in voting; and (3) the relationship between voting power and economic interest, including questions about proxy advisory firms, such as ISS, and concerns raised by corporate issuers and other observers about the role, power and manner in which proxy advisory firms operate. The SEC may, but is not required to, engage in rulemaking with respect to the various issues and questions raised in the concept release. In its Fiscal Year 2012 Agency Financial Report, the SEC indicated that it planned to develop recommendations in 2013 for an interpretive release addressing issues raised in the proxy plumbing concept release regarding proxy advisory firms; however, an interpretive release has not yet been issued. On December 5, 2013, the SEC held a public roundtable to discuss the proxy advisory industry. See *Any perceived conflicts of interest resulting from providing products and services to institutional investors in addition to proxy voting recommendations, or providing products and services to corporations which are the subject of our proxy recommendations or other products and services could harm our reputation and business* below.

Following a consultation conducted by the European Securities and Markets Authority (ESMA) with respect to the proxy advisory industry in Europe, ESMA has decided to require the proxy advisory industry to develop its own Code of Conduct, which will be implemented under a comply-or-explain regime. ESMA is recommending the development of a Code of Conduct that focuses on identifying, disclosing and managing conflicts of interest and that fosters transparency. ESMA will review the development of the Code of Conduct during 2016 and may reconsider its position if no substantial progress has been made by that time. To address ESMA s recommendations, six proxy advisors are currently working on a set of Best Practice Principles, which are expected to be released in March 2014. On December 12, 2012, the European Commission also released an action plan that contemplated considering an initiative with a view to improving the transparency and conflicts of interest frameworks applicable to proxy advisors. Additionally, other jurisdictions outside of Europe, such as Canada, have adopted, and others could adopt, similar concepts, proposals or regulations.

At this point we are unable to determine whether the SEC, the European Commission or other regulatory bodies will pursue rulemaking or legislation on these matters and, if so, the extent to which any rule or legislation might impact our businesses, including the process by which we provide proxy research and voting services to clients, the manner in which ISS operates as a proxy advisory firm, the business model that provides for both voting services to investor clients and governance advice to corporate clients, or otherwise. However, as with any regulatory change or the introduction of new legislation, we may have to change business practices and operational procedures and incur costs in response to possible modifications to the proxy system that could result from any rulemaking or legislation that stems from the SEC s concept release, the adoption of the Code of Conduct encouraged by ESMA or action by the European Commission or other regulatory bodies.

Our growth may place significant strain on our management and other resources.

We must plan and manage our growth effectively to increase revenue and maintain profitability. Our growth, including in emerging market locations, has placed, and is expected to continue to place, significant demands on our personnel, management and other resources. We must continue to improve our operational, financial, management, legal and compliance processes and information systems to keep pace with the growth of our business. There can also be no assurance that, if we continue to grow organically or by way of acquisitions, management will be effective in attracting, training and retaining additional qualified personnel, including additional managers or key employees, developing effective leadership in all of our locations, expanding our physical facilities and information technology infrastructure, integrating acquired businesses or otherwise managing growth. Additionally, new hires require significant training and may, in some cases, take a significant amount of time before becoming fully productive. Any failure to effectively manage growth or to effectively manage the business could have a material adverse effect on our business, financial condition or results of operations. See *We are subject to unanticipated costs in connection with political, economic, legal, operational, franchise and other risks as a result of our international operations, which could adversely impact our businesses in many ways* and *We are dependent on key personnel in our professional staff for their expertise* below, Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Part I, Item 1. Business Company History.

Our clients may become more self-sufficient, which may reduce demand for our products and materially adversely affect our business, financial condition or results of operations.

Our clients may develop internally certain functionality contained in the products they currently license from us. For example, some of our clients who currently license our risk data to analyze their portfolio risk may develop their own tools to collect data and assess risk, making our products unnecessary for them. To the extent that our clients become more self-sufficient, demand for our products may be reduced, which could have a material adverse effect on our business, financial condition or results of operations. For example, in August 2011, BlackRock announced that it was seeking regulatory clearance to create indexes for use as the basis of ETFs that it would manage. See *A limited number of clients account for a material portion of our revenue. Cancellation of subscriptions or investment product licenses by any of these clients could have a material adverse effect on our business, financial condition or results of operations* above.

Any failure to ensure and protect the confidentiality of client data could adversely affect our reputation and have a material adverse effect on our business, financial condition or results of operations.

Many of our products provide for the exchange of sensitive information with our clients through a variety of media, such as the Internet, software applications and dedicated transmission lines. We rely on a complex system of internal processes and software controls along with policies, procedures and training to protect the confidentiality of client data, such as client portfolio data that may be provided to us or hosted on our systems. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in the implementation of our internal controls, policies or procedures, or if an employee purposely circumvents or violates our internal controls, policies or procedures, then unauthorized access to, or disclosure or misappropriation of, client data could occur. Such unauthorized access, disclosure or misappropriation could damage our reputation and/or result in claims against us by our clients or regulators and have a material adverse effect on our business, financial condition or results of operations. For example, on September 14, 2012, we received a Wells Notice from the staff of the SEC in connection with allegations that an ISS employee provided confidential information about how clients voted their

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proxies to proxy solicitors in return for cash and other gifts. The employee was subsequently terminated from his position, and we cooperated with investigations of both the SEC and the U.S. Department of Justice. In settling with the SEC, and without admitting or denying the SEC s allegations, ISS consented to the entry of an administrative order requiring that ISS comply with relevant provisions of the securities laws, pay a $300,000 civil monetary penalty, and retain an independent consultant to conduct a review of ISS s supervisory and compliance policies and procedures. If a failure of our internal controls, policies or procedures results in a security or privacy breach, we could also incur increased operating expenses to remediate the problems caused by the breach and prevent future breaches, which could have a material adverse effect on our financial condition or results of operations.

We have confidentiality policies in place regarding changes to the composition of our indexes and have implemented information barrier procedures to protect the confidentiality of the material, non-public information regarding changes to our equity indexes. If our confidentiality policies or information barrier procedures fail, our reputation could be damaged and our business, financial condition or results of operations could be materially adversely affected.

We change the composition of our indexes from time to time. We believe that, in some cases, the changes we make to our indexes can affect the prices of constituent securities as well as products based on our indexes. Our index clients rely on us to keep confidential material non-public information about changes to the future composition of an index and to protect against the misuse of that information until the change to the composition of the index is disclosed to clients. We have confidentiality policies in place and have implemented information barrier procedures to limit access to this information and to prevent the unauthorized disclosure and misuse of information regarding material non-public changes to the composition of our equity indexes. If our confidentiality policies or information barrier procedures fail or we are delayed in implementing such procedures as necessary with respect to a newly acquired business and an employee inadvertently discloses, or deliberately misuses, material non-public information about a change to one of our indexes, our reputation may suffer. Clients loss of trust and confidence in our confidentiality policies or information barrier policies and procedures could lead to a negative reputation throughout the investment community, which could have a material adverse effect on our business, financial condition or results of operations.

In addition, certain exchanges permit our clients to list ETFs or other financial products based on our equity indexes only if we provide a representation to the exchange that we have reasonable information barrier procedures in place to address the unauthorized disclosure and misuse of material, non-public information about changes to the composition of our equity indexes. If an exchange determines that our information barrier procedures are not sufficient, the exchange might refuse to list or might delist investment products based on our equity indexes, which may have a material adverse effect on our business, financial condition or results of operations.

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

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

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the laws of certain foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the U.S. Also, some elements of our products and processes may not be subject to intellectual property protection.

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

Patents We currently hold 21 U.S. and foreign patents. We currently have five U.S. and foreign patent applications pending. Patent applications can be extremely costly to process and defend. There can be no assurance that we will be issued any patents that we apply for or that any of the rights granted under any patent that we obtain will be sufficient to protect our competitive advantages.

Copyrights We believe our proprietary software and proprietary data are copyright protected. If a court were to determine that any of our proprietary software or proprietary data, such as our index level data, is not copyright protected, it could have a material adverse effect on our business, financial condition or results of operations.

Confidentiality and Trade Secrets Our license agreements limit our clients right to copy or disclose our proprietary software and data. It is possible, however, that a client might still make unauthorized copies of our proprietary software or data, which could have a material adverse effect on our business, financial condition or results of operations. For example, if a client who licensed a large volume of our proprietary historical data made that information publicly available, we might lose potential clients who could freely obtain a copy of the data. We also seek to protect our proprietary software and data through trade secret protection and through non-disclosure obligations with our employees. However, if an employee breaches his or her non-disclosure obligation and reveals a trade secret or other confidential information, we could lose the trade secret or confidentiality protection, which could have a material adverse effect on our business, financial condition or results of operations. Furthermore, it may be very difficult to ascertain if a former employee is inappropriately using or disclosing our confidential or proprietary information. We have investigated suspicions that former employees have used or disclosed our confidential or proprietary information, but we cannot be certain that we are aware or in the future will be aware of every instance in which this sort of behavior may occur. Additionally, the enforceability of our license and other agreements non-disclosure obligations and the remedies available to us in the event of a breach vary due to the many different jurisdictions in which our clients and employees are located.

License Agreements Our products are generally made available to end users on a periodic subscription basis under a license agreement signed by the client. We also permit access to some data, such as certain index information, through the Internet under online licenses that are affirmatively acknowledged by the licensee or under terms of use. There can be no assurance that third parties will abide by the terms of our licenses or that all of our license agreements will be enforceable. See *We are dependent on the use of third-party software and data, and any reduction in third-party product quality or any failure by us to comply with our licensing requirements could have a material adverse effect on our business, financial condition or results of operations* below for risks associated with the use of intellectual property obtained from third parties.

Third-Party Litigation There have been a number of lawsuits in multiple jurisdictions, including in the U.S. and Germany, in the last few years regarding whether issuers of index-linked investment products are required to obtain a license from the index owner or whether issuers may issue investment products based on a publicly-available index level data without obtaining permission from (or making payment to) the index owner. The outcome of these cases depends on a number of factors, including the governing law, the amount of information about the index available without a license and the other particular facts and circumstances of the cases. In some instances, the results of these cases are favorable to the index owner, as in a recent case in the Illinois state courts involving the International Securities Exchange and its proposed use of the Dow Jones Industrial Average and the S&P 500 index. In other instances, the results have been unfavorable to the index owner, as in a 2009 case in German federal court ruling that the owner of an index trademark who publishes the index in a manner generally available to all market participants cannot prohibit, on the basis of German trademark law, a third party from referring to the index as a reference value in options issued by the third party if the trademark is used for informational and factual purposes and its use does not imply that a relationship exists with the trademark owner. If other courts or regulators or other governmental bodies in relevant jurisdictions determine that a license is not required to issue investment products linked to indexes, this could have a material adverse effect on our business, financial condition or results of operations. See *Changes in government regulations could materially adversely affect our business, financial condition or results of operations* above. It might also lead to changes in current industry practices such that we would no longer make our index level data publicly available, such as via our website or news media, on a timely basis.

Third parties may claim we infringe upon their intellectual property rights. Such claims would likely be costly to defend, could require us to pay damages or limit our future use of integral technologies, which could have a material adverse effect on our business, financial conditions or results of operations.

Third parties may claim we infringe upon their intellectual property rights. Businesses operating in the financial services sector, including our competitors and potential competitors, have increasingly pursued or may consider pursuing patent protection for their technologies and business methods. If any third parties were to obtain a patent on a relevant index methodology, risk model, software application or other relevant product or process, we could be sued for infringement. Furthermore, there is always a risk that third parties will sue us for infringement or misappropriation of other intellectual property rights, such as trademarks, copyrights or trade secrets.

From time to time, such complaints are filed by or we receive such notices from others alleging intellectual property infringement or potential infringement. The number of these claims may grow.

Responding to intellectual property claims, regardless of merit, can consume valuable time, result in costly litigation or cause delays. We may be forced to settle such claims on unfavorable terms, and there can be no assurance that we would prevail in any litigation arising from such claims if such claims are not settled. We may be required to pay damages, to stop selling or using the affected products or applications or to enter into royalty and licensing agreements. There can be no assurance that any royalty or licensing agreements will be made, if at all, on terms that are commercially acceptable to us. From time to time we receive notices calling upon us to defend partners, clients, suppliers or distributors against such third-party claims under indemnification clauses in our contracts. Therefore, the impact of claims of intellectual property infringement could have a material adverse effect on our business, financial condition or results of operations.

Our use of open source code could impose unanticipated delays or costs in deploying our products, or impose conditions or restrictions on our ability to commercialize our products or keep them confidential.

We rely on open source code to develop software and to incorporate it in our products, as well as to support our internal systems and infrastructure. The terms of many open source code licenses, however, are ambiguous and have not been interpreted by U.S. courts. Accordingly, there are risks that there may be a failure in our procedures for controlling the usage of open source code or that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In either event, we could be required to seek licenses from third parties in order to continue offering our products, to make generally available (in source code form) proprietary code that links to certain open source code modules, to re-

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engineer our products or systems or to discontinue the licensing of our products if re-engineering could not be accomplished on a timely basis. Any of these requirements could materially adversely affect our business, financial condition or results of operations.

We are dependent on the use of third-party software and data, and any reduction in third-party product quality or any failure by us to comply with our licensing requirements could have a material adverse effect on our business, financial condition or results of operations.

We rely on third-party software and data in connection with our product development and offerings. We depend on the ability of third-party software and data providers to deliver and support reliable products, enhance their current products, develop new products on a timely and cost-effective basis, and respond to emerging industry standards and other technological changes. The third-party software and data we use may become obsolete or incompatible with future versions of our products. We also monitor our use of third-party software and data to comply with applicable license requirements. Despite our efforts, our use of certain third party software and data has been challenged in the past and there can be no assurance that such third parties may not challenge our use in the future, resulting in increased software or data acquisition costs, loss of rights and/or costly legal actions. Our business could be materially adversely affected if we are unable to timely or effectively replace the functionality provided by software or data that becomes unavailable or fails to operate effectively for any reason. In addition, our operating costs could increase if license fees for third-party software or data increase or the efforts to incorporate enhancements to third-party or other software or data are substantial. Some of these third-party suppliers are also our competitors, increasing the risks noted above. If any of these risks materialize, they could have a material adverse effect on our business, financial condition or results of operations.

If our products fail to perform properly due to undetected errors or similar problems, it could have a material adverse effect on our business, financial condition or results of operation.

Products we develop or license may contain undetected errors or defects despite testing. Such errors can exist at any point in a product s life cycle, but are frequently found after introduction of new products or enhancements to existing products. We continually introduce new products and new versions of our products. Despite internal testing and testing by current clients, our current and future products may contain serious defects or malfunctions. If we detect any errors before we release a product, we might have to delay the product release for an extended period of time while we address the problem. We might not discover errors that affect our new or current products or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. Errors may occur in our products that could have a material adverse effect on our business and could result in harm to our reputation, lost sales, delays in commercial release, third-party claims, contractual disputes, negative publicity, delays in or loss of market acceptance of our products, license terminations or renegotiations, or unexpected expenses and diversion of resources to remedy errors.

Furthermore, our clients may use our products together with their own software, data or products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our products do not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our product development efforts, impact our reputation, cause significant client relations problems or result in legal claims against us. The realization of any of these events could materially adversely affect our business, financial condition or results of operations.

To remain competitive and generate customer demand, we must successfully develop new products and effectively manage transitions. Failure to do so could limit our ability to maintain or grow current revenues, which could have a material adverse effect on our business, financial condition or results of operations.

Due to the highly volatile and competitive nature of the industry in which we operate and the impact of technological change on our products, we must continually introduce new products and services, enhance, including through integration, existing products and services, and effectively generate customer demand for new and upgraded products and services. If, among other things, we fail to accurately anticipate and meet the needs of our clients through the successful development of new products and services, if our new products and services are not attractive to our clients, if our new products do not perform as well as anticipated, if the launch of new products and offering of new services is not timely, or if competitors in any business line introduce products, services, systems and processes that are better than ours or that gain greater market acceptance, we could lose market share and clients to our competitors which could materially adversely affect our business, financial condition and results of operations.

We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in products and services that satisfy our clients needs and generate revenues required to provide the desired results. For example, we have made, and need to continue to make, investments in our technology platform in order to provide competitive products and services to our clients. From time to time, we also incur costs to integrate existing products and platforms and transition clients to enhanced products and services, which also presents execution risks and challenges. If we are unable to effectively manage transitions to new or enhanced products and services, our business, financial condition and results of operations could be materially adversely affected. Also see *If our products fail to perform properly due to undetected errors or similar problems, it could have a material adverse effect on our business, financial condition or results of operations* above.

Increased competition in our industry may cause price reductions or loss of market share, which may materially adversely affect our business, financial condition or results of operations.

We face competition across all markets for our products. Our competitors range in size from large companies with substantial resources to small, single-product businesses that are highly specialized. Our larger competitors may have access to more resources and may be able to achieve greater economies of scale, and our competitors that are focused on a narrower product line may be more effective in devoting technical, marketing and financial resources to compete with us with respect to a particular product. There may also be consolidation among our competitors in the form of joint ventures or other business arrangements, which could allow for better capitalized competitors.

In addition, barriers to entry may be low in many cases, including for single-purpose product companies. The Internet as a distribution channel has allowed free or relatively inexpensive access to information sources, which has reduced barriers to entry even further. Low barriers to entry could lead to the emergence of new competitors; for example, broker-dealers and data suppliers could begin developing their own proprietary risk analytics or indexes. Profit margin considerations, including those arising from financial and budgetary pressures affecting our clients resulting from current economic conditions, may lead certain clients to seek products at a lower cost than what we provide. See *Changes in government regulations could materially adversely affect our business, financial condition or results of operations. Potential and Proposed Regulation Affecting Benchmarks* above.

These competitive pressures may also result in fewer clients, fewer subscriptions or investment product licenses, price reductions, and increased operating costs, such as for marketing and product development, resulting in lower revenue, gross margins and operating income. See *Our clients that pay us a fee based on assets of an investment product may seek to negotiate a lower asset-based fee percentage or may cease using our indexes, which could limit the growth of or decrease our revenues from asset-based fees* above and Part I, Item 1. Business Our Competition.

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Our business is dependent on our clients continued investment in equity securities. If our clients significantly reduce their investments in equity securities, our business, financial condition or results of operations may be materially adversely affected.

A significant portion of our revenues comes from our products that are focused on various aspects of managing or monitoring portfolios. To the extent our clients significantly deemphasize equity securities in their investment strategies, the demand for equity products would likely decrease, which could have a material adverse effect on our business, financial condition or results of operations.

A portion of our business is dependent on our clients continuing to measure the performance of their equity investments against equity benchmarks. If our clients discontinue use of equity benchmarks to measure performance, our business, financial condition or results of operations could be materially adversely affected.

Our equity index products serve as equity benchmarks against which our clients can measure the performance of their investments. If clients decide to measure performance on an absolute return basis instead of against an equity benchmark, the demand for our equity indexes could decrease. Any such decrease in demand for our equity index products could have a material adverse effect on our business, financial condition or results of operations.

Cancellation of subscriptions or investment product licenses or renegotiation of terms by a significant number of clients could have a material adverse effect on our business, financial condition or results of operations.

Our primary commercial model is to license annual, recurring subscriptions to our products for use at a specified location and by a given number of users or for a certain volume of products or services during that annual period. For most of our products, our clients may cancel their subscriptions or investment product licenses at the end of the current term. While we believe the annual, recurring subscription model supports our marketing efforts by allowing clients to subscribe without the requirement of a long-term commitment, the cancellation of subscriptions or investment product licenses by a significant number of clients at any given time may have a material adverse effect on our business, financial condition or results of operations.

Increased accessibility to free or relatively inexpensive information sources may reduce demand for our products and materially adversely affect our business, financial condition or results of operations.

In recent years, more free or relatively inexpensive information has become available, particularly through the Internet, and this trend may continue. The availability of free or relatively inexpensive information may reduce demand for our products. Weak economic conditions can also result in clients seeking to utilize lower-cost information that is available from alternative sources. To the extent that our clients choose to use these sources for their information needs, our business, financial condition or results of operations may be materially adversely affected. See *Changes in government regulations could materially adversely affect our business, financial condition or results of operations. Potential and Proposed Regulation Affecting Benchmarks* above.

Our growth and profitability may not continue at the same rate as we have experienced in the past, which could have a material adverse effect on our business, financial condition or results of operations.

We have experienced significant growth since we began operations. There can be no assurance that we will be able to maintain the levels of growth and profitability that we have experienced in the past. Among other things, there can be no assurance that we will be as successful in our product development and marketing efforts as we have been in the past, or that such efforts will result in growth or profit margins comparable to those we have experienced in the past. See *To remain competitive and generate customer demand, we must successfully develop new products and effectively manage transitions* above and Part I, Item 1. Business. Any failure to continue to grow our business and maintain profitability could have a material adverse effect on our business, financial condition or results of operations.

If we are unable to manage our operating costs as anticipated or our operating costs are higher than expected, our operating results may fluctuate significantly.

We may experience higher than expected operating costs, including increased personnel costs, occupancy costs, selling and marketing costs, investments in geographic expansion, communication costs, travel costs, software development costs, professional fees, costs related to information technology infrastructure and other costs. If operating costs exceed our expectations and cannot be adjusted accordingly, our anticipated profitability may be reduced and our anticipated results of operations and financial position may be adversely affected.

Our financial condition and results of operations may be negatively impacted by certain factors that are beyond our control, including global financial market conditions, the availability of short-term and long-term funding and capital, the level and volatility of interest rates, currency exchange rates and inflation.

Unfavorable changes in global financial market conditions may negatively impact the financial viability of our clients, the majority of which are in the financial services industry, resulting in reduced demand for our products and services due to the closure or consolidation of our clients, the inability of our customers to pay for products or services, prolonged selling and renewal cycles and increased reserves for doubtful accounts and write-offs of accounts receivable. Our cash flows may also be impacted by changes in interest rates, currency exchange rates, inflation and delayed payment or underpayment by our customers, which could restrict our access to capital markets. Adverse changes in the financial markets could affect earnings negatively and could have a material adverse effect on our results of operations and financial condition.

Additionally, as a result of the global financial crisis, the U.S. Congress undertook major financial reform which led to the enactment on July 21, 2010 of the Dodd-Frank Act. The Dodd-Frank Act could have a significant impact on many aspects of the way in which the financial services industry conducts business and has and will continue to impose substantial new regulation on, and regulatory oversight of, a wide variety of financial services institutions. Although many of the effects of the Dodd-Frank Act will be largely unknown until all of the regulations have been finalized and implemented, complying with its requirements could negatively impact the business, operations and financial viability of many of our clients which, in turn, could have a negative impact on our business, and results of operations.

There is considerable risk embedded in growth through acquisitions, which may materially adversely affect our business, financial condition or results of operations.

An element of our growth strategy is growth through acquisitions. Any acquisition could present a number of risks, including:

- incorrect assumptions regarding the future results of acquired operations or assets or expected cost reductions or other synergies expected to be realized as a result of acquiring operations or assets;

- failure to integrate the operations or management of any acquired operations or assets successfully and on a timely and cost effective basis;

- failure to achieve assumed synergies;

- insufficient knowledge of the operations and markets of acquired businesses, including where, as in the case of the IPD acquisition, the acquired company operates in many countries and in markets with which we have limited experience;

- increased debt, which may be incurred under terms less favorable than those associated with our current debt and which may, among other things, reduce our free cash flow and increase our risk of default;

- dilution of your common stock;

loss of key personnel;

diversion of management s attention from existing operations or other priorities; and

inability to secure, on terms we find acceptable, sufficient financing that may be required for any such acquisition or investment.
In the event that we experience a high level of acquisition related activity within a limited period of time the possibility of occurrence of these risks would likely increase for that period. In addition, if we are unsuccessful in completing acquisitions of other businesses, operations or assets or if such opportunities for expansion do not arise, our future growth, business, financial condition or results of operations could be materially adversely affected. See Part I, Item 1. Business Company History.

Our revenues, expenses, assets and liabilities are subject to foreign currency exchange fluctuation risk.

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

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

Revenues from index-linked investment products represented 14.4% and 14.8% of operating revenues for the years ended December 31, 2013 and 2012, respectively. While our fees for index-linked investment products are generally invoiced in U.S. dollars, the fees are based on the investment product s assets, a significant percentage of which are invested in securities denominated in currencies other than the U.S. dollar. Accordingly, declines in such other currencies against the U.S. dollar will decrease the fees payable to us under such licenses. In addition, declines in such currencies against the U.S. dollar could impact the attractiveness of such investment products resulting in net fund outflows, which would further reduce the fees payable under such licenses.

We generally invoice our clients in U.S. dollars; however, we invoice a portion of our clients in Euros, British pounds sterling, Japanese yen and a limited number of other non-U.S. dollar currencies. For the years ended December 31, 2013 and 2012, 15.1% and 12.6%, respectively, of our operating revenues were invoiced in currencies other than U.S. dollars. For the year ended December 31, 2013, 53.9% of our foreign currency revenues were in Euros, 22.9% were in British pounds sterling and 13.0% were in Japanese yen. For the year ended December 31, 2012, 58.3% of our foreign currency revenues were in Euros, 21.8% were in Japanese yen and 12.1% were in British pounds sterling.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately 42.8% and 34.5% of our operating expenses for the years ended December 31, 2013 and 2012, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Euros, Swiss francs, Indian rupees, Hungarian forints, Hong Kong dollars and Mexican pesos. Expenses incurred in foreign currency may increase as we expand our business outside the U.S.

We have certain assets and liabilities denominated in currencies other than local functional amounts and when these balances are remeasured into their local functional currency, a gain or loss results from the change in value of the functional currency. We manage foreign currency exchange rate risk, in part, through the use of derivative financial instruments comprised principally of forward contracts on foreign currency which are not designated as hedging instruments for accounting purposes. The objective of the derivative instruments is to minimize the income statement impact associated with intercompany loans that are denominated in certain foreign currencies. As a result of these positions, we recognized foreign currency exchange losses of $2.4 million and $2.6 million for the years ended December 31, 2013 and 2012, respectively. Although we believe that our guidelines and policies are reasonable and prudent, any hedging instruments that we may enter into in the future may not be successful, resulting in an adverse impact on our results of operations.

To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase and could have a material adverse effect on our business, financial condition or results of operations.

We may become subject to liability based on the use of our products by our clients.

Our Performance and Risk products support the investment processes of our clients, which, in the aggregate, manage trillions of dollars of assets. Our Governance products and services support the proxy voting processes of our clients. Our client agreements have provisions designed to limit our exposure to potential liability claims brought by our clients or third parties based on the use of our products or the failure to provide the services provided in client contracts. However, these provisions may not always eliminate liability entirely and may have certain exceptions that could result in the provision of credits, contractual penalties and adverse monetary judgments, or be invalidated by unfavorable judicial decisions or by federal, state, foreign or local laws. Use of our products as part of the investment process creates the risk that clients, or the parties whose assets are managed by our clients, may pursue claims against us for very significant dollar amounts. Any such claim, even if the outcome were to be ultimately favorable to us, would involve a significant commitment of our management, personnel, financial and other resources and could have a negative impact on our reputation. In addition, such claims and lawsuits could have a material adverse effect on our business, financial condition or results of operations.

Our indebtedness could materially adversely affect our business, financial condition or results of operations.

On May 4, 2012, we amended and restated our credit facility, which originally consisted of a senior secured term loan B facility and revolving credit facility, entered into on June 1, 2010 as amended by Amendment No. 1 dated as of February 4, 2011 and Amendment No. 2 dated as of March 14, 2011 (the credit facility 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 5-year term loan A facility in an aggregate amount of $880.0 million (Term Loan) and a new $100.0 million senior secured revolving facility (Revolving Credit Facility). The proceeds of the Amended and Restated Credit Facility, together with cash on hand, were used to prepay the remaining outstanding principal of the existing Term Loan B Facility. On December 12, 2013 we entered into Amendment No. 1 to the Amended and Restated Credit Facility (the New Amended and Restated Credit Facility) that, among other things, extended the maturity dates of the Term Loan and Revolving Credit Facility to December 12, 2018 and modified the amortization schedule. See Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information regarding Amendment No.1.

As of December 31, 2013, we had $810.0 million of indebtedness under the New Amended and Restated Credit Facility, as amended ($20.3 million in current maturities and $789.7 million in long term debt), $358.4 million of cash and cash equivalents and no short-term investments.

The New Amended and Restated Credit Facility is guaranteed on a senior secured basis by each of our direct and indirect wholly-owned domestic subsidiaries and secured by a valid and perfected first priority lien and security interest in substantially all of the shares of the capital stock of our present and future material domestic subsidiaries and up to 65% of the shares of capital stock of our foreign subsidiaries, substantially all of our and our material domestic subsidiaries present and future property and assets and the proceeds thereof. In addition, the New Amended and Restated Credit Facility contains restrictive covenants that limit our ability and our existing and future subsidiaries abilities to, among other things, incur liens; incur additional indebtedness; make investments; make acquisitions, merge, dissolve, liquidate, consolidate with or into another person; sell, transfer or dispose of assets; pay dividends or other distributions in respect of our capital stock; change the nature of our business; enter into any transactions with affiliates other than on an arm s length basis; and prepay, redeem or repurchase debt.

The New Amended and Restated Credit Facility also requires us and our subsidiaries to achieve specified financial and operating results and maintain compliance with the following financial ratios on a consolidated basis until the termination of the New Amended and Restated Credit Facility: (1) the maximum total leverage ratio (as defined in the New Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall not exceed 3.25:1.00 and (2) the minimum interest coverage ratio (as defined in the New Amended and Restated Credit Facility) measured quarterly on a rolling four-quarter basis shall be at least 5.00:1.00.

In addition, our New Amended and Restated Credit Facility contains the following affirmative covenants, among others: periodic delivery of financial statements, budgets and officer s certificates; payment of other obligations; compliance with laws and regulations; payment of taxes and other material obligations; maintenance of property and insurance; performance of material leases; right of the lenders to inspect property, books and records; notices of defaults and other material events; and maintenance of books and records.

We may need to incur additional indebtedness in the future in the ordinary course of business. Our level of indebtedness could increase our vulnerability to general economic consequences; require us to dedicate a substantial portion of our cash flow and proceeds of any additional equity issuances to payments of our indebtedness; make it difficult for us to optimally capitalize and manage the cash flow for our business; limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate; place us at a competitive disadvantage to our competitors that have less debt; limit our ability to borrow money or sell stock to fund our working capital and capital expenditures; limit our ability to consummate acquisitions; and increase our interest expense.

Furthermore, we cannot assure you that we will maintain financing activities and cash flows sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If we cannot refinance or otherwise pay our obligations as they mature and fund our liquidity needs, our business, financial condition, results of operations, cash flows, liquidity, ability to obtain financing and ability to compete in our industry could be materially adversely affected.

Increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates could adversely affect our liquidity, operating expenses and results.

Adverse conditions in the domestic and global financial markets may increase our costs of financing and adversely affect our ability to refinance debt maturities, raise capital or fund other types of obligations. Any downgrades to our credit rating may likewise increase the cost and reduce the availability of financing.

Further, our indebtedness bears interest at fluctuating interest rates, primarily based on the London Interbank Offered Rate (LIBOR) for deposits of U.S. dollars. LIBOR tends to fluctuate based on general economic conditions, general interest rates, Federal Reserve rates and the supply of and demand for credit in the London interbank market. We are not required to enter into interest rate swaps to hedge our debt under the New Amended and Restated Credit Facility and, while we may do so in the future, we have not currently hedged our interest rate exposure and, accordingly, our interest expense for any particular period for unhedged debt may fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, our interest

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expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected. See also the discussion of interest rate risk in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

If we do enter into interest rate swap agreements, developing an effective strategy for movements in interest rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. In addition, the counterparty to a derivative instrument could default on its obligation thereby exposing us to credit risk. Further, we may have to repay certain costs, such as transaction fees or brokerage costs, if a derivative instrument is terminated by us. Finally, our interest rate risk management activities could expose us to substantial losses if interest rates move materially differently from our expectations. As a result, our interest rate hedging activities may not effectively manage our interest rate sensitivity or have the desired beneficial impact on our financial condition or results of operations.

We are dependent on key personnel in our professional staff for their expertise. If we fail to attract and retain the necessary qualified personnel, our business, financial condition or results of operations could be materially adversely affected.

The development, maintenance and support of our products is dependent upon the knowledge, experience and ability of our highly skilled, educated and trained employees. Accordingly, the success of our business depends to a significant extent upon the continued service of our executive officers and other key management, research, sales and marketing, operations, information technology and other technical personnel. Although we do not believe that we are overly dependent upon any individual employee our management and employees may terminate their employment at any time and the loss of any of our key employees could have a material adverse effect on our business, financial condition or results of operations. We believe our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, research, sales and marketing, information technology, software engineering and other technical personnel. Competition for such personnel worldwide is intense, and there can be no assurance that we will be successful in attracting or retaining such personnel. If the equity incentive compensation plans that we currently have in place do not adequately compensate our key employees or are not competitive, we may lose key personnel. If we fail to attract and retain the necessary qualified personnel our products may suffer, which could have a material adverse effect on our business, financial condition or results of operations.

Our business relies heavily on electronic delivery systems, the Internet and our information technology platform, and any failures, disruptions or instability may materially adversely affect our ability to serve our clients.

We depend heavily on the capacity, reliability and security of our information technology platform, electronic delivery systems and its components, including our data centers, and the Internet. Heavy use of our electronic delivery systems and other factors such as loss of service from third parties, operational failures, sabotage, break-ins and similar disruptions from unauthorized tampering or hacking, human error, natural disasters, power loss or computer viruses could cause our systems to operate slowly or interrupt their availability for periods of time. We have experienced and may experience again in the future denial-of-service attacks. While we have been able to defend our systems against such attacks in the past, there is no assurance that we will be able to do so successfully in the future. Our ability to effectively use the Internet may also be impaired due to infrastructure failures, service outages at third-party Internet providers or increased government regulation. If disruptions, failures or slowdowns occur with respect to our electronic delivery systems, the Internet or our information technology platform, our reputation and our ability to distribute our products effectively and to serve our clients, including those clients for whom we provide managed services, may be materially and adversely affected. For example, during fiscal 2012 we migrated certain of our applications and infrastructure to new data centers. As a result of this migration, we experienced some unanticipated interruption and delay with respect to the performance and delivery of certain of our products. While such issues have not resulted in a material adverse effect on our business or results of operations, there is no assurance that they or future migrations will not have such effect in the future. As a result of such issues, we could be required to provide service credits, and experience cancellations and reduced demand for our products and services, resulting in decreased revenues. We may also incur increased operating expenses to protect ourselves from and defend against such disruptions and attacks, which may have a material adverse effect on our financial condition or results of operations.

Any perceived conflicts of interest resulting from providing products and services to institutional investors in addition to proxy voting recommendations, or providing products and services to corporations which are the subject of our proxy recommendations or other products and services could harm our reputation and business.

Institutional clients of our Governance business rely on ISS and certain of its affiliates to provide them with informed proxy vote recommendations, benchmark proxy voting guidelines and unbiased analyses of companies environmental, social and governance attributes. The institutional clients of both our Performance and Risk and Governance businesses, particularly hedge funds and more active institutional investors, may have material economic and other interests in the corporations on which the Governance business provides proxy analyses and ratings. In some cases these institutional clients may be the subject of the Governance business proxy analyses and ratings or pay us a significant amount of money for our Performance and Risk products and services and, accordingly, there may be a perception that we might advocate a particular position or provide research that supports a particular conclusion with respect to an institutional client or corporation in order to satisfy the unique economic or other interests of a particular institutional client. As a result, institutional clients, competitors and other market participants could raise questions about our ability to provide unbiased services, which could harm our reputation.

Through our ISS Corporate Services subsidiary, we provide products and services to corporate clients who use these services to learn about and improve their corporate governance practices. Accordingly, there is potential for a perceived conflict of interest between the services we provide to institutional clients and the services, including our Compensation Advisory Services, provided to clients of the ISS Corporate Services subsidiary. For example, when we provide corporate governance services to a corporate client and at the same time provide proxy vote recommendations to institutional clients regarding that corporation s proxy items, there may be a perception that the Governance business team providing research to our institutional clients may treat that corporation more favorably due to its use of services provided by ISS Corporate Services. We have implemented an information barrier and other procedures designed to prevent any potential conflict of interest from impacting the ability of our research team to provide unbiased analyses.

The conflict management safeguards that we have implemented may not be adequate to manage these perceived conflicts of interest, and clients, regulators or competitors may question the integrity of our services. For example, on June 5, 2013, the Capital Markets and Government Sponsored Enterprise Subcommittee of the Committee on Financial Services of the U.S. House of Representatives held a hearing entitled Examining the Market Power and Impact of Proxy Advisory Firms. Additionally, the SEC hosted a round-table discussion on December 5, 2013 that examined the influence of proxy advisers, potential conflicts of interest, and the transparency and accuracy of their recommendations. While no formal recommendations were made at this meeting, the SEC continues to consider whether proxy advisory firms should be regulated. In the event that we fail to adequately manage perceived conflicts of interest, we could incur reputational damage or become subject to additional regulation, which could have a material adverse effect on our business, financial condition or results of operations.

Certain events could lead to interruptions in our operations, which may materially adversely affect our business, financial condition or results of operations.

Our operations depend on our ability to protect our equipment and the information stored in our databases against fires, floods, earthquakes and other natural disasters, as well as power losses, computer and telecommunications failures, technological breakdowns, unauthorized intrusions, terrorist attacks on sites where we or our clients are located, and other events. We also depend on accessible office facilities for our employees in order for our operations to function properly. There is no assurance that the business continuity plans that we have sufficiently cover or reduce the risk of interruption in our operations caused by these events.

Such events could also have a material adverse effect on our clients. For example, immediately after the terrorist attacks on September 11, 2001, our clients who were located in the World Trade Center area were concentrating on disaster recovery rather than licensing additional products. In addition, delivery of some of the data we receive from New York-based suppliers was delayed. The grounding of air transportation impaired our ability to conduct sales visits and other meetings at client sites. During the resulting temporary closure of the U.S. stock markets, some of the data updates supporting our products were interrupted. These types of interruptions could affect our ability to sell and deliver products and could have a material adverse effect on our business, financial condition or results of operations.

Although we currently estimate that the total cost of developing and implementing our business continuity plans will not have a material impact on our business, financial condition or results of operations, we cannot provide any assurance that our estimates regarding the timing and cost of implementing these plans will be accurate.

We are subject to unanticipated costs in connection with political, economic, legal, operational, franchise and other risks as a result of our international operations, which could adversely impact our businesses in many ways.

As we continue to expand our international operations, we increase our exposure to political, economic, legal, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability. In connection with the acquisitions of RiskMetrics and IPD, we acquired new offices in 10 non-U.S. locations. Since 2010, we have also opened offices in Santiago, Seoul, Taipei and Shanghai. We intend to further grow our presence in Mexico, the Middle East, Asia, Africa, Eastern Europe and South America. A significant number of our employees are located in offices outside of the United States and a number of those employees are located in emerging market locations. The cost of establishing and maintaining these offices, including costs related to information technology infrastructure, as well as the costs of attracting, training and retaining employees in these locations may be higher, or may increase at a faster rate, than we anticipate which could have a material adverse effect on our business, financial condition or results of operations.

Additionally, the laws and regulations in many countries applicable to our business are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Our inability to maintain consistent internal policies and procedures across our offices and remain in compliance with local laws in a particular market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally.

In order to penetrate markets outside of the United States, we must provide a suite of products and services that fit the needs of the local market. For example, the continued success of IPD s products is dependent on understanding local real estate markets and maintaining relationships with local real estate industry bodies in the jurisdictions in which IPD operates. Demand for our products and services is still nascent in many parts of the world. Many countries have not fully developed laws and regulations regarding risk management and corporate governance and, in many cases, institutions in these countries have not developed widely accepted best practices regarding the same. If we do not appropriately tailor our products and services to fit the needs of the local market, we may be unable to effectively grow sales of our products and services outside of the United States. There can be no assurances that demand for our products and services will develop in these countries.

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We may be exposed to liabilities under applicable anti-corruption laws and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to various anti-corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business. We have business in countries and regions which are less developed and are generally recognized as potentially more corrupt business environments. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of various anti-corruption laws including the Foreign Corrupt Practices Act of 1977, as amended (the FCPA). We have implemented safeguards and policies to discourage these practices by our employees and agents. However, our existing safeguards and any future improvements may prove to be less than effective and our employees or agents may engage in conduct for which we might be held responsible. If employees violate our policies or we fail to maintain adequate record-keeping and internal accounting practices to accurately record our transactions we may be subject to regulatory sanctions. Violations of the FCPA or other anti-corruption laws may result in severe criminal or civil sanctions and penalties, and we may be subject to other liabilities which could have a material adverse effect on our business, results of operations and financial condition.

We may have exposure to additional tax liabilities.

As a global corporation, we are subject to income taxes as well as non-income taxes, in the United States and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. From time to time, we also implement changes to our global corporate structure. Changes in domestic and international tax laws could negatively impact our overall effective tax rate. Such changes include, but are not limited to, proposed legislation to reform U.S. taxation of international business activities.

Although we believe that our tax provisions are reasonable, we cannot assure you that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. To the extent we are required to pay amounts in excess of our reserves, such differences could have a material adverse effect on our statement of income for a particular future period. In addition, an unfavorable tax settlement could require use of our cash and result in an increase in our effective tax rate in the period in which such resolution occurs.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in the United States and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities.

Changes in the legislative, regulatory and corporate environments in which ISS s clients operate may adversely impact our financial results.

ISS s historical growth has been due, in part, to increased regulatory requirements, highly visible corporate scandals, increased shareholder activism and corporate chief executive officers and boards of directors that are increasingly concerned about, and responsive to, shareholder concerns. To the extent that any of these trends change, the demand for ISS s products and services could be reduced, and this could have a material adverse effect on our business, financial condition or results of operation. To the extent these regulations change or are not extended to other markets, our business, financial condition and results of operation could be materially adversely affected.

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Our investments in recorded goodwill and other intangible assets as a result of acquisitions, including goodwill and other intangible assets resulting from our acquisitions, could be impaired as a result of future business conditions, requiring us to record substantial write-downs that would reduce our operating income.

We have goodwill and intangible assets of $2,394.5 million recorded on our balance sheet as of December 31, 2013. We evaluate the recoverability of recorded goodwill amounts and intangible assets annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring management s judgment. Changes in fair market valuations and our operating performance or business conditions, in general, could result in future impairments of goodwill which could be material to our results of operations. In addition, if we are not successful in achieving anticipated operating efficiencies associated with acquisitions, our goodwill and intangible assets may become impaired. On October 31, 2013, we announced that we had 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. See Note 9, Goodwill and Intangible Assets, of the Notes to the Consolidated Financial Statements included herein.

The obligations associated with being a public company require significant resources and management attention.

As a public company, we are subject to the rules and regulations promulgated by the SEC and the New York Stock Exchange. For example, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial conditions and the Sarbanes Oxley Act of 2002 (the Sarbanes-Oxley Act) requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Our efforts to comply with these rules and regulations have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management s time from other business activities. See *Changes in government regulations could materially adversely affect our business, financial condition or results of operations* above.

In connection with our IPO and separation from Morgan Stanley, we entered into agreements with Morgan Stanley where we agreed to indemnify Morgan Stanley for, among other things, certain past, present and future liabilities related to our business.

Pursuant to certain agreements we entered into with Morgan Stanley relating to the provision of services and other matters, we agreed to indemnify Morgan Stanley for, among other matters, certain past, present and future liabilities related to our business. Such liabilities include certain unknown liabilities, which could be significant.

Risks Related to Ownership of Our Common Stock

The market price of our common stock may be volatile, which could result in substantial losses.

For example, some of the factors that may cause the market price of our common stock to fluctuate include:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in operating margins due to variability in revenues from licensing our equity indexes as the basis of ETFs;
- loss of key clients (See *Our clients that pay us a fee based on the assets of an investment product may seek to negotiate a lower asset-based fee percentage or may cease using our indexes, which could limit the growth of or decrease our revenues from asset-based fees* above);

- changes in estimates of our financial results or recommendations by securities analysts;
- failure of any of our products to achieve or maintain market acceptance;
- failure to produce or distribute our products;
- changes in market valuations of similar companies;
- success of competitive products;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- announcements by us or our competitors of significant products, contracts, acquisitions or strategic alliances;
- litigation involving our company, our general industry or both;
- changes in or departures of key personnel;
- investors general perception of us, including any perception of misuse of sensitive information;
- changes in general economic, industry and market conditions in one or more significant regions around the world; and
- changes in regulatory developments in the U.S., foreign countries or both and changes in other dynamics.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

Future sales of our common stock, or the perception that such sales may occur, could depress our common stock price.

Sales of a substantial number of shares of our common stock, or the perception that such sales may occur, could depress the market price of our common stock. This would include sales of our common stock underlying restricted shares of common stock and options to purchase shares of common stock granted in connection with our IPO and pursuant to our equity incentive compensation plans.

As of December 31, 2013, 118,083,111 shares of our common stock were outstanding and freely tradable without restriction or further registration under the Securities Act of 1933, as amended, by persons other than our affiliates within the meaning of Rule 144 under the Securities Act.

In November 2007, we filed a registration statement registering under the Securities Act the 12,500,000 shares of common stock reserved for issuance in respect of incentive awards to our officers and certain of our employees pursuant to the MSCI Amended and Restated 2007 Equity Incentive Compensation Plan and the 500,000 shares of common stock reserved for issuance in respect of equity awards made to our directors who are not employees of the Company or Morgan Stanley pursuant to the MSCI Independent Directors Equity Compensation Plan. As of

December 31, 2013, we had issued 5,666,537 and 133,309 shares of common stock under the MSCI Amended and Restated 2007 Equity Incentive Compensation Plan and MSCI Independent Directors Equity Compensation Plan, respectively. In connection with the acquisition of RiskMetrics, we filed a registration statement registering under the Securities Act the 4,257,779 shares of MSCI common stock reserved for issuance in respect of incentive awards to officers and certain employees of RiskMetrics pursuant to the RiskMetrics Group, Inc. 2000 Stock Option Plan, RiskMetrics Group, Inc. 2004 Stock Option Plan, Institutional Shareholder Services Holdings, Inc. Equity Incentive

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Plan and RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan (collectively, the RMG Plans). As of December 31, 2013, we had issued 3,323,035 shares of common stock under the RMG Plans. In June 2010, we also filed a registration statement assuming 3,060,090 shares available under the RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan. As of December 31, 2013, we had issued 1,754,690 shares of common stock under this Plan, which terminated on June 30, 2012. See Note 11, Share Based Compensation *Deferred Stock Awards* and *Stock Option Awards* of the Notes to the Consolidated Financial Statements included herein.

Also in the future, we may issue additional shares of our common stock in connection with investments and acquisitions. The amount of our common stock issued in connection with an investment or acquisition could constitute a material portion of the outstanding common stock.

Provisions in our Third Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our Third Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that shareholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our shareholders to replace or remove our management. These provisions include:

- limitations on the removal of directors;
- advance notice requirements for shareholder proposals and director nominations;
- the inability of shareholders, after a change in control, to act by written consent or to call special meetings;
- the ability of our Board of Directors to make, alter or repeal our By-laws; and
- the ability of our Board of Directors to designate the terms of and issue new series of preferred stock without shareholder approval.

Generally, the amendment of our Third Amended and Restated Certificate of Incorporation requires approval by our Board of Directors and a majority vote of shareholders. Any amendment to our By-laws requires the approval of either a majority of our Board of Directors or holders of at least 80% of the votes entitled to be cast by the outstanding capital stock in the election of our Board of Directors.

Section 203 of the General Corporation Law of the State of Delaware prohibits a person who acquires more than 15% but less than 85% of all classes of our outstanding voting stock without the approval of our Board of Directors from merging or combining with us for a period of three years, unless the merger or combination is approved by a two-thirds vote of the shares not owned by such person. These provisions would apply even if the proposed merger or acquisition could be considered beneficial by some shareholders.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of the Company, thereby reducing the likelihood that a premium would be paid for your common stock in an acquisition.

Item 1B. ***Unresolved Staff Comments***

Nothing required to be disclosed.

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Item 2. ***Properties***

Our corporate headquarters is located in New York, New York. This is also our largest sales office and one of our main research centers. As of December 31, 2013, our principal offices consisted of the following leased properties:

Location	Square Feet	Number of Offices	Expiration Date
Mumbai, India	182,081	2	December 7, 2017 and September 30, 2018
New York, New York	125,811	1	February 28, 2033
Rockville, Maryland	51,090	1	December 31, 2023
London, England	40,935	1	February 28, 2022
Berkeley, California	34,178	1	February 29, 2020
Manila, Philippines	29,960	1	March 31, 2019
Monterrey, Mexico	28,933	1	December 31, 2020
Budapest, Hungary	25,467	1	February 28, 2014
Norman, Oklahoma	23,664	1	May 31, 2014
Conshohocken, Pennsylvania	15,590	1	June 30, 2019
Boston, Massachusetts	13,506	1	November 30, 2021
Geneva, Switzerland	11,883	1	March 31, 2019
Brussels, Belgium	11,180	1	June 30, 2014
Beijing, China	10,757	1	December 31, 2016

As of December 31, 2013, we also leased and occupied sales and client support offices in the following locations: Hong Kong, China; Chicago, Illinois; Tokyo, Japan; Frankfurt, Germany; Paris, France; San Francisco, California; Sydney, Australia; Ann Arbor, Michigan; Toronto, Canada; Shanghai, China; Singapore; Almere, Netherlands; Cape Town, South Africa; Milan, Italy; Stockholm, Sweden; Sao Paolo, Brazil; Seoul, Korea; Dubai, United Arab Emirates; and Taipei, Taiwan.

The majority of our properties are used in support of both our Performance and Risk and our Governance operating segments. We believe that our properties are in good operating condition and adequately serve our current business operations. We also anticipate that suitable additional or alternative space, including those under lease options, will be available at commercially reasonable terms for future expansion.

Item 3. ***Legal Proceedings***

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Stock Price and Dividends

Our common stock has traded on the New York Stock Exchange since November 15, 2007 and trades under the symbol MSCI. As of February 21, 2014, there were 153 shareholders of record of our common stock. The following table sets forth the high and low closing sales prices per share of our common stock from January 1, 2012 through December 31, 2013.

Years Ended	High	Low
December 31, 2013		
First Quarter	$ 34.67	$ 31.79
Second Quarter	35.73	32.34
Third Quarter	41.01	33.72
Fourth Quarter	44.71	38.31
December 31, 2012		
First Quarter	$ 37.81	$ 31.89
Second Quarter	37.74	31.60
Third Quarter	36.73	32.23
Fourth Quarter	35.82	25.59

On February 21, 2014, the closing price of our common stock on the New York Stock Exchange was $44.53.

Dividend Policy

We currently do not pay any dividends and retain all available funds for use in the operation and expansion of our business, including growth through acquisitions, the repayment of our debt and the repurchases of our common stock. The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including our earnings, financial condition and capital requirements, business conditions, corporate law requirements and other factors. In addition, our New Amended and Restated Credit Facility contains restrictions on the payment of dividends. See Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

The Transfer Agent and Registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

Equity Compensation Plans

On November 2, 2007 and November 5, 2007, our shareholders and Board of Directors approved, respectively, the implementation of the MSCI Independent Directors Equity Compensation Plan (as amended and restated on January 12, 2011, the IDECP). Under the IDECP, the directors that are not employees of the Company receive annual Board retainer fees and fees for serving on the Company s committees, if applicable, and pursuant to the terms of the IDECP, a director may make an election to receive all or any portion of such director s retainer and committee fees in shares of our common stock. Directors who are not employees of the Company are entitled to receive an annual grant of $90,000 each in stock units and the lead director is entitled to an additional $25,000 in stock units, which are subject to a vesting schedule. The total number of shares authorized to be awarded under the plan is 500,000.

On November 2, 2007 and November 5, 2007, our shareholders and Board of Directors approved, respectively, the implementation of the MSCI 2007 Equity Incentive Compensation Plan. On April 8, 2008, our shareholders approved the MSCI Amended and Restated 2007 Equity Incentive Compensation Plan (as further amended, the MSCI EICP). The MSCI EICP permits the Compensation Committee to make grants of a variety of equity based awards (such as stock, restricted stock, stock units and options) totaling up to 12.5 million shares to eligible recipients, including employees and consultants. No awards under this plan are permitted after November 2, 2017.

In connection with the acquisition of RiskMetrics, we filed a registration statement registering under the Securities Act the 4,257,779 shares of MSCI common stock reserved for issuance in respect of incentive awards to officers and certain employees of RiskMetrics pursuant to the RiskMetrics Group, Inc. 2000 Stock Option Plan, RiskMetrics Group, Inc. 2004 Stock Option Plan, Institutional Shareholder Services Holdings, Inc. Equity Incentive Plan and RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan (collectively, the RMG Plans). In June 2010, we also filed a registration statement assuming 3,060,090 shares available under the RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan which terminated on June 30, 2012. As of December 31, 2013, there were no securities to be issued upon the vesting or exercise of equity awards granted under the Institutional Shareholder Services Holdings, Inc. Equity Incentive Plan.

The following table sets forth certain information with respect to our equity compensation plans at December 31, 2013:

	Number of Securities to be Issued Upon Vesting of Restricted Stock Units and Exercise of Outstanding Options a	Weighted Average Unit Award Value of Restricted Stock Units and Weighted-Average Exercise Price of Outstanding Options b	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) c
Equity Compensation Plans Approved by Security Holders			
MSCI Independent Directors Equity Compensation Plan[1]	25,626	$ 34.02	346,177
MSCI Amended and Restated 2007 Equity Incentive Compensation Plan	2,423,781	$ 28.09	6,312,464
RiskMetrics Group, Inc. 2000 Stock Option Plan	12,705	$ 3.31	
RiskMetrics Group, Inc. 2004 Stock Option Plan	222,067	$ 15.57	
RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan	545,612	$ 23.84	
Total	3,229,791	$ 26.46	6,658,641

(1) The MSCI Independent Directors Equity Compensation Plan does not authorize the issuance of options to purchase MSCI common stock.

Stock Repurchases

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).

On December 13, 2012, as part of the 2012 Repurchase Program, we entered into an accelerated share repurchase (ASR) agreement with a financial institution to initiate a repurchase aggregating $100.0 million (the December 2012 ASR Program). As a result of the December 2012 ASR Program, we received 2.2 million shares on December 14, 2012 and 0.8 million shares on July 31, 2013 for a combined average purchase price of $33.47 per share.

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

On February 4, 2014, the Board of Directors approved a stock repurchase program authorizing the purchase of up to $300.0 million worth of shares of MSCI s common stock which will be available from time to time at management s discretion (the 2014 Repurchase Program).

On February 6, 2014, as part of the 2012 Repurchase Program, we entered into a new ASR agreement to initiate share repurchases aggregating $100.0 million (the February 2014 ASR Program). The February 2014 ASR Program is structured as a capped ASR in which, on February 7, 2014, we paid $100.0 million and received 1.7 million shares, representing the minimum number of common shares to be repurchased based on a calculation using a specific capped price per share. This price is capped such that only under limited circumstances may we be required to deliver shares or pay cash at settlement. We anticipate that all repurchases under the February 2014 ASR Program will be completed no later than the final repurchase date in May 2014, although settlement may be accelerated under certain circumstances. Additionally, depending on the average share price through the completion date in May 2014, we may receive additional shares under the February 2014 ASR Program.

The 2014 Repurchase Program, except for the ASR agreement, may be modified, suspended or terminated by the Company in its discretion at any time without prior notice.

The following table provides information with respect to purchases made by or on behalf of the Company of its common stock during the quarter ended December 31, 2013. There were no other share repurchases during the quarter outside of the repurchases noted below.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [(1)]	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(2)]
Month #1 (October 1, 2013-October 31, 2013)	1,513	$ 41.37		$ 100,000,000
Month #2 (November 1, 2013-November 30, 2013)	2,770	$ 42.88		$ 100,000,000
Month #3 (December 1, 2013-December 31, 2013)	566,295	$ 41.26	518,524	$ 100,000,000
Total	570,578	$ 41.27	518,524	$ 100,000,000

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

(2) See Note 6, Commitments And Contingencies of the Notes to the Consolidated Financial Statements included herein for further information regarding our stock repurchase program.

Recent Sales of Unregistered Securities.

None.

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Use of Proceeds from Sale of Registered Securities

None.

FIVE-YEAR STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total shareholders return on our common stock, the Standard & Poor s 500 Stock Index and the NYSE Composite Index since November 30, 2008 assuming an investment of $100 at the closing price on November 30, 2008. In calculating total annual shareholders return, reinvestment of dividends, if any, is assumed. The indexes are included for comparative purposes only. They do not necessarily reflect management s opinion that such indexes are an appropriate measure of the relative performance of the common stock. This graph is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Total Investment Value

	For the Years Ended				
	December 31, 2013	**December 31, 2012**	**December 31, 2011**	**November 30, 2010**	**November 30, 2009**
MSCI Inc.	$ 283	$ 201	$ 213	$ 221	$ 197
S&P 500	$ 205	$ 159	$ 140	$ 132	$ 122
NYSE Composite Index	$ 185	$ 151	$ 134	$ 133	$ 127

Item 6. ***Selected Consolidated Financial Data***

Our selected consolidated financial data for the periods presented should be read in conjunction with Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto beginning on page F-1 of this Annual Report on Form 10-K.

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The selected Consolidated Statement of Income data for the years ended December 31, 2013, 2012 and 2011 and the selected Consolidated Financial Condition data as of December 31, 2013 and 2012 are derived from our audited consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K. Our consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 have been audited and reported upon by an independent registered public accounting firm. The selected Consolidated Statement of Income data for the years ended November 30, 2010 and 2009 and the selected Consolidated Statement of Financial Condition data as of December 31, 2010 and November 30, 2010, and 2009 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

The selected financial information presented below may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone company during the periods presented prior to our separation from Morgan Stanley on May 22, 2009.

	As of or for the					
			Years Ended			One Month Ended
	December 31, 2013 (1)	December 31, 2012 (2)	December 31, 2011	November 30, 2010 (3)	November 30, 2009	December 31, 2010
	(in thousands, except operating margin and per share data)					
Operating revenues	$ 1,035,667	$ 950,141	$ 900,941	$ 662,901	$ 442,948	$ 72,524
Total operating expenses	664,161	603,205	578,943	456,778	291,956	45,855
Operating income	371,506	346,936	321,998	206,123	150,992	26,669
Other expense (income), net	25,885	57,527	58,585	52,632	19,271	6,113
Provision for income taxes	123,064	105,171	89,959	61,321	49,920	6,732
Net income	$ 222,557	$ 184,238	$ 173,454	$ 92,170	$ 81,801	$ 13,824
Operating margin	35.9%	36.5%	35.7 %	31.1%	34.1%	36.8%
Earnings per basic common share	$ 1.85	$ 1.50	$ 1.43	$ 0.82	$ 0.80	$ 0.11
Earnings per diluted common share	$ 1.83	$ 1.48	$ 1.41	$ 0.81	$ 0.80	$ 0.11
Weighted average shares outstanding used in computing earnings per share						
Basic	120,100	122,023	120,717	112,074	100,607	119,943
Diluted	121,074	123,204	122,276	113,357	100,860	121,803
Cash and cash equivalents	$ 358,434	$ 183,309	$ 252,211	$ 226,575	$ 176,024	$ 269,423
Short-term investments	$	$ 70,898	$ 140,490	$ 73,891	$ 295,304	$ 72,817
Accounts receivable (net of allowances)	$ 169,490	$ 153,557	$ 180,566	$ 147,662	$ 77,180	$ 137,988
Goodwill and intangible assets, net of accumulated amortization	$ 2,394,528	$ 2,424,484	$ 2,353,466	$ 2,422,921	$ 561,812	$ 2,417,357
Total assets	$ 3,134,537	$ 3,019,639	$ 3,092,996	$ 3,023,166	$ 1,200,269	$ 3,057,481
Deferred revenue	$ 319,735	$ 308,022	$ 289,217	$ 271,300	$ 152,944	$ 268,807
	$ 19,772	$ 43,093	$ 10,339	$ 54,916	$ 42,088	$ 54,932

Current maturities of long-term debt						
Long-term debt, net of current maturities	$ 788,010	$ 811,623	$ 1,066,548	$ 1,207,881	$ 337,622	$ 1,207,966
Total shareholders equity	$ 1,576,364	$ 1,425,231	$ 1,305,432	$ 1,080,117	$ 507,056	$ 1,102,170

(1) Includes the results of InvestorForce from the January 29, 2013 acquisition date.
(2) Includes the results of IPD from the November 30, 2012 acquisition date.
(3) Includes the results of RiskMetrics and Measurisk from the June 1, 2010 and July 30, 2010 acquisition dates, respectively.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Such risk and uncertainties include, but are not limited to, those identified below and those discussed in Part I, Item 1A. Risk Factors, within this Annual Report on Form 10-K.

Overview

We are a leading global provider of investment decision support tools, including indexes, 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 December 31, 2013, we had offices in 34 cities in 22 countries to help serve our diverse client base, with 52.6% of our revenue from clients in the Americas, 35.5% in Europe, the Middle East and Africa (EMEA) and 11.9% in Asia and Australia, based on revenues for the year ended December 31, 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 up-front. Additionally, our recurring subscriptions are increasingly related to our managed services offering whereby we oversee the production of risk and performance reports on behalf of our clients. Fees attributable to annual, recurring subscriptions are recorded as deferred revenues on our Consolidated Statement of Financial Condition and are recognized on our Consolidated Statement of Income as the service is rendered. Additionally, a portion of our revenues come from clients who use our indexes as the basis for index-linked investment products such as ETFs or as the basis for passively managed funds and separate accounts. These clients commonly pay us a license fee for the use of our intellectual property based on the investment product s assets. We generate a limited amount of our revenues from certain exchanges that use our indexes as the basis for futures and options contracts and pay us a license fee for the use of our intellectual property based on their volume of trades. We generate revenues from subscription agreements for the receipt of periodic benchmarks reports, digests, and other publications, which are most often associated with our products offered by IPD Group Limited (IPD), that are recognized upon delivery of such reports or data updates. We also receive revenues from one-time fees related to implementation, historical or customized reports, advisory and consulting services, overages relating to proxy research and voting services, licenses of historical data sales, 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 for the Company in total and by product category as well as operating profit growth. In addition, we focus on operating metrics, including Run Rates and retention rates, to manage the business. Our business is not highly capital intensive and, as such, we expect to continue to convert a high percentage of our operating profits into excess cash in the future. Our revenue growth strategy includes: (a) expanding and deepening our relationships with investment institutions worldwide; (b) developing new and enhancing existing product offerings, including combining existing product features or data derived from our products to create new products; and (c) actively seeking to acquire products, technologies and companies that will enhance, complement or expand our client base and our product offerings.

To maintain and accelerate our revenue and operating income growth, we expect to continue to invest in and expand our operating functions and infrastructure, including additional product management, sales and client support staff and facilities in locations around the world and additional staff and supporting technology for our research and our data operations and technology functions. At the same time, managing and controlling our operating expenses is very important to us and a distinct part of our culture.

The goal of these investments is to maximize our medium-term revenue and operating income growth, while at the same time ensuring that MSCI will remain a leading provider of investment decision support tools well into the future. As a result, the rate of growth of our investments may from time to time exceed that of our revenues, which would slow the growth of, or even reduce, our operating profit. For example, for the year ended December 31, 2013, our revenues grew by 9.0% but our operating income only grew by 7.1% compared to the year ended December 31, 2012 due, in part, to increased investment in the business. We anticipate that our increases in spending in areas such as sales, client service, information technology and product development in the year ending December 31, 2014 will continue to exceed the rate of growth of our revenues and will again slow the growth of our operating profit. However, we believe these investments will result in higher revenue and operating profit growth over the medium-term.

Operating Segments

We operate as two segments: the Performance and Risk business and the Governance business. See Note 14, Segment Information of the Notes to the Consolidated Financial Statements included herein for further information about MSCI s operating segments.

Our Performance and Risk business is a leading global provider of investment decision support tools, including equity indexes, real estate indexes and benchmarks, 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, regulatory and client reporting, index-linked investment product creation, asset allocation, the assessment of corporate management of ESG risks and opportunities, investment manager selection and investment research. The flagship products within our Performance and Risk business are our global equity indexes and ESG products marketed under the MSCI and MSCI ESG Research brands, our real estate indexes and analytics marketed under the IPD brand, our market and credit risk analytics marketed under the RiskMetrics and Barra brands, our performance reporting products and services offered to the investment consultant community marketed under the InvestorForce brand, our portfolio risk and performance analytics marketed under the Barra brand and our valuation models and risk management software for the energy and commodities markets marketed under the FEA brand.

Our Governance business is a leading provider of corporate governance products and 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 equity security coverage and fully integrated products and services, including proxy voting; policy creation, application and management; research; vote recommendations; vote execution; post-vote disclosure and reporting; and data and analytical tools. It also provides securities class action monitoring and claims filing services to aid institutional investors in the recovery of funds from securities class action settlements. 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 and executive compensation practices. The flagship products within our Governance business are our governance research, our 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 analysis services.

On October 31, 2013, we announced that we had 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.

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

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.

Key Financial Metrics and Drivers

Revenues

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

Index and ESG

This category includes subscription fees from MSCI equity index data and IPD and ESG research and analytics products, fees based on assets in investment products linked to our equity indexes, fees from non-recurring licenses of our equity index historical data and fees from real estate and custom indexes. We also generate a limited amount of revenues based on the trading volume of futures and options contracts linked to our indexes.

Clients typically subscribe to equity index data modules for use by a specified number of users at a particular location. Clients may select delivery from us or delivery via a third-party vendor. We are able to grow our revenues for data subscriptions by expanding the number of client users and their locations and the number of third-party vendors the client uses for delivery of our data modules. The increasing scope and complexity of a client s data requirements beyond standard data modules, such as requests for historical data or customized indexes, also provide opportunities for further revenue growth from an existing client. Clients who utilize our ESG research and analytics products and services pay an annual subscription fee and access these products and services via a web-based application, data feed or third-party vendor.

Revenues from our index-linked investment product licenses, such as ETFs, increase or decrease as a result of changes in value of the assets in the investment products. These changes in the value of the assets in the investment products can result from equity market price changes, investment inflows and outflows and changes in foreign currency exchange rates. In most cases, fees for these licenses are paid quarterly in arrears and are calculated by multiplying a negotiated basis point fee (which in some cases may be based on a product provider s total expense ratio) times the average daily assets in the investment product for the most recent period.

Risk Management Analytics Products

This category includes revenues from annual, recurring subscriptions to our risk management analytics products including our two major products, RiskManager and BarraOne. We have increasing recurring subscriptions to our managed services offering in which our staff oversee the production of risk and performance reports on behalf of our clients. Other products in this category include HedgePlatform, InterSight, DataMetrics, Wealthbench, Credit Manager and InvestorForce. The products offer a consistent risk assessment framework for managing and monitoring investments in a variety of asset classes across an organization. We are able to grow our revenues by licensing additional users and locations as well as selling additional products and services.

RiskManager is used by clients for daily analyzing, measuring and monitoring of market risk at fund and firm level, for sensitivity and stress testing, and interactive what-if analysis. RiskManager is a highly scalable platform accessed by clients via a license to a secure, interactive web-based application service, as a fully

outsourced risk reporting service or as a web service in which a client s systems access RiskMetrics core risk elements by connecting directly to our systems.

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BarraOne, powered by the Barra Integrated Model, provides clients with global, multi-asset class risk analysis using Barra fundamental factors. The product is accessed by clients via a secure, interactive web-based session, web services or on an outsourced basis.

Clients generally subscribe to the other products in this category on an annual recurring basis.

Portfolio Management Analytics

This category includes revenues from annual, recurring subscriptions to Barra Aegis and our proprietary risk data in Barra Aegis and Barra Portfolio Manager; Equity Models Direct products; and our proprietary equity risk data incorporated in third-party software application offerings (*e.g.,* Barra on Vendors). This category also includes revenues from annual, recurring subscriptions to our fixed income portfolio analytics products.

Barra Aegis is a sophisticated software application for equity risk management and portfolio analysis that is powered by our proprietary equity risk data. It is an integrated suite of equity investment analytics modules, specifically designed to help clients actively manage their equity risk against their expected returns, identify returns attributable to stock selection skills and back-test portfolio construction strategies over time. Barra Aegis also provides a factor-based performance attribution module, which allows clients to analyze realized returns relative to certain risk factors. A base subscription for use in portfolio analysis typically involves a subscription to Barra Aegis and various risk data modules. A client may add portfolio performance attribution, optimization tools, process automation tools or other features to its Barra Aegis subscription. By licensing the client to receive additional software modules and risk data, or increasing the number of permitted client users or client locations, we can increase our revenues per client further.

Barra Portfolio Manager is an integrated risk and performance platform that is designed to help fund managers and their teams gain additional portfolio insight, manage a more systematic investment process and make faster, more informed investment decisions. The hosted interactive user interface allows users to construct portfolios and back-test their strategies using the Barra Optimizer. It also allows users to decompose the risk and attribute the return of their portfolios according to Barra models. The platform supports optional data management services that allow users to outsource the loading and reconciliation of their portfolio and other proprietary data.

Our Barra Equity Models Direct risk data is distributed directly to clients who then integrate it into their own software applications or upload the risk data onto third-party applications. The proprietary risk data in Barra Equity Models Direct is also available via third-party vendors. A base subscription to our Equity Models Direct product provides equity risk data for a set fee that authorizes one to two users. By licensing the client to receive equity risk model data for additional countries, or increasing the number of permitted client users or client locations, we can further increase our revenues per client.

The Barra on Vendors product makes our proprietary risk data from our Equity Models Direct product available to clients via third party providers, such as FactSet Research Systems, Inc.

Energy and Commodity Analytics

Our energy and commodity analytics products consist of software applications which help users value and model physical assets and derivatives across a number of market segments including energy and commodity assets.

Governance

Our governance offerings consist of corporate governance products and services, including proxy research, data and analytics, recommendation and voting services for asset owners and asset managers, as well as data and advisory services for corporations. It also includes securities class action monitoring and claims filing services to aid institutional investors in the recovery of funds from securities class action settlements. The substantial majority of the revenues are annual, subscription-based revenues. The largest portion of our non-recurring revenues is included in this category as a result of advisory and consulting services and overages relating to the proxy research and voting services.

See Part I, Item 1. Business Business Segments, Products and Services for additional details regarding the products and services that we offer.

Operating Metrics

Run Rate

At the end of any period, we generally have subscription and investment product license agreements in place for a large portion of our total revenues for the following 12 months. We measure the fees related to these agreements and refer to this as our Run Rate. The Run Rate at a particular point in time represents the forward-looking revenues for the next 12 months from all subscriptions and investment product licenses we currently provide to our clients under renewable contracts or agreements assuming all contracts or agreements that come up for renewal are renewed and assuming then-current currency exchange rates. For any license where fees are linked to an investment product s assets or trading volume, the Run Rate calculation reflects for ETF fees, the market value on the last trading day of the period, and for non-ETF funds and futures and options, the most recent periodic fee earned under such license or subscription. The December 31, 2012 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 indexes;
- fluctuations in fees based on trading volumes of futures and options contracts linked to our indexes;
- fluctuations in the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;
- price changes;
- revenue recognition differences under U.S. GAAP;
- fluctuations in foreign exchange rates; and

the impact of acquisitions and dispositions.

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

	As of			Comparison of	
	December 31, 2013	December 31, 2012 (in thousands)	December 31, 2011	December 31, 2013 to 2012	December 31, 2012 to 2011
Run Rates					
Index and ESG products:					
Subscriptions	$ 371,511	$ 338,006	$ 269,780	9.9%	25.3%
Asset-based fees	158,305	127,072	119,706	24.6%	6.2%
Index and ESG products totals	529,816	465,078	389,486	13.9%	19.4%
Risk management analytics	290,655	262,108	250,967	10.9%	4.4%
Portfolio management analytics	103,125	109,836	118,354	(6.1%)	(7.2%)
Energy and commodity analytics	11,302	13,128	14,928	(13.9%)	(12.1%)
Governance	115,482	117,261	108,251	(1.5%)	8.3%
Total Run Rate	$ 1,050,380	$ 967,411	$ 881,986	8.6%	9.7%
Subscription total	$ 892,075	$ 840,339	$ 762,280	6.2%	10.2%
Asset-based fees total	158,305	127,072	119,706	24.6%	6.2%
Total Run Rate	$ 1,050,380	$ 967,411	$ 881,986	8.6%	9.7%

December 31, 2013 Compared to December 31, 2012

Total Run Rate grew by $83.0 million to $1,050.4 million as of December 31, 2013 compared to December 31, 2012. Total subscription Run Rate grew by $51.7 million to $892.1 million as of December 31, 2013 compared to December 31, 2012. Excluding the impact of the acquisition of Investor Force Holdings, Inc. (InvestorForce) as well as the disposition of the CFRA product line, total subscription Run Rate grew by $50.4 million as of December 31, 2013 compared to December 31, 2012.

Subscription Run Rate from the index and ESG products grew by $33.5 million to $371.5 million at December 31, 2013 relative to December 31, 2012, driven by growth in equity index benchmark and data products.

On October 2, 2012, The Vanguard Group, Inc. announced its decision to change the target benchmarks of 22 of its ETFs from MSCI s equity indexes (the Vanguard ETFs). As a result of this announcement, we excluded the $138.5 billion of assets in the 22 Vanguard ETFs linked to MSCI equity indexes as of December 31, 2012 for purposes of calculating the index and ESG asset-based fee Run Rate, which resulted in a decrease of $24.8 million. The average value of assets in the 22 Vanguard ETFs linked to MSCI equity indexes was $122.1 billion for the year ended December 31, 2012 compared to the total average value of assets in ETFs linked to MSCI equity indexes of $349.1 billion.

Asset-based fee Run Rate from index and ESG products increased by $31.2 million to $158.3 million at December 31, 2013 compared to December 31, 2012. The increase was primarily driven by inflows into and higher market performance by ETFs linked to MSCI indexes. The asset-based fee Run Rate at December 31, 2012 excludes the Vanguard ETFs that later switched benchmarks.

As of December 31, 2013, assets under management (AUM) in ETFs linked to MSCI indexes were $332.9 billion, down $69.4 billion, or 17.3%, compared to December 31, 2012. During the year ended December 31, 2013, MSCI-linked ETFs were impacted by market increases of $33.9 billion and net outflows of $103.3 billion. If the AUM related to those Vanguard ETFs which transitioned earlier in 2013 were excluded from the December 31, 2012 balance, AUM in ETFs linked to MSCI indexes would have risen $69.1 billion, or 26.2%, compared to December 31, 2012.

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Risk management analytics products Run Rate increased $28.5 million to $290.7 million at December 31, 2013 compared to December 31, 2012. Excluding the impact attributable to InvestorForce, Run Rate grew by $18.2 million. Run Rate continued to benefit from solid growth in the RiskManager and BarraOne products. Changes in foreign currency positively benefited Run Rate by $1.2 million compared to December 31, 2012.

Portfolio management analytics products Run Rate declined $6.7 million to $103.1 million at December 31, 2013 from December 31, 2012. Year-over-year Run Rate was negatively impacted, in part, by product swaps totaling $1.1 million and by changes in foreign currency exchange rates, which lowered Run Rate by an additional $2.4 million.

Energy and commodity analytics products Run Rate declined to $11.3 million at December 31, 2013, down $1.8 million from December 31, 2012.

Governance products Run Rate declined by $1.8 million to $115.5 million at December 31, 2013 compared to December 31, 2012. Excluding the impact of the sale of the CFRA product line from December 31, 2012, Run Rate grew by $7.2 million reflecting strong growth in the Run Rate of executive compensation data and analytics products and services.

December 31, 2012 Compared to December 31, 2011

Total Run Rate grew by $85.4 million to $967.4 million as of December 31, 2012 compared to December 31, 2011. The December 31, 2012 Run Rate includes $39.5 million that was associated with the IPD acquisition. The Run Rate for IPD was approximated using the trailing 12 months of revenues primarily adjusted for estimates for non-recurring sales, new sales, and cancellations. Excluding the impact of the acquisition of IPD, total Run Rate grew by $45.9 million. Total subscription Run Rate grew by $78.1 million to $840.3 million as of December 31, 2012 compared to December 31, 2011. Changes in foreign currency rates reduced Run Rate by $0.9 million as of December 31, 2012 relative to December 31, 2011.

Subscription Run Rate from the index and ESG products grew by $68.2 million to $338.0 million at December 31, 2012 relative to December 31, 2011. Excluding the impact of subscription Run Rate attributable to IPD products, the subscription Run Rate from index and ESG products grew by $28.7 million, driven by growth in equity index benchmark products and ESG products.

Asset-based fee Run Rate from index and ESG products increased by $7.4 million to $127.1 million at December 31, 2012 compared to December 31, 2011. The increase was primarily driven by higher overall levels of AUM in ETFs linked to MSCI indexes, partially offset by the loss of the Vanguard ETFs. Excluding the impact of the Vanguard ETFs at December 31, 2011, asset-based fee Run Rate would have grown by $25.4 million, or 25.0%.

As of December 31, 2012, AUM in ETFs linked to MSCI indexes were $402.3 billion, up $100.7 billion, or 33.4%, compared to December 31, 2011. During the year ended December 31, 2012, MSCI-linked ETFs were impacted by market increases of $44.1 billion and net inflows of $56.6 billion. Excluding the Vanguard ETFs, AUM in MSCI-linked ETFs would have been $263.8 billion, up $61.7 billion, or 30.6%, compared to December 31, 2011.

Risk management analytics products Run Rate increased $11.1 million to $262.1 million at December 31, 2012 compared to December 31, 2011. Run Rate continued to benefit from solid growth in the HedgePlatform and BarraOne products. Changes in foreign currency positively benefited Run Rate by $0.4 million compared to December 31, 2011.

Portfolio management analytics products Run Rate declined $8.5 million to $109.8 million at December 31, 2012 from December 31, 2011. Year-over-year Run Rate was negatively impacted, in part, by product swaps totaling $3.0 million and by changes in foreign currency exchange rates, which lowered Run Rate by an additional $1.9 million.

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Energy and commodity analytics products Run Rate declined to $13.1 million at December 31, 2012, down $1.8 million from December 31, 2011.

Governance products Run Rate increased $9.0 million to $117.3 million at December 31, 2012 compared to December 31, 2011, reflecting strong growth in the sales of our compensation data and analytics products, as well as gains in our institutional proxy research and voting products.

Changes in Run Rate between periods may be attributable to, among other things, increases from new subscriptions, decreases from cancellations, increases or decreases, as the case may be, from the change in the value of assets of investment products linked to MSCI indexes, the change in trading volumes of futures and options contracts linked to MSCI indexes, price changes, fluctuations in foreign exchange rates and the impact of acquisitions and dispositions.

Net New Recurring Subscription Sales

The following table sets forth our net new recurring subscription sales:

	For the Years Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
		(in thousands)	
New recurring subscription sales	$ 128,363	$ 118,865	$ 132,015
Subscription cancellations	(72,987)	(78,586)	(71,976)
Net new recurring subscription sales	$ 55,376	$ 40,279	$ 60,039

Retention Rates

Other key metrics are our Aggregate Retention Rate and Core Retention Rate, which are collectively referred to as Retention Rates. These metrics are important because subscription cancellations decrease our Run Rate and ultimately our operating revenues. The annual Aggregate Retention Rate represents the retained subscription Run Rate (beginning subscription Run Rate less actual cancels during the year) as a percentage of the subscription Run Rate at the beginning of the fiscal year. If a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation for purposes of calculating our Aggregate Retention Rate. Our Core Retention Rate is calculated in the same way as our Aggregate Retention Rate, except that the Core Retention Rate does not treat switches between products as a cancellation. Our Aggregate and Core Retention Rates are computed on a product-by-product basis. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction. We do not calculate Aggregate or Core Retention Rates for that portion of our Run Rate attributable to assets in investment products linked to our indexes or to trading volumes of futures and options contracts linked to our indexes. Aggregate and Core Retention Rates for a non-annual period reflect the annualization of the cancels recorded in the period.

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The following table sets forth our Aggregate Retention Rates by product category for the periods indicated for the years ended December 31, 2013, 2012 and 2011:

	Index and ESG	Risk Management Analytics	Portfolio Management Analytics	Energy and Commodity Analytics	Governance	Total
2013						
Qtr Ended March 31,	95.0%	93.5%	81.7%	90.1%	90.0%	92.1%
Qtr Ended June 30,	94.0%	92.5%	87.0%	86.0%	92.9%	92.3%
Qtr Ended September 30,	94.7%	92.3%	89.1%	80.2%	88.5%	92.2%
Qtr Ended December 31,	90.7%	87.2%	88.9%	54.5%	90.1%	88.7%
Year Ended December 31,	93.6%	91.4%	86.7%	77.7%	90.4%	91.3%
2012						
Qtr Ended March 31,	94.5%	93.9%	91.9%	90.2%	88.7%	93.0%
Qtr Ended June 30,	94.9%	90.0%	84.2%	85.5%	92.1%	91.0%
Qtr Ended September 30,	94.0%	88.5%	84.9%	76.6%	91.1%	90.0%
Qtr Ended December 31,	90.4%	84.4%	78.0%	60.4%	83.6%	84.9%
Year Ended December 31,	93.4%	89.0%	84.7%	78.1%	88.9%	89.7%
2011						
Qtr Ended March 31,	95.0%	94.2%	88.6%	76.9%	85.0%	91.8%
Qtr Ended June 30,	92.8%	92.2%	91.4%	88.8%	90.4%	91.9%
Qtr Ended September 30,	95.2%	92.1%	86.6%	89.3%	86.2%	91.3%
Qtr Ended December 31,	89.3%	80.8%	87.2%	75.0%	80.6%	84.5%
Year Ended December 31,	93.1%	89.5%	88.4%	82.5%	85.6%	89.8%

The following table sets forth our Core Retention Rates by product category for the periods indicated for the years ended December 31, 2013, 2012 and 2011:

	Index and ESG	Risk Management Analytics	Portfolio Management Analytics	Energy and Commodity Analytics	Governance	Total
2013						
Qtr Ended March 31,	95.0%	93.9%	82.8%	90.1%	90.2%	92.4%
Qtr Ended June 30,	94.1%	93.1%	87.5%	86.0%	92.9%	92.6%
Qtr Ended September 30,	94.8%	92.3%	90.3%	80.2%	88.5%	92.4%
Qtr Ended December 31,	90.9%	87.3%	90.1%	54.5%	90.1%	89.0%
Year Ended December 31,	93.7%	91.6%	87.7%	77.7%	90.4%	91.6%
2012						
Qtr Ended March 31,	94.6%	94.0%	92.2%	90.7%	88.7%	93.1%
Qtr Ended June 30,	95.0%	92.0%	87.0%	85.5%	92.2%	92.2%
Qtr Ended September 30,	94.0%	89.3%	86.5%	77.1%	91.2%	90.6%
Qtr Ended December 31,	90.5%	84.4%	83.6%	60.4%	83.8%	85.9%
Year Ended December 31,	93.5%	89.8%	87.3%	78.4%	89.0%	90.4%
2011						
Qtr Ended March 31,	95.2%	94.2%	89.9%	76.9%	85.0%	92.1%
Qtr Ended June 30,	92.8%	92.7%	93.2%	88.8%	90.4%	92.4%
Qtr Ended September 30,	95.2%	92.1%	88.3%	91.3%	86.3%	91.6%
Qtr Ended December 31,	89.3%	81.0%	88.3%	75.0%	80.6%	84.8%
Year Ended December 31,	93.1%	90.0%	89.9%	83.0%	85.6%	90.2%

The quarterly Retention Rates are calculated by annualizing the cancellations for which we have received a notice of termination or non-renewal during the quarter and we have determined that such notice evidences the client s final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Retention Rate for the quarter.

For example, in the fourth quarter of 2013, we recorded cancellations of $23.8 million. To derive the Aggregate Retention Rate for the fourth quarter, we annualized the actual cancellations during the quarter of $23.8 million to derive $95.0 million of annualized cancellations. This $95.0 million was then divided by the $840.3 million subscription Run Rate at the beginning of the year to derive a cancellation rate of 11.3%. The 11.3% was then subtracted from 100.0% to derive an Aggregate Retention Rate of 88.7% for the fourth quarter.

For the calculation of the Core Retention Rate the same methodology was used except the amount of cancellations in the quarter was reduced by the amount of product swaps. For example, in fourth quarter 2013 we had product swaps of $0.6 million which was subtracted from the $23.8 million of actual cancels to derive core cancels of $23.1 million. This $23.1 million was annualized to derive $92.6 million of annualized cancellations which was then divided by the $840.3 million subscription Run Rate at the beginning of the year to derive a cancellation rate of 11.0%. The 11.0% was then subtracted from 100.0% to derive the Core Retention Rate of 89.0% for the fourth quarter.

For the year ended December 31, 2013, 32.5% of our cancellations occurred in the fourth fiscal quarter. Historically, Retention Rates have generally been higher during the first three quarters and lower in the fourth fiscal quarter.

Expenses

We group our operating expenses into five categories:

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

Cost of Services

This category includes costs related to our research, data operations and technology, software engineering, product management and proxy research and voting functions. Costs in these areas include staff compensation and benefits, occupancy, market data fees, proxy voting fees, information technology and other miscellaneous costs. The largest expense in this category is compensation and benefits. As such, it generally contributes to a majority of our expense increases from period to period, reflecting compensation increases for current staff and increased staffing levels.

Selling, General and Administrative

This category includes compensation and benefits costs for our sales and marketing staff, and our finance, human resources, legal and compliance, information technology and corporate administration personnel. As with cost of services, the largest expense in this category is compensation and benefits. As such, it generally contributes to a majority of our expense increases from period to period, reflecting compensation increases for current staff and increased staffing levels. Other significant expenses were for occupancy, third-party consulting costs and information technology.

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Restructuring

During the year ended November 30, 2010, MSCI s management approved, committed to and initiated a plan to restructure the Company s operations due to its acquisition of RiskMetrics Group, LLC (formerly RiskMetrics Group, Inc., RiskMetrics). The plan was substantially completed by December 31, 2011. Restructuring included expenses associated with the elimination of overlapping positions and duplicative occupancy costs, the termination of overlapping vendor contracts and the discontinuance of the planned integration of a product into RiskMetrics standard product offering suite.

Amortization of Intangible Assets

Amortization of intangibles expense relates to the definite-lived intangible assets arising from the acquisitions of Barra, LLC (formerly Barra, Inc., Barra) in June 2004, RiskMetrics in June 2010, Measurisk, LLC (Measurisk) in July 2010, IPD in November 2012, and InvestorForce in January 2013, as well as capitalized software development costs. Our intangible assets consist of customer relationships, trademarks and trade names, technology and software, proprietary processes and data and non-competition agreements. We amortize definite-lived intangible assets over their estimated useful lives. Definite-lived intangible assets are tested for impairment when impairment indicators are present, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. No impairment of intangible assets has been identified during any of the periods presented. We have no indefinite-lived intangibles. The intangible assets have remaining useful lives ranging from one to 20 years.

Depreciation and amortization of property, equipment and leasehold improvements

This category consists of expenses related to depreciating or amortizing the cost of furniture and fixtures, computer and related equipment and leasehold improvements over the estimated useful life of the assets.

Other Expense (Income), net

This category consists primarily of interest we pay on our credit facilities, interest we collect on cash and short-term investments, foreign currency gains and losses as well as other non-operating income and expense items.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the periods presented. We believe the estimates and judgments upon which we rely are reasonable based upon information available to us at the time these estimates and judgments are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements will be affected. The accounting policies that reflect our more significant estimates and judgments and that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include revenue recognition, share-based compensation,