MSCI Inc.
Form 10-K
February 27, 2015
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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, 2014

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 30, 2014) was $5,241,587,917. 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 20, 2015, there were 127,233,209 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, 2015, 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, 2014

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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. Unless otherwise indicated, financial results, operating metrics and percentage changes reflect continuing operations, which have been adjusted to reflect the disposition of Institutional Shareholder Services Inc. (ISS).

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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. 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. Therefore, 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

For more than 40 years, MSCI s research-based models and methodologies have helped the world s leading investors build and manage better portfolios. Clients rely on our products and services for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research and can use our products to help design and implement their investment strategies. Our line of products and services includes indexes, analytical tools, data, real estate benchmarks and environmental, social and governance (ESG) research. MSCI serves 98 of the top 100 global asset managers, as ranked by P&I in December 2014. 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; and financial intermediaries, such as banks, broker-dealers, exchanges, custodians and investment consultants. As of December 31, 2014, we had approximately 6,700 clients across 87 countries. We had offices in 35 cities in 22 countries to help serve our diverse client base, with 51.0% of our revenues coming from clients in the Americas, 36.5% in Europe, the Middle East and Africa (EMEA) and 12.5% in Asia and Australia. See Clients below for an explanation of how we calculate our number of clients.

Our flagship products are the global equity indexes and ESG products marketed under the MSCI and MSCI ESG Research brands, the private real estate benchmarks marketed under the IPD brand, the portfolio risk and performance analytics covering global equity markets marketed under the Barra brand, the multi-asset class, market and credit risk analytics marketed under the RiskMetrics and Barra brands and the performance reporting products and services offered to the investment consultant community marketed under the InvestorForce brand. These investment decision support tools and products are used in many areas of the investment process, including portfolio construction and rebalancing, performance benchmarking and attribution, risk management and analysis, index-linked investment product creation, asset allocation, investment manager selection, investment research and assessment of social responsibility, environmental stewardship, the effects of climate change and corporate governance on investments.

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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, 2014, $801.2 million, or 80.4%, of our revenues was attributable to annual, recurring subscriptions. An additional $177.1 million, or 17.8%, of our revenues came from clients who use our indexes as the basis for index-linked investment products such as ETFs, 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 also generated 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 customized reports, advisory and consulting services and from certain products and services that are designed for one-time usage. These amounts totaled $18.4 million, or 1.8% of our revenues, for the year ended December 31, 2014.

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 number of authorized shares of class A common stock by the aggregate number of shares of class B common stock being eliminated, (iii) rename our 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 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 ISS, a pioneer in the development of policy-based proxy voting recommendations. 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 have 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. On April 30, 2014, we completed the sale of ISS which, together with the CFRA product line, made up our Governance segment.

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. Measurisk s products and clients are part of our Hedge Fund Risk Transparency Solutions products.

In November 2012, we acquired real estate performance measurement group IPD Group Limited (IPD), a leading provider of real estate performance analysis for funds, investors, managers, lenders and occupiers that offers a wide range of services including research, real estate risk management and performance attribution tools, 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, real estate 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 United States, 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.

In August 2014, we acquired Governance Holdings Co. (GMI Ratings), a provider of corporate governance research and ratings to institutional investors, banks, insurers, auditors, regulators and corporations seeking to incorporate ESG factors into risk assessment and decision-making. We believe this acquisition enhances our existing platform of ESG research and tools, allowing us to deliver a more comprehensive suite of ESG products and services to our clients. Revenues attributable to GMI Ratings product offerings are included in our index, real estate and ESG 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 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 ESG 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 in the following locations: Australia, Brazil, Canada, Cayman Islands, Chile, China, England, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Korea, Mexico, the Netherlands, the Philippines, Portugal, Scotland, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates and the United States.

Products and Services

Prior to March 31, 2014, we reported our financial results for two segments: the Performance and Risk business and the Governance business. These designations were made as the discrete operating results of these segments were reviewed by our chief operating decision maker, or CODM, for purposes of making operating decisions and assessing financial performance. On March 17, 2014, MSCI entered into a definitive agreement to sell ISS, which, together with the CFRA product line disposed of in March 2013, made up our Governance segment. As a result, we began operating and reporting as a single reportable segment. On April 30, 2014, we completed the sale of ISS.

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Our performance and risk products include indexes, portfolio risk and performance analytics, multi-asset class market analytics, various real estate products and ESG products. We also have product offerings in the areas of energy and commodity asset valuation analytics. Our products are generally comprised of proprietary index data, proprietary risk and analytics data, proprietary real estate 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, fixed income, 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 and performance 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, Real Estate 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, 2014, we calculated over 170,000 indexes daily.

In addition to delivering our products directly to our clients, as of December 31, 2014, there were more than 70 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 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. As of December 31, 2014, the MSCI Global Equity Indexes provided broad equity market coverage for over 80 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 Liquid Real Estate Indexes, MSCI EM Horizon, MSCI All Market Indexes, MSCI Cyclical Sectors Indexes and MSCI Defensive Sectors Indexes) to be used as the basis for financial products such as ETFs.

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MSCI Factor Indexes. The MSCI Factor Indexes 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, quality, yield, volatility, or momentum. Today, MSCI offers a wide array of such factor or alternative beta indexes, including the MSCI Minimum Volatility, single high capacity factor indexes (*e.g.*, MSCI Quality Tilt, Dividend Tilt, Size Tilt, Momentum Tilt, Volatility Tilt and Value Weighted Indexes) and high exposure factor indexes (*e.g.*, MSCI Minimum Volatility, Enhanced Value, Equal Weighted and High Dividend Yield) 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 has 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 regions.

MSCI Custom Indexes. In recent years we have significantly expanded our capabilities for calculating custom indexes. We currently calculate approximately 7,500 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 such as ETFs. The MSCI ESG Indexes include Sustainability Indexes that integrate ESG ratings using a Best-in-Class selection process; SRI (Socially Responsible Investment) Indexes that take into account certain values, norms or ethical standards; Environmental Indexes, including Low Carbon and Fossil Fuels Exclusion Indexes, and benchmarks that focus on alternative energy or clean technology; and Custom Indexes based on clients 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.

We offer GICS Direct, a joint product of MSCI and Standard & Poor s. GICS Direct is a database of approximately 44,000 active companies and more than 52,000 securities classified by sector, industry group, industry and sub-industry in accordance with proprietary GICS methodology.

Our ESG products include:

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.

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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 corporation s major social and environmental impacts with its core business operations, thereby identifying potential risks and opportunities for the company and its investors.

- *MSCI ESG GovernanceMetrics.* MSCI ESG GovernanceMetrics provides institutional investors with corporate governance research and data on over 6,000 public companies worldwide. Asset managers and asset owners can access company profiles, rankings and underlying governance and accounting metrics to satisfy client investment guidelines, enhance engagement activities, and manage potential portfolio risks.

Our real estate products include:

- *Portfolio Analysis Service (PAS).* PAS is a single platform for real estate risk management and performance attribution that analyzes the strengths and weaknesses of a real estate portfolio s performance relative to its benchmark. PAS provides portfolio management tools that are designed to assist in building effective real estate portfolios, allowing users to gain additional portfolio insight to help them make informed investment decisions. Performance attribution enables users to analyze the sources of portfolio risk and return on an absolute or relative basis. PAS has led the way in providing real estate investors with a granular understanding of the exposures and returns of their real estate portfolio, from the building to the fund level.

IPD benchmarking services offer rental income, property management, fund level and cost benchmarking and analysis. IPD benchmarking services and analysis reports are made available through the IPD Reporting Portal, an online reporting platform with a high level of data security. Additionally, IPD market publications provide key real estate market analysis on countries, regions, cities and sectors that help investors understand key trends and returns in global real estate markets.

- *IPD Global Intel*. IPD Global Intel is an extensive global databank that equips asset owners, researchers, strategists and portfolio and risk managers with data analytics to enhance their understanding of local and regional real estate performance and risks. IPD Global Intel comprises a consolidated set of global, regional, national, city and submarket indexes with breakdowns by property type. Drawing from actual performance data on more than 1,500 funds and 79,000 real estate assets, IPD Global Intel provides investors and managers an authoritative view of market trends, as well as actionable information on property markets for more than 30 countries.

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, fixed income, 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.

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Our risk management analytics products include:

RiskManager. RiskManager is an industry leader in VaR simulation and stress testing. Clients use RiskManager for daily analysis, 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, and is offered 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, 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, allows 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 service to allow computation of risk across their entire portfolio, while the confidential and proprietary nature of the underlying hedge fund holdings is maintained. HedgePlatform reports include statistics such as exposure (*e.g.*, long, short, net and gross), sensitivities, scenario analysis, stress tests and VaR analysis.

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 United States 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 extensive 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.

Energy and Commodity Analytics Products. Our energy and commodity analytics products comprise 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, primarily, 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.

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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. Our innovative approach to risk modeling, Systematic Equity Strategies (SES), facilitates 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:

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.

Barra Integrated Model (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:

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 regional equity models, including a North American Stochastic Model and a European Stochastic Model, the Europe Equity Model (EUE4) and two Asia-Pacific Equity Models (ASE1 and ASE2). 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 portfolio analytics products include:

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 analyze risk and return, conduct pre-trade what-if analysis across a number of scenarios and construct portfolios 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.

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 offers 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.

Growth Strategy

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 a limited number of our products, and we believe there are opportunities to sell additional 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.

Expand our client base. We seek to add new clients by increasing our sales efforts and by leveraging the increased marketing investments made during 2014. In recent years we have expanded our geographic presence to take advantage of the liberalization of markets in additional countries. For example, we opened new sales and client coverage offices in Santiago, Chile, Seoul, Korea and Taipei, Taiwan and expanded our sales presence in China and the Middle East. In 2014, we also significantly increased the number of client coverage personnel in the Philippines and India. We believe that these efforts have positioned us to continue to leverage our brand strength, product reach and access to the global investment community to attract new clients.

During 2014, we expanded our dedicated sales efforts with respect to new client segments, including smaller asset managers and hedge funds, financial advisors and insurance firms. We also focused on developing new products to meet their needs. We believe that these investments will enable us to continue to grow our client base within these client segments.

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 table below illustrates the growth trend with respect to the number of exchange listings of ETFs linked to MSCI equity indexes.

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Number of Exchange Listings of ETFs Linked to MSCI Equity Indexes

Region	As of December 31, 2014	December 31, 2013	December 31, 2012
Americas	239	190	186
EMEA	409	381	365
Asia	39	36	30
Total	687	607	581

Historical values of the assets in ETFs linked to our indexes are set forth in a table under Part II, Item 7. Management s Discussion and Analysis Results of Operations *Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013 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. We intend to:

Create innovative new product offerings and enhancements. In order to maintain and enhance our leadership position, we are focused on introducing 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 products will increase our competitiveness. For example, we have enhanced MSCI s risk and performance management analytics products by integrating ESG data and real estate information into these products.

Execute on investments to expand our capacity to design and develop new products. During 2014, pursuant to our enhanced investment plan, we increased 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 over time. Further 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.

OneMSCI strategy. MSCI clients are increasingly asking for more integrated and effective ways to manage performance and risk throughout their investment process. Our OneMSCI strategy will make it easier for them to select tools from our full product line that precisely fit their needs. We believe this strategy will continue to lead to greater efficiencies and innovation and generate additional revenue through higher retention rates and new sales. We have experienced recent success with our Factor Indexes, which are created by applying research insights from our portfolio management analytics product line to our equity indexes. During 2014, we also began focusing more efforts on offering integrated solutions by combining the way that we offer equity portfolio management capabilities and risk management analytics capabilities in order to target front and middle office functions within each client. In order to maximize the operating efficiencies offered by our OneMSCI strategy, we recently announced combined reporting lines for our risk management analytics and portfolio management analytics product lines. We believe that the initiatives we are pursuing through our OneMSCI strategy will prove beneficial to both MSCI and our clients and underlie our client growth and product development initiatives discussed above.

*Growth through acquisition*s. We intend to continue to seek to acquire products, technologies and companies, such as IPD, InvestorForce and GMI Ratings, 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.

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Competitive Advantages

We believe our competitive advantages include:

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. Additionally, many members of our product-building teams are former market participants who have been in the client s position. For the year ended December 31, 2014, we had an Aggregate Retention Rate of 93.0%. 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 these products become an integral part of our clients 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, MSCI ESG Research and MSCI ESG GovernanceMetrics brands; our portfolio risk and performance analytics covering global equity markets 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; and our private real estate benchmarks are marketed under the IPD 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 and multi-asset class market risk management.

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 80 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 class risk model covering equity markets and fixed income markets. As of December 31, 2014, our clients were located in 87 countries and many of them have a presence in multiple locations around the world. As of December 31, 2014, 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

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models to reflect the evolution of markets and to incorporate methodological advances into 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 aimed at increasing data access and integration features in our products and services. 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. Consistent with our open architecture approach, we believe this transparency benefits us and our clients.

Scalable application platforms. We will continue to invest 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 access in a cost-effective manner 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 and ESG 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 13 years of certain historical governance data, would be difficult and costly 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, 2014, we served approximately 6,700 clients across 87 countries worldwide, with 51.0% of revenues coming from clients in the Americas, 36.5% in EMEA and 12.5% 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 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 93.0% and 91.5% for the years ended December 31, 2014 and 2013, respectively. Our Core Retention Rates were 93.2% and 91.8% for the years ended December 31, 2014 and 2013, 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* below.

Revenues from our ten largest clients contributed a total of 25.8%, 25.1% and 27.0% of our total revenues for the years ended December 31, 2014, 2013 and 2012 respectively.

In the years ended December 31, 2014, 2013 and 2012, our largest client organization by revenue, BlackRock, Inc. and its affiliates (BlackRock), accounted for 10.6%, 9.7% and 8.5% of our operating revenues, respectively. For the years ended December 31, 2014, 2013 and 2012, 92.1%, 89.1% and 84.0%, respectively, 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 asset owners, chief investment officers, active and passive portfolio managers, ETF providers, and chief risk officers around the world. See Clients above. Our research and product management teams seek to understand our clients investment processes and needs in order to design tools that help clients understand the dimensions of performance and risk in their portfolios and make better-informed investment decisions.

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 625 seminars, webinars, conferences and workshops in various locations across the globe in fiscal 2014. 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 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 and through our public website and client portals. Our 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, 2014, our client coverage offices included approximately 250 sales people and 330 client support people worldwide. Of these, over 95 were located in our New York offices and over 80 were located in our London office. In the last few years we have expanded our sales efforts to increase our revenues and our client 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 Santiago, Chile, Seoul, Korea and Taipei, Taiwan and expanded our sales presence in China and the Middle East. In 2014, we also significantly increased the number of client coverage employees in the Philippines and India. 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 30 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. The roles and functions of our product development and production teams include:

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 2014, our index and portfolio and risk analytics researchers participated in numerous industry events and conferences, and their papers have been published in leading academic and industry journals. 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.

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 2014. 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. Our software and data resides on servers, networks and databases engineered and managed by our IT Infrastructure team, and operated and monitored by our IT Operations team. This technology suite resides in our global data centers in Nevada, U.S. and Geneva, Switzerland. Our 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 United States, Europe and Asia.

Our Competition

Many industry participants compete with us by offering one or more similar index products. Such products vary widely in scope, including by geographic region, business sector and risk category. Competitors in this business include FTSE International, Ltd. (a subsidiary of The London Stock Exchange Group PLC (the LSE)), Russell Investments (a subsidiary of the LSE), S&P Dow Jones Indices LLC (a joint venture company owned 27% by CME Group, Inc. and CME Group Services LLC and 73% by The McGraw-Hill Companies, Inc.), the Center for Research in Securities Prices (CRSP), EDHEC-Risk Institute, NYSE Euronext, DAX, STOXX Ltd., Bovespa, the Korea Stock Exchange, China Securities Index Co., Ltd., the Hang Seng Index, a strategic partnership between CME Group and Singapore Exchange Limited, Research Affiliates LLC, Morningstar, Inc., Nikkei Inc., Nomura Securities, Ltd., and the Tokyo Stock Exchange, Inc. There are also many smaller companies that create indexes primarily for use as the basis of ETFs. In addition, some investment institutions such as Wisdom Tree have created their own index products.

Our portfolio analytics products compete with offerings from a wide range of competitors, including 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. and Wilshire Analytics.

Our risk management analytics products compete with offerings from firms such as Algorithmics (a unit of IBM), Axioma, Barclays Capital, BlackRock Solutions, Bloomberg Finance L.P., FactSet, Imagine Software, KMV (a unit of Moody s Corporation), State Street Analytics 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.

We also have a variety of competitors for our other products that comprise a smaller portion of our revenues.

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, RiskMetrics, InvestorForce, IPD and FEA as trademarks or service marks in the United States and in certain foreign countries. We will continu 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 23 U.S. and foreign patents and have four U.S. 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 description 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 materially adversely affect our ability to protect our intellectual property rights* below.

Employees

We had 2,926 employees as of December 31, 2014 and 2,580 employees not related to the ISS operations as of December 31, 2013. As of December 31, 2014, 50.5% of our employees were located in emerging market centers compared to 46.2% of our employees, excluding those who left as part of the ISS disposition, as of December 31, 2013.

Government Regulation

The Company is subject to reporting, disclosure and recordkeeping obligations pursuant to SEC requirements. MSCI ESG Research Inc. is a registered investment adviser 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 MSCI ESG Research Inc. must comply with the applicable Australian Financial Services Authority. MSCI registered in 2012 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 our 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 (http://ir.msci.com).

We also use our Investor Relations homepage 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 subscribe to the notification service available through our website 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.

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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 on page 1 for a description of the types of statements that are considered 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, real estate, ESG and analytics 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. 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, 2014, 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, 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. 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 provision of data by one or more of our significant data suppliers or exclusion from, or restricted use of, or litigation in connection with, a data provider s information could decrease the information available 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.

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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, Inc. and its affiliates (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, 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 ETF managers.

Moreover, 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, and at least one large client has ceased using MSCI indexes as the basis for a significant number of its index funds in the past. In such instances, our asset-based fees could dramatically decrease, which could have a material adverse effect on our business, financial condition or results of operations. 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 use of the same index as the basis of the other type of product.

If we are required to offer clients materially lower asset-based fee percentages with respect to investment products that generate fees based on the assets of such products or our largest clients cease to use our indexes, our revenues could be negatively impacted, which could have a material adverse effect on our business, financial condition or results of operations.

Our revenues attributable to asset-based fees may be affected by changes in the capital markets, particularly the equity capital markets. A decrease in our revenues attributable to 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 17.8% and 16.4% of revenues for the fiscal years ended December 31, 2014 and 2013, respectively. These asset-based fees accounted for 47.6% and 43.6% of the revenues from our ten largest clients for the fiscal years ended December 31, 2014 and 2013, respectively. Volatile capital markets, as well as changing investment styles, among other factors, may influence an investor s decision to invest in and maintain an investment in an index-linked investment product. Accordingly, the value of assets in ETFs can fluctuate significantly over short periods of time. For example, as of December 31, 2014, the month-end value of assets in ETFs linked to MSCI equity indexes was $373.3 billion, which was 12.1% higher than the value of such assets as of December 31, 2013, and 1.2% lower than the value of such assets at September 30, 2014.

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, cyber-terrorism, natural disasters, power loss or computer viruses could impair our systems operations or interrupt their availability for extended periods of time. 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 adversely affected. For example, we have in recent years experienced 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. We have also experienced unanticipated interruption and delay in the performance and delivery of certain of our products after we migrated certain of our applications and infrastructure to new data centers and may experience such interruptions and delays in the future with respect to the migrations within existing data centers or to new data centers. In response to such issues, we have in the past and could again be required to provide service credits. We could also experience cancellations and reduced demand for our products and services, resulting in decreased revenues. We may also incur increased operating expenses to repair, replace or remediate systems, equipment or facilities, and to protect ourselves from and defend against such disruptions and attacks. Accordingly, any significant failures, disruptions or instability affecting our information technology platform, electronic delivery systems or the Internet may have a material adverse effect on our financial condition or results of operations.

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 client data, such as client portfolio data that may be provided to us or hosted on our systems, against unauthorized data access or disclosure. 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 may result in claims against us by our clients or regulatory inquiry or censure, which could, individually or in the aggregate, damage our reputation and/or have a material adverse effect on our business, financial condition or results of operations. If a failure of our internal controls, policies or procedures results in a security or data 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.

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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 equity 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.

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 specialized 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. Larger competitors may offer price incentives to expand their market share, and may also consolidate with one another or form joint ventures or other business arrangements, which could allow for a narrower pool of competitors that are better capitalized or that are able to gain a competitive advantage through synergies resulting from an expanded suite of products and services.

In addition, barriers to entry may be low in many of the markets for our products, including for single-purpose product companies. The Internet as a distribution channel has increasingly 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. See *Changes in government regulations, including implementation of new or pending financial regulations, could materially adversely affect our business, financial condition or results of operations Potential and Proposed Regulation Affecting Benchmarks* below.

Financial and budgetary pressures affecting our clients, including those resulting from weak or volatile economic conditions, may lead certain clients to reduce their overall spending on our products, including by seeking products at a lower cost than what we are able to provide, by consolidating their spending with fewer providers or by self-sourcing certain of their informational needs. Accordingly, competitive pressures may result in fewer clients, fewer subscriptions or investment product licenses, price reductions, and increased operating costs, such as for marketing and product development, which could, individually or in the aggregate, result 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 above.

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.

We operate in an industry that is characterized by rapid technological change and evolving industry standards. Due to the highly volatile and competitive nature of this industry 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 predict or respond or adapt to evolving technologies and changing industry standards, if we fail to 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 more competitive 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 contain undetected errors or fail to perform properly due to defects, malfunctions or similar problems, it could have a material adverse effect on our business, financial condition or results of operations* below.

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 materially adversely affected.

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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, 2014 and 2013, revenues from our ten largest clients accounted for 25.8% and 25.1% of our total revenues, respectively. Our revenue growth depends on our ability to obtain new clients and achieve and sustain a high level of renewal rates with respect to our existing subscription base. Failure of one or more of these subscription objectives could have a material adverse effect on our business, financial condition and operating results. For the fiscal year ended December 31, 2014, our largest client organization by revenue, BlackRock, accounted for 10.6% of our total revenues. For the fiscal years ended December 31, 2014 and 2013, 92.1% and 89.1%, respectively, of the revenue from BlackRock came from fees based on the assets in BlackRock s ETFs that are based on our indexes. If one or more 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. 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.

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. Failure to do so could limit our ability to maintain our current revenues, which could have a material adverse effect on our business, financial condition or results of operations* above.

We are dependent on key personnel in our professional staff for their expertise. If we fail to attract or 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 other 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, engage 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, enaging or retaining such personnel. If the compensation plans that we currently have in place, including our cash and equity incentive plans, do not adequately engage our key employees or are not competitive, we may lose key personnel. If we fail to attract, engage and retain the necessary qualified personnel, the quality of our products as well as our ability to support and retain our customers and achieve business objectives may suffer, which could have a material adverse effect on our business, financial condition or results of operations.

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

We must plan and manage our growth effectively to increase revenue and 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* below, *We are dependent on key personnel in our professional staff for their expertise* above, Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations below and Part I, Item 1. Business Company History above.

Changes in government regulations, including the implementation of new or pending financial 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 on 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. See *Our financial condition and results of operations may be negatively impacted to the extent that our clients are affected by adverse changes in the financial markets* below.

Investment Advisers Act. Except with respect to certain products provided by MSCI ESG Research Inc. and certain of its subsidiaries, we believe that our products do not constitute or provide investment advice as contemplated by the Investment Advisers Act of 1940 (Advisers Act). Future developments in our product line or changes to current laws, rules or regulations could cause this status to change. 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. It is possible that in addition to MSCI ESG Research and certain of its subsidiaries, other entities in our corporate family may be required to register as an investment adviser under the Advisers Act or comply with similar laws or requirements in states or foreign jurisdictions. For example, a subsidiary of MSCI ESG Research Inc. in Australia must comply with applicable Australian Financial Services Authority requirements.

We may also be materially 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 materially 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.

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Dodd-Frank Act. 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 existing and future 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. Additionally, following the global financial crisis, other jurisdictions outside the United States have adopted, or could in the future adopt, financial regulations affecting the financial services industry in those jurisdictions.

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 materially adversely 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 a 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 among 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 may license the benchmark and receive relevant price and data feeds and information regarding the composition, methodology and pricing of the benchmark for the purposes of clearing and trading. It is also expected that access to such information will have to be granted by the benchmark owner within three months of the request and on the same basis as it is provided to other trading venues unless a different basis can be objectively justified. Because final guidance on the relevant technical standards has not yet been issued by ESMA, it is difficult to predict its full effect on our index business. In the event that compliance with this regulation 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 a reasonable cost or at all, it 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. To the extent that ESMA issues new guidance or different or new interpretations with respect to the Guidelines, complying with such guidance could have a negative impact on our business and results of operations, including a material 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 for 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. To the extent that ESMA determines that the ESMA Principles include requirements for the benchmark administrators that are different from the IOSCO Principles (defined below) or to the extent that ESMA s review of the industry s implementation of the ESMA s Principles results in changes and complying with any such additional requirements or changes to the ESMA Principles 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, there could be 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. On July 16, 2014, we announced our implementation of the IOSCO Principles. To the extent that IOSCO s review of industry members implementation of the IOSCO Principles results in changes whereby complying with IOSCO Principles 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, there could be a material adverse effect on our equity and real estate index product lines.

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. Similarly, a number of our clients have obtained regulatory clearance to create indexes for use as the basis of ETFs that they manage. Additionally, 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. 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. 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.

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 materially adversely affect our ability to protect our intellectual property rights.

We consider many aspects of our products and processes to be proprietary. We rely primarily on a combination of trade secret, patent, copyright and trademark rights, as well as contractual protections and technical measures, to protect our products and processes. Despite our efforts, third parties may still try to challenge, invalidate or circumvent our rights and protections. There is no guarantee that any trade secret, patent, copyright or trademark rights that we may obtain will protect our competitive advantages, nor is there any assurance that our competitors will not infringe upon our rights. As we have experienced, even if we attempt to protect our intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that we will be successful. Furthermore, our competitors may also independently develop and patent or otherwise protect products and processes that are the same or similar to ours. In addition, the laws of certain foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the United States. 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 marks in the United States and in certain foreign countries. We have also registered other marks for certain products and services in the United States 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 23 U.S. and foreign patents. We currently have four U.S. 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 may not be able to determine with certainty whether misappropriation has occurred.

Likewise, 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 availability of remedies to us in the event of a breach may 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 United States 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, including implementation of new or pending financial 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 certain 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.

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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. If any of these risks materialize, 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-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, it could have a material adverse effect on our business, financial condition or results of operations.

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

Products we develop or license, including our indexes, 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 methodologies and 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 or publish a methodology, we might have to delay the product or index release for an extended period of time while we address the problem. We may 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, and in certain cases it may be impracticable to correct such errors. If undetected errors exist in our products or methodologies, or if our products fail to perform properly due to defects, malfunctions or similar problems, it 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 and/or unexpected expenses and diversion of resources to remedy or mitigate such errors. The realization of any of these events could materially adversely affect our business, financial condition or results of operations. Also see *We may become subject to liability based on the use of our products to support our clients investment processes* below.

Our business is dependent on our clients continued investment in equity securities as well as the measurement of the performance of our clients equity investments against equity benchmarks. If investment in equity markets declines, if our clients significantly reduce their investments in equity securities, or if they discontinue the use of equity benchmarks to measure performance, 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 equity portfolios. Volatility in equity markets over an extended period or other factors may lead to an overall decline in the viability of such markets, which could reduce new business opportunities for us and our clients. To the extent our clients significantly deemphasize equity securities in their investment strategies, the demand for our equity products would likely decrease, which could have a material adverse effect on our business, financial condition or results of operations.

Additionally, 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, including implementation of new or pending financial regulations, could materially adversely affect our business, financial condition or results of operations Potential and Proposed Regulation Affecting Benchmarks* above.

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Our financial condition and results of operations may be negatively impacted to the extent that our clients are affected by adverse changes in the financial markets.

Unfavorable changes in global or domestic financial market conditions may negatively impact the performance and financial viability of our clients, the majority of which are in the financial services industry. As a result, adverse financial market conditions could result in reduced demand for our products and services from our clients due to, among other things: the closure or consolidation of our clients; the inability of our customers to pay for products or services, including delayed payment or underpayment; prolonged selling and renewal cycles; and increased reserves for doubtful accounts and write-offs of accounts receivable.

If we are unable to successfully identify, execute and realize synergies from acquisitions, or if we experience integration, financing, or other risks resulting from our acquisitions, our financial results may be materially adversely affected.

An element of our growth strategy is growth through acquisitions. As we continue pursuing selective acquisitions to support our growth strategy, we seek to be a disciplined acquirer, and there can be no assurance that we will be able to identify suitable candidates for successful acquisition at acceptable prices. In addition, our ability to achieve the expected returns and synergies from our past and future acquisitions depends in part upon our ability to effectively integrate the offerings, technology, sales, administrative functions and personnel of these businesses into our business. We cannot assure you that we will be successful in integrating acquired businesses or that our acquired businesses will perform at the levels we anticipate. In addition, our past and future acquisitions may subject us to unanticipated risks or liabilities or disrupt our operations. 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 above.

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

Revenues from index-linked investment products represented 17.8% and 16.4% of operating revenues for the years ended December 31, 2014 and 2013, respectively. While a substantial portion of our fees for index-linked investment products are invoiced in U.S. dollars, the fees are based on the investment product s assets, a large majority of which are invested in securities denominated in currencies other than the U.S. dollar. Accordingly, declines in such other currencies against the U.S. dollar will decrease the fees payable to us under such licenses. In addition, declines in such currencies against the U.S. dollar could impact the attractiveness of such investment products resulting in net fund outflows, which would further reduce the fees payable under such licenses.

We generally invoice our clients in U.S. dollars; however, we invoice a portion of 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, 2014 and 2013, 14.3% and 15.1%, respectively, of our total revenues, including revenues attributable to income from discontinued operations, net of income taxes, were invoiced in currencies other than U.S. dollars. For the year ended December 31, 2014, 54.5% of our foreign currency revenues were in Euros, 23.8% were in British pounds sterling and 12.6% were in Japanese yen. 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.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately 43.1% and 42.8% of our total operating expenses, including operating expenses in income from discontinued operations, net of income taxes, for the years ended December 31, 2014 and 2013, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Indian rupees, Euros, Swiss francs, Hungarian forints, Hong Kong dollars and Mexican pesos. Expenses incurred in foreign currency may increase as we expand our business outside the United States.

We have certain monetary assets and liabilities denominated in currencies other than local functional amounts and when these balances were remeasured into their local functional currency, either a gain or a loss resulted from the change of the value of the functional currency as compared to the originating currencies. We manage foreign currency exchange rate risk, in part, through the use of derivative financial instruments comprised principally of forward contracts on foreign currency which are not designated as hedging instruments for accounting purposes. The objective of the derivative instruments is to minimize the income statement impact associated with intercompany loans that are denominated in certain foreign currencies. As a result of these positions, we recognized total foreign currency exchange losses of $3.0 million and $2.4 million for the years ended December 31, 2014 and 2013, 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.

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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 to support our clients investment processes.

Our products support the investment processes of our clients, which relate to, in the aggregate, trillions of dollars in assets. Use of our products as part of the investment process creates the risk that our clients, or the parties whose assets are managed by our clients, may pursue claims against us for very significant dollar amounts based on what may be alleged to be even a small error in certain of our products. 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 failure to provide services under our client contracts. However, these provisions do 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.

Claims against us, even if their 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 or pose a significant disruption to our normal business operations. In addition, the duration or outcome of such claims and lawsuits is difficult if not impossible to predict, which could further exacerbate the adverse effect they may have on our business operations.

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

On November 20, 2014, we completed a private offering of $800.0 million in aggregate principal amount of 5.250% Senior Notes due 2024 (the Notes) and entered into a new $200.0 million senior unsecured revolving credit agreement (our 2014 Revolving Credit Agreement). We used the net proceeds from the offering of the Notes, together with cash on hand, to prepay in full the $794.8 million of outstanding indebtedness under our amended and restated senior secured term loan facility. 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 our 2014 Revolving Credit Agreement and the Notes. As of December 31, 2014, we had $800.0 million of outstanding indebtedness under the Notes and $200.0 million of undrawn aggregate commitments under our 2014 Revolving Credit Agreement, which includes $25.0 million for the issuance of letters of credit. Any borrowings under our 2014 Revolving Credit Agreement may be voluntarily prepaid and reborrowed. However, the undrawn portion of the aggregate commitments is subject to an unused commitment fee.

The Notes and our 2014 Revolving Credit Agreement are fully and unconditionally, and jointly and severally, guaranteed by our direct or indirect wholly-owned domestic subsidiaries that account for more than 5% of our and our subsidiaries consolidated assets, other than certain excluded subsidiaries (the subsidiary guarantors). Amounts due under our 2014 Revolving Credit Agreement are our and the subsidiary guarantors senior unsecured obligations and rank equally with the Notes and any of our other unsecured, unsubordinated debt, senior to any of our subordinated debt and effectively subordinated to our secured debt to the extent of the assets securing such debt. Our 2014 Revolving Credit Agreement and the indenture dated as of November 20,

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2014 (the Indenture governing our Notes) among us, each of the subsidiary guarantors, and Wells Fargo Bank, National Association, as trustee, contain 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. In addition, the Indenture governing our Notes restricts our non-guarantor subsidiaries ability to create, assume, incur or guarantee additional indebtedness without such non-guarantor subsidiaries guaranteeing the Notes on a *pari passu* basis.

Our 2014 Revolving Credit Agreement also requires us to comply with the following two financial ratio maintenance covenants, which are tested at least quarterly on a rolling four-quarter basis: (i) our maximum consolidated leverage ratio must not exceed 3.75:1.00 and (ii) our minimum consolidated interest coverage ratio must be at least 4.00:1.00. Under the terms of our 2014 Revolving Credit Agreement, certain increases (or decreases) in our consolidated leverage ratio may result in an increase (or decrease) in the fees applicable to (i) outstanding borrowings under such facility and (ii) undrawn commitments under such facility, in each case, in a predetermined percentage amount (the applicable margin). If we experience, as of a scheduled quarterly test date, an increase in our consolidated leverage ratio above a threshold amount specified in our 2014 Revolving Credit Agreement, the interest rates on our outstanding borrowings and/or the fee rate on our unused commitments will rise by the applicable margin. Consequently, any increase in our consolidated leverage ratio could result in higher debt service costs under such facility, even if we do not have borrowings outstanding under such facility. In addition, our 2014 Revolving Credit Agreement and the Indenture governing our Notes contain certain affirmative covenants. Any of these restrictions may interfere with our ability to obtain financings and to engage in business activities, which could have a material adverse effect on our business, financial condition or results of operations.

We may be able to incur substantial additional indebtedness. This could further exacerbate the risks described above.

We may need to incur additional indebtedness, including secured indebtedness, in the future in the ordinary course of business. The terms of our 2014 Revolving Credit Agreement and the Indenture governing our Notes restrict, but do not completely prohibit, us from doing so. Our 2014 Revolving Credit Agreement provides for an incremental facility that allows us to increase aggregate commitments by an additional $200.0 million under certain circumstances. In addition, the Indenture governing our Notes allows us to issue additional Notes under certain circumstances. Accordingly, we may be able to incur substantial additional debt from time to time, under our existing debt agreements and otherwise, to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of indebtedness could increase. Specifically, a high level of indebtedness could, among other things:

- require us to dedicate a substantial portion of our cash flows from operations or proceeds of any equity issuance or additional debt incurrence to payments on our indebtedness, reducing the availability of our cash flow to fund working capital, capital expenditures, dividend payments, development activity, acquisitions and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the markets in which we operate;
- make us more vulnerable to increases in interest rates, as borrowings under our 2014 Revolving Credit Agreement are at variable rates;
- limit our ability to obtain additional financing in the future for working capital or other purposes, such as raising the funds necessary to repurchase all the Notes tendered to us upon the occurrence of specified changes of control in our ownership;

- increase our interest expense;
- make it difficult for us to optimally capitalize and manage the cash flow for our business; and
- place us at a competitive disadvantage compared to our competitors that have less indebtedness.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of such agreements, which could result in an acceleration of repayment.

If we are unable to comply with the restrictions and covenants in our 2014 Revolving Credit Agreement and the Indenture governing our Notes, there could be a default under the terms of these debt agreements. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond our control including prevailing economic, financial and industry conditions. As a result, there can be no assurance that we will be able to comply with these restrictions and covenants or meet such financial ratios and tests, and any such default under our debt agreements could have a material adverse effect on our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities.

Additionally, if certain events of default occur, continue or remain uncured under our debt agreements, we are required to repurchase, redeem, repay or prepay, as the case may be, the debt under such agreement prior to maturity and/or such debt could become accelerated and immediately due and payable. For example, upon the occurrence of specified changes of control in our ownership, the holders of the Notes have the right to compel us to repurchase all or part of the Notes in cash at a price equal to 101.0% of the aggregate principal amount to be repurchased plus accrued interest. Additionally, the holders of the Notes may, in connection with certain events of default, accelerate the principal amount of the Notes, together with accrued and unpaid interest, and declare the same to be due and payable after giving the required notice. Likewise, under our 2014 Revolving Credit Agreement, the lenders may, in connection with certain events of default, elect to terminate borrowing commitments and declare all outstanding borrowings, together with accrued and unpaid interest and other fees, to be due and payable.

Our debt agreements also contain cross-default or cross-acceleration provisions, pursuant to which a default is deemed to have occurred under such agreement if a default or acceleration occurs under another debt agreement. For example, our 2014 Revolving Credit Agreement and the Indenture governing our Notes contain cross-default provisions relating to nonpayment by us or any of our subsidiaries in connection with debt aggregating $50.0 million or more (subject to certain cure periods). If any of the above events should occur, we and our subsidiaries may not have sufficient assets to repay in full all of our outstanding indebtedness. Additionally, we may not be able to amend our debt agreements or obtain needed waivers on satisfactory terms.

To service our indebtedness, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control. If we are unable to generate a sufficient amount of cash, our financial condition and results of operations could be negatively impacted.

Our ability to make payments on our indebtedness and to fund planned capital expenditures depends on our ability to generate cash in the future, which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control. We cannot assure you that we will maintain cash flows sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Our business may not generate sufficient cash flow from operations and we may not have available to us future borrowings in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. In these circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. However, we may not be able to secure additional financing on terms favorable or acceptable to us or at all. 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.

Absent sufficient cash flow and the ability to refinance, we could also be forced to sell assets to make up for any shortfall in our payment obligations. However, the terms of our 2014 Revolving Credit Agreement and the Indenture governing our Notes limit our and our subsidiaries ability to sell assets and also restrict the use of proceeds from such a sale. Accordingly, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations on our indebtedness.

Increased costs of financing, a reduction in the availability of short-term and long-term funding and access to capital, fluctuations in the levels of interest rates and inflation or a downgrade of our credit rating, could materially adversely affect our liquidity, operating expenses and results.

At December 31, 2014, we had no borrowings outstanding under our 2014 Revolving Credit Agreement and all of our outstanding long-term debt was subject to a fixed interest rate. Adverse conditions in the domestic and global financial markets could, however, increase our costs for additional financing and negatively affect our ability to refinance, repurchase, redeem, repay or prepay, as the case may be, our debt at or prior to maturity, raise capital or fund other types of obligations. Our access to capital is also impacted by changes in interest rates and inflation, which could restrict the availability to us of short-term and long-term funding. Recent interest rates in the United States have been at historically low levels, and any increase in these rates could increase our interest expense and reduce our funds available for operations and other purposes with respect to newly incurred debt, or borrowings, if any, under our 2014 Revolving Credit Agreement. Additionally, any downgrades to our credit rating or outlook may increase the cost, and reduce the availability, of financing.

If we borrow under our 2014 Revolving Credit Agreement, such indebtedness would bear 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. Increases in the interest rate generally, and particularly when coupled with any significant variable rate indebtedness, could materially adversely impact our interest expenses. To the extent we borrow under our 2014 Revolving Credit Agreement, we are not required to enter into interest rate swaps to hedge such indebtedness. If we decide not to enter into hedges on such indebtedness, our interest expense on such indebtedness will fluctuate based on LIBOR or other variable interest rates. Consequently, we may have difficulties servicing such unhedged indebtedness and funding our other fixed costs, and our available cash flow for general corporate requirements may be materially adversely affected.

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.

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 seamlessly provide clients with products and customer service. We must protect our equipment and the information stored in our computer-based networks and databases against fires, floods, earthquakes and other natural disasters, as well as power losses, computer and telecommunications failures, technological breakdowns, Internet failures, computer viruses, unauthorized intrusions, terrorist attacks on sites where we are located, and other events. We also depend on accessible physical office facilities and hardware for our employees in order for our operations to function properly. There can be 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. Additionally, we may incur significant data recovery costs following any such event, and the scope of recovery will depend on, among other things, the effectiveness of our business continuity plans in mitigating the risks associated with the particular event that has occurred.

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 materially 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, customs duties, sanctions compliance, tax penalties, levies or assessments and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability in certain of the countries or regions in which we conduct operations. 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 emerging market locations. 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 ESG 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) and the U.K. Bribery Act 2010. 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.

Our brand and reputation are key assets and competitive advantages of our company and our business may be affected by how we are perceived in the marketplace.

Our ability to attract and retain customers is affected by external perceptions of our brand and reputation. Negative perceptions or publicity could damage our reputation with customers, prospects and the public generally, which could negatively impact, among other things, our ability to attract and retain customers, employees and suppliers, as well as suitable candidates for acquisition and or other combinations. See also *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* above, *We have confidentiality policies in place regarding changes to the composition of our equity 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* above and *If our products contain undetected errors or fail to perform properly due to defects, malfunctions or similar problems, it could have a material adverse effect on our business, financial condition or results of operation* above.

We may have exposure to additional tax liabilities in various jurisdictions.

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.

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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.

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 $1,998.5 million recorded on our balance sheet as of December 31, 2014. 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 materially adversely affect 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.

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 Securities Exchange Act of 1934, as amended, requires that we file annual, quarterly and current reports with respect to our business and financial conditions and the Sarbanes Oxley Act of 2002 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, including implementation of new or pending financial 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.

The market price of our common stock is likely to fluctuate in the future for a variety of factors, some of which are beyond our control. One possible outcome of such fluctuation could be a decline in the value of your investment. 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;

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- 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;
- changes in our dividend policy or stock repurchase program;
- 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 United States, 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, 2014, 112,072,469 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, 2014, we had issued 6,377,840 and 159,194 shares of common stock under the MSCI Amended and Restated 2007 Equity Incentive Compensation Plan and MSCI Independent

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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 Plan and RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan (collectively, the RMG Plans). As of December 31, 2014, we had issued 3,667,188 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, 2014, we had issued 2,023,798 shares of common stock under the RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan, which terminated on June 30, 2012. See Note 10, 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.

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We may not be able to maintain payments of dividends at current levels and the failure to do so may negatively affect the market price of our common stock.

On September 17, 2014, our Board of Directors approved a plan to initiate a regular quarterly cash dividend to our shareholders. We paid our first quarterly dividend on October 31, 2014 and our Board of Directors declared our second quarterly dividend on February 3, 3015, which is to be paid on March 13, 2015 to shareholders of record as of the close of trading on February 20, 2015, in each case, in an amount of $0.18 per share of common stock. Although we plan to continue to pay such regular quarterly dividends at an anticipated initial aggregate annual dividend rate of $0.72 per share, there can be no assurance that we will be able to continue to do so or that we will achieve an annual dividend rate in any particular amount. Our Board of Directors may, in its discretion, decrease the level of dividends or entirely discontinue the payment of dividends at any time if it deems such action to be in the best interests of the Company and our shareholders.

Our cash dividend policy is based upon our Board of Directors assessment of our financial condition and the general business environment in which we operate at the time of declaration. Any future declaration and payment of cash dividends to our shareholders depends on the assessment of a number of factors, some of which are beyond our control, and a change in any one or more factors could affect our dividend policy. These factors include: our results of operations and liquidity; future prospects for earnings and cash flows; our available cash on hand and anticipated cash needs; the level and timing of capital expenditures, principal repayments and other capital needs; our ability to comply with current or future financial and negative covenants that limit our ability to pay dividends and make certain other restricted payments (including the incurrence covenants contained in our 2014 Revolving Credit Agreement and the Indenture governing our Notes); tax treatment of dividends in the United States; legal restrictions on the payment of dividends and other provisions of law in any applicable jurisdiction; and any other factors that our Board of Directors may deem relevant in light of the prevailing conditions at the time of such assessment. As a result, we can give no assurance that we will in the future choose or be able to declare or pay a cash dividend, maintain our current level of dividends or increase them over time. Our failure to declare or pay a dividend, a reduction in the level of such dividend or the discontinuance of such dividend could materially adversely affect the market price of our common stock.

The share repurchase programs approved by our board of directors may not result in enhanced value to shareholders and may negatively affect our share price.

On February 4, 2014, our Board of Directors approved a stock repurchase program authorizing the purchase of up to $300.0 million worth of shares of our common stock, which was subsequently increased to $850.0 million (the 2014 Repurchase Program). Share repurchases made pursuant to the 2014 Repurchase Program may take place through December 31, 2016 in the open market or in privately negotiated transactions from time to time based on market and other conditions. Pursuant to the 2014 Repurchase Program, on September 18, 2014, we entered into a $300.0 million accelerated share repurchase (ASR) agreement with Goldman Sachs & Co. (GS&Co.) under which, on September 19, 2014, we paid GS&Co. $300.0 million in cash and received approximately 4.5 million shares of our common stock. The total number of shares to be repurchased will be based primarily on an arithmetic average of the volume-weighted average prices of our common stock on each trading day during the repurchase period. This average price will be capped such that only under limited circumstances will we be required to deliver shares or pay cash at settlement. We may receive from GS&Co. additional shares at or prior to maturity of this ASR agreement in May 2015.

The 2014 Repurchase Program carries risks and uncertainties, including, among other things, that the authorized purchases will not be completed within the expected timing or will not be made at the best possible price. Additionally, we are permitted to, and may, discontinue the 2014 Repurchase Program at any time, including, without limitation, upon determining that we have insufficient cash flows to continue to execute such program. Any such discontinuation or inability to continue to execute the 2014 Repurchase Program could cause the market price of our common stock to decline. Accordingly, there can be no assurance that we will pursue or be successful in completing the execution of the remaining $550.0 million authorized under the 2014 Repurchase Program or any future repurchase program. Additionally, the existence of a share repurchase program could cause the market price

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of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our shares. As a result, any repurchase program may not ultimately result in enhanced value to our shareholders and may not prove to be the best use of our cash resources.

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

Nothing required to be disclosed.

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, 2014, our principal offices consisted of the following leased properties:

Location	Square Feet	Number of Offices	Expiration Date
Mumbai, India	173,081	2	December 7, 2017 and September 30, 2018
New York, New York	125,811	1	February 28, 2033
Budapest, Hungary	44,225	1	January 29, 2024
London, England	40,935	1	January 28, 2022
Berkeley, California	34,178	1	February 29, 2020
Monterrey, Mexico	28,933	1	December 31, 2020
Norman, Oklahoma	23,664	1	May 31, 2024
Manila, Philippines	20,904	1	February 28, 2019
Conshohocken, Pennsylvania	15,590	1	June 30, 2019
Boston, Massachusetts	13,506	1	November 30, 2021
Geneva, Switzerland	11,883	1	March 31, 2019
Beijing, China	10,757	1	December 31, 2016

As of December 31, 2014, we also leased and occupied sales and client support offices in the following locations: Hong Kong, China; Chicago, Illinois; Frankfurt, Germany; Shanghai, China; San Francisco, California; Sydney, Australia; Tokyo, Japan; Ann Arbor, Michigan; Portland, Maine; Toronto, Canada; Singapore; Almere, Netherlands; Paris, France; Johannesburg, South Africa; Gaithersburg, Massachusetts; Cape Town, South Africa; Milan, Italy; Stockholm, Sweden; Sao Paolo, Brazil; Dubai, United Arab Emirates; Taipei, Taiwan; Santiago, Chile; and Seoul, Korea.

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 us in the ordinary course of business. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainty that exists. Therefore, it is possible that our business, operating results, financial condition or cash flows in a particular period could be materially adversely 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 our 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 20, 2015, there were 138 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, 2013 through December 31, 2014.

Years Ended	High	Low
December 31, 2014		
First Quarter	$ 46.27	$ 40.28
Second Quarter	$ 45.85	$ 40.54
Third Quarter	$ 48.98	$ 43.90
Fourth Quarter	$ 48.92	$ 42.20
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

On February 20, 2015, the per share closing price of our common stock on the New York Stock Exchange was $58.03.

Dividend Policy

On September 17, 2014, the Board of Directors approved a plan to initiate a regular quarterly cash dividend. We expect the initial annual dividend rate to be $0.72 per share. Accordingly, the Board of Directors declared a quarterly dividend of $0.18 per share of common stock, which was paid on October 31, 2014 to shareholders of record as of the close of trading on October 15, 2014.

On February 3, 2015, the Board of Directors declared a quarterly dividend of $0.18 per share of common stock to be paid on March 13, 2015 to shareholders of record as of the close of trading on February 20, 2015.

The payment amounts of 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.

The Transfer Agent and Registrar for our common stock is Broadridge Financial 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 $140,000 each in stock units and the lead director is entitled to an additional $25,000 in stock units, which are typically subject to a one-year vesting schedule. Under the MSCI Inc. Director Deferral Plan, directors may elect to defer receipt of all or any portion of any shares of our common stock issuable upon conversion of any stock unit or any retainer elected to be paid in shares of our common stock until (i) 60 days following separation of service or (ii) the earlier of a specified date or 60 days following separation of service. 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 9, 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 April 9, 2018.

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.

The following table sets forth certain information with respect to our equity compensation plans at December 31, 2014:

	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]	27,447	$ 41.71	313,359
MSCI Amended and Restated 2007 Equity Incentive Compensation Plan	2,235,511	$ 31.06	6,022,848
RiskMetrics Group, Inc. 2000 Stock Option Plan		$	
RiskMetrics Group, Inc. 2004 Stock Option Plan	159,727	$ 15.92	
RiskMetrics Group, Inc. 2007 Omnibus Incentive Compensation Plan	268,556	$ 23.07	
Total	2,691,241	$ 29.47	6,336,207

(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 share repurchases aggregating $100.0 million (the December 2012 ASR Agreement). As a result of the December 2012 ASR Agreement, we received 2.2 million shares on December 14, 2012 and 0.8 million shares on July 31, 2013 for a combined average purchase price of $33.47 per share.

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

On February 6, 2014, MSCI utilized the remaining repurchase authorization provided by the 2012 Repurchase Program by entering into a third ASR agreement to initiate share repurchases aggregating $100.0 million (the February 2014 ASR Agreement). As a result of the February 2014 ASR Agreement, the Company received 1.7 million shares on February 7, 2014 and 0.6 million shares on May 5, 2014 for a combined average purchase price of $43.10 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 (the 2014 Repurchase Program). On September 17, 2014, the Board of Directors increased the approval under the 2014 Repurchase Program from $300.0 million to $850.0 million. Share repurchases made pursuant to 2014 Repurchase Program may take place through December 31, 2016 in the open market or in privately negotiated transactions from time to time based on market and other conditions. This authorization may be modified, suspended, terminated or extended by the Board of Directors at any time without prior notice.

On September 18, 2014, as part of the 2014 Repurchase Program, the Company entered into a fourth ASR agreement to initiate share repurchases aggregating $300.0 million (the September 2014 ASR Agreement). As a result of the September 2014 ASR Agreement, on September 19, 2014, the Company paid $300.0 million in cash and received approximately 4.5 million shares of MSCI s common stock. The total number of shares to be repurchased will be based primarily on an arithmetic average of the volume-weighted average prices of our common stock on each trading day during the repurchase period. This average price will be capped such that only under limited circumstances will the Company be required to deliver shares or pay cash at settlement. The Company may also receive additional shares at or prior to maturity of the September 2014 ASR Agreement in May 2015.

The $300.0 million payment for the September 2014 ASR Agreement was split and recorded as a $210.0 million increase to Treasury stock and a $90.0 million decrease to Additional paid in capital on the Company s Consolidated Statement of Financial Condition to reflect the initial estimate of the value of shares received.

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, 2014. 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, 2014-October 31, 2014)	1,763	$ 45.70		$ 550,000,000
Month #2 (November 1, 2014-November 30, 2014)	1,337	$ 48.50		$ 550,000,000
Month #3 (December 1, 2014-December 31, 2014)	2,424	$ 47.01		$ 550,000,000
Total	5,524	$ 46.95		$ 550,000,000

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(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 and (ii) shares held in treasury under the MSCI Inc. Director Deferral Plan. 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 for further information regarding our stock repurchase program.

Recent Sales of Unregistered Securities.

None.

Use of Proceeds from Sale of Registered Securities

None.

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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, 2009 assuming an investment of $100 at the closing price on November 30, 2009. 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 to be 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 Securities Exchange Act of 1934, 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, 2014	December 31, 2013	December 31, 2012	December 31, 2011	November 30, 2010
MSCI Inc.	$ 156	$ 143	$ 102	$ 108	$ 112
S&P 500	$ 188	$ 169	$ 130	$ 115	$ 108
NYSE Composite Index	$ 153	$ 147	$ 119	$ 105	$ 105

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

Our selected consolidated financial data for the periods presented should be read in conjunction with 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.

The selected Consolidated Statement of Income data for the years ended December 31, 2014, 2013 and 2012 and the selected Consolidated Statement of Financial Condition data as of December 31, 2014 and 2013 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, 2014, 2013 and 2012 have been audited and reported upon by an independent registered public accounting firm in each period. The selected Consolidated Statement of Income data for the years ended December 31, 2011 and November 30, 2010 and for the one month ended December 31, 2010 and the selected Consolidated Statement of Financial Condition data as of December 31, 2012, 2011 and 2010 and November 30, 2010 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

The presentation and numbers below have been adjusted to reflect the disposition of ISS and CFRA and the revision related to certain income tax amounts. See Note 1, Introduction and Basis of Presentation *Organization* and *Revision* of the Notes to the Consolidated Financial Statements included herein for further information.

The selected financial information presented below may not be indicative of our future performance.

	As of or for the					
	Years Ended					One Month Ended
	December 31, 2014 (1)	December 31, 2013 (2)	December 31, 2012 (3)	December 31, 2011	November 30, 2010(4)	December 31, 2010
	(in thousands, except operating margin and per share data)					
Operating revenues	$ 996,680	$ 913,364	$ 826,990	$ 781,355	$ 604,307	$ 61,841
Total operating expenses	659,514	573,033	508,755	484,193	406,629	38,993
Operating income	337,166	340,331	318,235	297,162	197,678	22,848
Other expense (income), net	28,828	27,503	57,434	59,592	51,341	5,758
Provision for income taxes	109,396	112,918	96,010	78,634	58,492	5,238
Income from continuing operations	198,942	199,910	164,791	158,936	87,845	11,852
Income from discontinued operations, net of income taxes	85,171	22,647	19,447	14,518	4,325	1,972
Net income	$ 284,113	$ 222,557	$ 184,238	$ 173,454	$ 92,170	$ 13,824
Operating margin	33.8%	37.3%	38.5%	38.0%	32.7%	36.9%
Earnings per basic common share from continuing operations	$ 1.72	$ 1.66	$ 1.34	$ 1.31	$ 0.78	$ 0.10
Earnings per basic common share from discontinued operations	0.73	0.19	0.16	0.12	0.04	0.01
Earnings per basic common share	$ 2.45	$ 1.85	$ 1.50	$ 1.43	$ 0.82	$ 0.11
Earnings per diluted common share from continuing operations	$ 1.70	$ 1.64	$ 1.32	$ 1.29	$ 0.77	$ 0.10
Earnings per diluted common share from discontinued operations	0.73	0.19	0.16	0.12	0.04	0.01
Earnings per diluted common share	$ 2.43	$ 1.83	$ 1.48	$ 1.41	$ 0.81	$ 0.11

Weighted average shares outstanding used in computing earnings per share						
Basic	115,737	120,100	122,023	120,717	112,074	119,943
Diluted	116,706	121,074	123,204	122,276	113,357	121,803

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	As of or for the					
	Years Ended					One Month Ended
	December 31, 2014 [(1)]	December 31, 2013 [(2)]	December 31, 2012 [(3)]	December 31, 2011	November 30, 2010[(4)]	December 31, 2010
	(in thousands, except operating margin and per share data)					
Dividends declared per common share	$ 0.18	$	$	$	$	$
Cash and cash equivalents	$ 508,799	$ 358,434	$ 183,309	$ 252,211	$ 226,575	$ 269,423
Short-term investments	$	$	$ 70,898	$ 140,490	$ 73,891	$ 72,817
Accounts receivable (net of allowances)	$ 178,717	$ 169,490	$ 153,557	$ 180,566	$ 147,662	$ 137,988
Goodwill and intangible assets, net of accumulated amortization	$ 1,998,532	$ 2,408,871	$ 2,438,827	$ 2,367,809	$ 2,437,264	$ 2,431,700
Total assets	$ 2,894,175	$ 3,136,115	$ 3,021,953	$ 3,095,310	$ 3,025,480	$ 3,059,795
Deferred revenue	$ 310,775	$ 319,735	$ 308,022	$ 289,217	$ 271,300	$ 268,807
Current maturities of long-term debt	$	$ 19,772	$ 43,093	$ 10,339	$ 54,916	$ 54,932
Long-term debt, net of current maturities	$ 800,000	$ 788,010	$ 811,623	$ 1,066,548	$ 1,207,881	$ 1,207,966
Total shareholders equity	$ 1,432,833	$ 1,564,347	$ 1,413,950	$ 1,294,151	$ 1,068,836	$ 1,090,889

(1) Includes the results of GMI Ratings from the August 11, 2014 acquisition date.
(2) Includes the results of InvestorForce from the January 29, 2013 acquisition date.
(3) Includes the results of IPD from the November 30, 2012 acquisition date.
(4) 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 described below. Such risks and uncertainties include, but are not limited to, those identified below and those described in Item 1A. Risk Factors, within this Annual Report on Form 10-K.

Overview

For more than 40 years, MSCI s research-based models and methodologies have helped the world s leading investors build and manage better portfolios. Clients rely on our products and services for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research and can use our products to help design and implement their investment strategies. Our line of products and services includes indexes, analytical tools, data, real estate benchmarks and environmental, social and governance (ESG) research. MSCI serves 98 of the top 100 global asset managers, as ranked by P&I in December 2014. 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; and financial intermediaries such as banks, broker-dealers, exchanges, custodians and investment consultants. They 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. As of December 31, 2014, we had offices in 35 cities in 22 countries to help serve our diverse client base, with 51.0% of our revenues coming from clients in the Americas, 36.5% in Europe, the Middle East and Africa (EMEA) and 12.5% in Asia and Australia.

Prior to March 31, 2014, MSCI reported financial results for two segments: the Performance and Risk business and the Governance business. On March 17, 2014, MSCI entered into a definitive agreement to sell ISS, which, together with the CFRA product line disposed of in March 2013, made up the Company s Governance segment. As a result, beginning in the first quarter of 2014, the Company began operating and reporting as a single business segment. On April 30, 2014, we completed the sale of ISS.

Our principal sales model is to license annual, recurring subscriptions to our products and services for use at specified locations, often by a given number of users or for a certain volume of services, for an annual fee paid up-front. Additionally, our recurring subscriptions include 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 comes 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 and from certain products and services that are designed for one-time usage.

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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 have significantly invested in and expanded 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 (the Enhanced Investment Program).

The purpose of this Enhanced Investment Program 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 into the future. As a result, the rate of growth of our investments have, in recent years, exceeded that of our revenues, which has slowed the growth of, or even reduced, our operating profit. For example, for the year ended December 31, 2014, our revenues grew by 9.1% but our operating income decreased by 0.9% compared to the year ended December 31, 2013 due, in part, to increased investment in our business. We have largely completed our Enhanced Investment Program and, as a result, we expect margin expansion to begin in the second half of 2015, exclusive of any non-recurring charges we may incur.

Changes in Presentation

Prior to March 31, 2014, we reported financial results for two segments: the Performance and Risk business and the Governance business. On March 17, 2014, we entered into a definitive agreement to sell Institutional Shareholder Services Inc. which, together with the CFRA product line disposed of in March 2013, made up our Governance segment. As a result, beginning in the first quarter of 2014, we began operating and reporting as a single reportable segment, and the operating results of ISS and the CFRA product line were reported as discontinued operations for all periods presented. We completed the sale of ISS on April 30, 2014.

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

Key Financial Metrics and Drivers

Revenues

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

Index, Real Estate and ESG Products

Our index, real estate and ESG products 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 products. We also generate a limited amount of revenues based on the trading volume of futures and options contracts linked to our indexes.

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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. Additionally, revenues from our index-linked futures and options contracts vary based on the volume of trading.

Risk Management Analytics Products

Our risk management analytics product category includes revenues from annual, recurring subscriptions to our risk management analytics products, including our two major products, RiskManager and BarraOne. We also recognize recurring subscriptions related to our managed services offering in which our staff oversees the production of risk and performance reports on behalf of our clients. Other products in this category include HedgePlatform, 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 analysis, measuring and monitoring of market risk at fund and firm levels, 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.

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 Products

Our portfolio management analytics product 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 a limited amount of 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. 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.

See Item 1. Business Business Segments, Products and Services above for additional details of 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 total revenues for the following 12 months. We measure the fees related to these agreements and refer to this as Run Rate. The Run Rate at a particular point in time represents the forward-looking revenues for the next 12 months from then-current subscriptions and investment product licenses we provide to our clients under renewable contracts or agreements assuming all contracts or agreements that come up for renewal are renewed and assuming then-current currency exchange rates. For any license where fees are linked to an investment product s assets or trading volume, the Run Rate calculation reflects, for ETF fees, the market value on the last trading day of the period, and for non-ETF funds and futures and options, the most recent periodic fee earned under such license or subscription. The Run Rate does not include fees associated with one-time and other non-recurring transactions. In addition, we remove from the Run Rate the fees associated with any subscription or investment product license agreement with respect to which we have received a notice of termination or non-renewal during the period and determined that such notice evidences the client s final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date.

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

- revenues associated with new subscriptions and non-recurring sales;

- modifications, cancellations and non-renewals of existing agreements, subject to specified notice requirements;

- fluctuations in asset-based fees, which may result from changes in certain investment products total expense ratios, market movements, including foreign currency exchange rate changes, or from investment inflows into and outflows from investment products linked to our indexes;

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fluctuations in fees based on trading volumes of futures and options contracts linked to our indexes;

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

price changes;

revenue recognition differences under U.S. GAAP, including timing of implementation and report deliveries;

fluctuations in foreign currency exchange rates; and

the impact of acquisitions and dispositions.

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 currency exchange rates and the impact of acquisitions and dispositions.

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

	December 31, 2014	December 31, 2013	December 31, 2012	Comparison of December 31, 2014 to 2013	December 31, 2013 to 2012
		(in thousands)			
Run Rates					
Index, real estate and ESG products:					
Subscriptions	$ 414,490	$ 371,511	$ 338,006	11.6%	9.9%
Asset-based fees	174,558	158,305	127,072	10.3%	24.6%
Index, real estate and ESG products totals	589,048	529,816	465,078	11.2%	13.9%
Risk management analytics	310,339	301,957	275,236	2.8%	9.7%
Portfolio management analytics	107,338	103,125	109,836	4.1%	(6.1%)
Total Run Rate	$ 1,006,725	$ 934,898	$ 850,150	7.7%	10.0%
Subscription total	$ 832,167	$ 776,593	$ 723,078	7.2%	7.4%
Asset-based fees total	174,558	158,305	127,072	10.3%	24.6%
Total Run Rate	$ 1,006,725	$ 934,898	$ 850,150	7.7%	10.0%

December 31, 2014 Compared to December 31, 2013

Total Run Rate grew by 7.7% to $1,006.7 million as of December 31, 2014 compared to December 31, 2013. Total subscription Run Rate grew by 7.2% to $832.2 million as of December 31, 2014 compared to December 31, 2013. Excluding the impact of foreign currency exchange rate changes and the acquisition of GMI Ratings, subscription Run Rate grew by 8.1%.

Run Rate attributable to index, real estate and ESG products grew by 11.2% to $589.0 million. Subscription Run Rate from index, real estate and ESG products grew by 11.6%, to $414.5 million. Excluding the impact of foreign currency exchange rate changes and the acquisition of GMI Ratings, subscription Run Rate rose 10.9%. The growth in index, real estate and ESG products was driven primarily by equity index benchmark and data products, and aided by strong growth in ESG and real estate products.

Asset-based fee Run Rate from index, real estate and ESG products increased 10.3% to $174.6 million at December 31, 2014 compared to December 31, 2013. The increase was primarily driven by inflows into ETFs linked to MSCI indexes and non-ETF passive funds.

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As of December 31, 2014, the value of assets in ETFs linked to MSCI equity indexes was $373.3 billion, representing an increase of 12.1% from $332.9 billion as of December 31, 2013. Of the $373.3 billion of assets in ETFs linked to MSCI equity indexes as of December 31, 2014, 50.8% were linked to indexes related to developed markets outside of the U.S., 23.5% were linked to emerging market indexes, 20.0% were linked to U.S. market indexes and 5.7% were linked to other global indexes.

Risk management analytics products Run Rate increased 2.8% to $310.3 million at December 31, 2014 compared to December 31, 2013. Excluding the impact of foreign currency rate changes, Run Rate increased 5.4%, driven by growth from RiskManager, InvestorForce and HedgePlatform products.

Portfolio management analytics products Run Rate increased 4.1% to $107.3 million at December 31, 2014 from December 31, 2013. Excluding the impact of changes in foreign currency exchange rates, Run Rate grew by 5.9%.

December 31, 2013 Compared to December 31, 2012

Total Run Rate grew by 10.0% to $934.9 million as of December 31, 2013 compared to December 31, 2012. Total subscription Run Rate grew by 7.4% to $776.6 million as of December 31, 2013 compared to December 31, 2012. Excluding the impact of the acquisition of InvestorForce, total subscription Run Rate grew by 6.0% as of December 31, 2013 compared to December 31, 2012.

Subscription Run Rate from the index, real estate and ESG products grew by 9.9% 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, real estate 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, real estate and ESG products increased by 24.6% 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.

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.

Risk management analytics products Run Rate increased 9.7% to $302.0 million at December 31, 2013 compared to December 31, 2012. Excluding the impact attributable to InvestorForce, Run Rate grew by 6.0%. Run Rate continued to benefit from solid growth in the RiskManager and BarraOne products. Changes in foreign currency exchange rates positively benefited Run Rate by $1.2 million compared to December 31, 2012.

Portfolio management analytics products Run Rate declined 6.1% 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.

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Subscription Sales

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

	For the Years Ended		
	December 31, 2014	December 31, 2013 (in thousands)	December 31, 2012
New recurring subscription sales	$ 117,643	$ 110,981	$ 98,136
Subscription cancellations	(54,655)	(62,572)	(66,549)
Net new recurring subscription sales	$ 62,988	$ 48,409	$ 31,587
Non-recurring sales	$ 20,170	$ 17,908	$ 13,885

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.

The following table sets forth our Aggregate Retention Rates by product category for the periods indicated for the years ended December 31, 2014, 2013 and 2012:

	Index, Real Estate and ESG	Risk Management Analytics	Portfolio Management Analytics	Total
2014				
Qtr Ended March 31,	94.9%	91.0%	90.6%	92.8%
Qtr Ended June 30,	94.1%	91.6%	94.8%	93.2%
Qtr Ended September 30,	95.1%	94.4%	93.6%	94.6%
Qtr Ended December 31,	93.0%	88.6%	93.2%	91.3%
Year Ended December 31,	94.2%	91.4%	93.0%	93.0%
2013				
Qtr Ended March 31,	95.0%	93.4%	81.7%	92.4%
Qtr Ended June 30,	94.0%	92.2%	87.0%	92.3%
Qtr Ended September 30,	94.7%	91.7%	89.1%	92.7%
Qtr Ended December 31,	90.7%	85.7%	88.9%	88.5%
Year Ended December 31,	93.6%	90.8%	86.7%	91.5%

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	Index, Real Estate and ESG	Risk Management Analytics	Portfolio Management Analytics	Total
2012				
Qtr Ended March 31,	94.5%	93.7%	91.9%	93.7%
Qtr Ended June 30,	94.9%	89.8%	84.2%	90.9%
Qtr Ended September 30,	94.0%	87.9%	84.9%	89.8%
Qtr Ended December 31,	90.4%	83.0%	78.0%	85.2%
Year Ended December 31,	93.4%	88.4%	84.7%	89.8%

The following table sets forth our Core Retention Rates by product category for the periods indicated for the years ended December 31, 2014, 2013 and 2012:

	Index, Real Estate and ESG	Risk Management Analytics	Portfolio Management Analytics	Total
2014				
Qtr Ended March 31,	94.9%	91.0%	93.4%	93.2%
Qtr Ended June 30,	94.1%	91.6%	95.8%	93.3%
Qtr Ended September 30,	95.2%	94.6%	94.8%	94.9%
Qtr Ended December 31,	93.2%	89.2%	93.4%	91.7%
Year Ended December 31,	94.2%	91.6%	94.3%	93.2%
2013				
Qtr Ended March 31,	95.0%	93.7%	82.8%	92.7%
Qtr Ended June 30,	94.1%	92.8%	87.5%	92.6%
Qtr Ended September 30,	94.8%	91.7%	90.3%	92.9%
Qtr Ended December 31,	90.9%	85.8%	90.1%	88.8%
Year Ended December 31,	93.7%	91.0%	87.7%	91.8%
2012				
Qtr Ended March 31,	94.6%	93.8%	92.2%	93.8%
Qtr Ended June 30,	95.0%	91.7%	87.0%	92.2%
Qtr Ended September 30,	94.0%	88.6%	86.5%	90.5%
Qtr Ended December 31,	90.5%	83.1%	83.6%	85.2%
Year Ended December 31,	93.5%	89.1%	87.3%	90.6%

The quarterly Retention Rates are calculated by annualizing the actual cancellations recorded during the quarter. 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 2014, we recorded cancellations of $17.0 million. To derive the Aggregate Retention Rate for the fourth quarter, we annualized the actual cancellations during the quarter of $17.0 million to derive $68.1 million of annualized cancellations. This $68.1 million was then divided by the $776.6 million subscription Run Rate at the beginning of the year to derive a cancellation rate of 8.7%. The 8.7% was then subtracted from 100.0% to derive an Aggregate Retention Rate of 91.3% 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 2014 we had product swaps of $0.7 million which was subtracted from the $17.0 million of actual cancels to derive core cancels of $16.3 million. This $16.3 million was annualized to derive $65.2 million of annualized cancellations which was then divided by the $776.6 million subscription Run Rate at the beginning of the year to derive a cancellation rate of 8.3%. The 8.3% was then subtracted from 100.0% to derive the Core Retention Rate of 91.7% for the fourth quarter.

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For the year ended December 31, 2014, 31.1% of our cancellations occurred in the fourth quarter. Historically, Retention Rates have generally been higher during the first three quarters and lower in the fourth quarter, as the fourth quarter is traditionally the largest renewal period in the year.

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 and product management functions. Costs in these areas include staff compensation and benefits, occupancy, market data 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, among other things, 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.

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, 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 acquisition of Barra, Inc. (Barra) in June 2004, RiskMetrics in June 2010, Measurisk, LLC (Measurisk) in July 2010, IPD Group Limited (IPD) in November 2012, Investor Force Holdings, Inc. (InvestorForce) in January 2013 and Governance Holdings Co. (GMI Ratings) in August 2014, 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.

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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 outstanding indebtedness, interest we collect on cash and short-term investments, transition services income associated with our sale of ISS, foreign currency exchange rate 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 (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. See Note 1, Introduction and Basis of Presentation *Significant Accounting Policies,* of the Notes to the Consolidated Financial Statements included herein for a listing of our accounting policies.

Factors Affecting the Comparability of Results

Acquisition of GMI Ratings

On August 11, 2014, we completed the acquisition of GMI Ratings for $15.5 million through our subsidiary MSCI ESG Research Inc. GMI Ratings is a provider of corporate governance research and ratings on over 6,000 companies worldwide. Clients of GMI Ratings include leading institutional investors, banks, insurers, auditors, regulators and corporations seeking to incorporate ESG factors into risk assessment and decision-making.

As of December 31, 2014, the preliminary purchase price allocations for the GMI Ratings acquisition were $9.9 million for goodwill, $3.6 million for identifiable intangible assets, $6.7 million for assets other than identifiable intangible assets and $4.7 million for other liabilities. The results of GMI Ratings were included in our results of operations from its acquisition date of August 11, 2014. The GMI Ratings acquisition has not had a significant impact on our results of operations.

Acquisition of InvestorForce

On January 29, 2013, we acquired InvestorForce to enhance our position as a leader in performance analysis and risk transparency and to further our goal of providing investment decision support tools to institutional investors across all client segments and asset classes. See Note 8, Goodwill and Intangible Assets of the Notes to the Consolidated Financial Statements for further information. The results of InvestorForce were included in our results of operations from its acquisition date of January 29, 2013. The InvestorForce acquisition has not had a significant impact on our results of operations.

Acquisition of IPD

On November 30, 2012, we acquired IPD to expand our multi-asset class offering by integrating private real estate assets into its models, as well as adding a family of real estate benchmarks to our family of equity indexes. See Note 8, Goodwill and Intangible Assets of the Notes to the Consolidated Financial Statements for further information. The results of IPD were included in our results of operations from its acquisition date of November 30, 2012. The IPD acquisition has not had a significant impact on our results of operations.

Term Loan and Senior Notes Offerings

On June 1, 2010, we entered into a senior secured credit facility (the 2010 Credit Facility). On March 14, 2011, we completed the repricing of the 2010 Credit Facility pursuant to Amendment No. 2 to the 2010 Credit Facility. On May 4, 2012, we amended and restated our 2010 Credit Facility (the credit agreement as so amended and restated, the Amended and Restated Credit Facility). The Amended and Restated Credit Facility provided for the incurrence of a new senior secured five-year Term Loan A Facility in an aggregate amount of $880.0 million (the 2012 Term Loan) and a $100.0 million senior secured revolving facility (the 2012 Revolving Credit Facility). The Amended and Restated Credit Facility also amended certain negative covenants, including financial covenants.

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

On December 12, 2013, we entered into an agreement that extended the maturity of the Amended and Restated Credit Facility from May 2017 to December 2018 (the 2013 Amended and Restated Credit Facility). We also amended the amortization schedule of required debt payments under the 2012 Term Loan. Pursuant to the 2013 Amended and Restated Credit Facility, we were required to repay $5.1 million in quarterly payments over the first two years and $10.1 million in quarterly payments over the following three years, with the exception of the final payment in December 2018, which was to be $658.1 million.

On November 20, 2014, we completed our private offering of $800.0 million in aggregate principal amount of 5.25% senior unsecured notes due 2024 (the Senior Notes) and also entered into a new $200.0 million senior unsecured revolving credit agreement (the 2014 Revolving Credit Agreement) by and among MSCI, as borrower, certain of its subsidiaries, as guarantors (the subsidiary guarantors), the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent. We used the net proceeds from the offering of the Senior Notes, together with cash on hand, to prepay in full the $794.8 million of outstanding indebtedness under the 2013 Amended and Restated Credit Facility.

Interest on the Senior Notes accrues at a fixed rate of 5.25% per annum and is payable semiannually in arrears on May 15 and November 15 of each year, commencing May 15, 2015; we will make interest payments to holders of record of the Senior Notes on the immediately preceding May 1 and November 1.

Share 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 our first accelerated share repurchase (ASR) agreement to initiate share repurchases aggregating $100.0 million (the December 2012 ASR Agreement). As a result of the December 2012 ASR Agreement, we received 2.2 million shares on December 14, 2012 and 0.8 million shares on July 31, 2013 for a combined average purchase price of $33.47 per share.

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

On February 6, 2014, we utilized the remaining repurchase authorization provided by the 2012 Repurchase Program by entering into a third ASR agreement to initiate share repurchases aggregating $100.0 million (the February 2014 ASR Agreement). As a result of the February 2014 ASR Agreement, we received 1.7 million shares on February 7, 2014 and 0.6 million shares on May 5, 2014 for a combined average purchase price of $43.10 per share.

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On February 4, 2014, our Board of Directors approved a stock repurchase program authorizing the purchase of up to $300.0 million worth of shares of our common stock, which was subsequently increased to $850.0 million (the 2014 Repurchase Program). Share repurchases made pursuant to the 2014 Repurchase Program may take place through December 31, 2016 in the open market or in privately negotiated transactions from time to time based on market and other conditions.

On September 18, 2014, as part of the 2014 Repurchase Program, we entered into a fourth ASR agreement to initiate share repurchases aggregating $300.0 million (the September 2014 ASR Agreement). As a result of the September 2014 ASR Agreement, on September 19, 2014, we paid $300.0 million in cash and received approximately 4.5 million shares of MSCI s common stock. The total number of shares to be repurchased will be based primarily on an arithmetic average of the volume-weighted average prices of our common stock on each trading day during the repurchase period. This average price will be capped such that only under limited circumstances will we be required to deliver shares or pay cash at settlement. We may also receive additional shares at or prior to maturity of the September 2014 ASR Agreement in May 2015t>

Exercised

(665

)

16.63

Cancelled

(36

)

30.53

Outstanding at Sept. 30, 2010	
	4,969
	27.05
	6.37
$	
	52,000
Exercisable at Sept. 30, 2010	
	3,451

26.41

5.33

$

38,308

For the nine months ended September 30, 2010, cash received from the exercise of stock options was $11 million and the income tax benefit realized from the exercise of stock options was $3 million. As of September 30, 2010, the total remaining unrecognized compensation cost related to stock options approximated $8 million, which will be amortized over the weighted-average period of approximately 1.4 years.

Additional information pertaining to stock option activity is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands, except per share)	**2010**	**2009**	**2010**	**2009**
Weighted average grant date fair value of stock options granted (per share)	$	$	$ 8.41	$ 6.36
Total intrinsic value of stock options exercised	$ 4,617	$ 2,071	$ 11,430	$ 2,448

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Restricted Shares of Common Stock:

The Company has granted shares of restricted common stock to certain key employees. The restricted shares are subject to cliff vesting, generally for five years provided the employee remains in the service of the Company. The fair value of the restricted stock is determined based upon the number of shares granted and the quoted price of the Company s stock at the date of the grant. Expense recognized for the three and nine months ended September 30, 2010 was $0.5 million and $2.4 million, respectively, as compared to $1.1 million and $2.3 million in the comparable prior year periods.

The following table summarizes restricted share activity for the nine months ended September 30, 2010:

(shares in thousands)	Number of Restricted Shares	Weighted Average Fair Value
Non-vested at December 31, 2009	235	$ 29.60
Granted	30	30.86
Vested	(76)	28.90
Cancelled	(5)	31.02
Non-vested at Sept. 30, 2010	184	30.05

As of September 30, 2010, the total remaining unrecognized compensation cost related to restricted stock was $3 million, which will be amortized on a weighted-average basis over approximately 2.3 years.

8. Net Periodic Benefit Cost

For detailed information about the Company s pension and postretirement benefit plans, please refer to Note 9 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

The following sets forth the components of net periodic benefit cost of the US and non-US defined benefit pension plans for the three and nine months ended September 30, 2010 and 2009:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	US Plans		Non-US Plans		US Plans		Non-US Plans	
(in millions)	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	$ 0.9	$ 0.8	$ 0.7	$ 0.5	$ 2.6	$ 2.4	$ 1.9	$ 1.4
Interest cost	1.2	1.1	2.0	1.8	3.5	3.4	5.9	5.1
Expected return on plan assets	(1.2)	(1.0)	(2.2)	(1.9)	(3.5)	(3.0)	(6.5)	(5.4)
Amortization of net actuarial loss	0.3	0.4	0.1		0.9	1.2	0.3	0.1
		0.1	0.1	0.1	0.1	0.2	0.4	0.3

Amortization of prior service cost																
Net pension cost	$	1.2	$	1.4	$	0.7	$	0.5	$	3.6	$	4.2	$	2.0	$	1.5

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The Company currently anticipates that it will make approximately $16 million in cash contributions to its pension plans in 2010, consisting of $8 million to its US pension plans and $8 million to its non-US pension plans. For the nine months ended September 30, 2010, payments of $8 million and $6 million have been made to the US plans and non-US plans, respectively.

The following sets forth the components of net postretirement benefit cost for the three and nine months ended September 30, 2010 and 2009:

(in millions)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Service cost	$ 0.6	$ 0.5	$ 1.8	$ 1.5
Interest cost	1.0	0.9	3.0	2.8
Amortization of prior service cost		0.1	0.1	0.1
Amortization of net actuarial loss	0.2	0.2	0.6	0.5
Net postretirement benefit cost	$ 1.8	$ 1.7	$ 5.5	$ 4.9

9. Inventories

Inventories are summarized as follows:

(in millions)	At September 30, 2010	At December 31, 2009
Finished and in process	$ 181	$ 176
Raw materials	171	150
Manufacturing supplies and other	67	68
Total inventories	$ 419	$ 394

10. Expiration of Put Option

The Company had an agreement with certain common stockholders (collectively the holder), relating to 500,000 shares of the Company s common stock, that provided the holder with the right to require the Company to repurchase those common shares for cash at a price equal to the average of the closing per share market price of the Company s common stock for the 20 trading days immediately preceding the date that the holder exercised the put option. This put option was exercisable at any time, until January 2010, when it expired. The shares associated with the put option were classified as redeemable common stock in the Company s consolidated balance sheet prior to the expiration of the put option. The carrying value of the redeemable common stock was $14 million at December 31, 2009. Effective with the expiration of the agreement, the Company discontinued reporting the shares as redeemable common stock and reclassified the $14 million from redeemable common stock to additional paid-in capital.

11. Debt

On March 25, 2010, the Company entered into a Private Shelf Agreement (the Shelf Agreement) with Prudential Investment Management, Inc. providing for the issuance of senior promissory notes in an aggregate principal amount of $200 million.

On March 25, 2010, pursuant to the Shelf Agreement, the Company issued 5.62 percent Senior Series A Notes due March 25, 2020 in an aggregate principal amount of $200 million. The Series A Notes rank equally with the Company s other senior unsecured debt. Interest on the Series A Notes is required to be paid semi-annually on March 25th and September 25th, beginning in September 2010. The Series A Notes are subject to optional prepayment by the Company at 100 percent of the principal amount plus interest up to the prepayment date and, in certain circumstances, a make-whole amount. Proceeds from the sale of the Series A Notes have been used for general corporate purposes.

The Shelf Agreement contains various covenants which are substantially similar to the covenants in the Company s revolving credit facility, including financial covenants that require maintenance of a maximum debt to EBITDA ratio and a minimum interest coverage ratio, as well as covenants that restrict the Company s ability to incur debt, create liens and merge with other entities. The Shelf Agreement also contains customary events of default.

On September 2, 2010, the Company entered into a new three-year, senior unsecured $1 billion revolving credit facility. The new credit facility replaced the Company s previously existing $500 million senior unsecured revolving credit facility. The Company paid fees of approximately $8 million relating to the new credit facility, which are being amortized to interest expense over the three-year term of the facility. The Company had $300 million of borrowings outstanding under the revolving credit facility at September 30, 2010.

Subject to certain terms and conditions, the Company may increase the amount of the revolving facility under the Revolving Credit Agreement by up to $250 million in the aggregate. All committed pro rata borrowings under the revolving facility will bear interest at a variable annual rate based on the LIBOR or base rate, at the Company s election, subject to the terms and conditions thereof, plus, in each case, an applicable margin based on the Company s leverage ratio (as reported in the financial statements delivered pursuant to the Revolving Credit Agreement).

The Revolving Credit Agreement contains customary representations, warranties, covenants, events of default, terms and conditions, including limitations on liens, incurrence of debt, mergers and significant asset dispositions. The Company must also comply with a leverage ratio and an interest coverage ratio. The occurrence of an event of default under the Revolving Credit Agreement could result in all loans and other obligations being declared due and payable and the revolving credit facility being terminated.

In connection with the acquisition of National Starch, on September 17, 2010, the Company issued and sold $900 million aggregate principal amount of senior unsecured notes (the Notes) as follows:

(in millions)		Principal		Premium (Discount)		Selling Price
3.2% notes due November 1, 2015	$	350	$	(1)	$	349
4.625% notes due November 1, 2020		400		(1)		399
6.625% notes due April 15, 2037		150		8		158
	$	900	$	6	$	906

The Company paid debt issuance costs of approximately $6 million relating to the Notes, which will be amortized to interest expense over the lives of the respective notes. Additionally, the premium and discounts on the Notes will be amortized to interest expense over the lives of the respective notes.

Interest on the 3.2 percent notes and the 4.625 percent notes is required to be paid semi-annually on May 1st and November 1st, commencing May 1, 2011. Interest on the 6.625 percent notes is required to be paid semi-annually on April 15th and October 15th, commencing October 15, 2010.

The Notes are redeemable, in whole at any time or in part from time to time, at the Company s option at a redemption price equal to the greater of: (i) 100 percent of the principal amount of the Notes to be redeemed; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined), plus 30 basis points, plus, in each case, accrued interest thereon to the date of redemption.

As a result of the sale of the Notes and the entry into the new revolving credit facility, the Company terminated the $1.35 billion bridge term loan facility that it had previously arranged. Fees associated with the bridge loan totaling $20 million were expensed to financing costs in September 2010.

12. Mexican tax on Beverages Sweetened with HFCS

On January 1, 2002, a discriminatory tax on beverages sweetened with high fructose corn syrup (HFCS) approved by the Mexican Congress late in 2001, became effective. In response to the enactment of the tax, which at the time effectively ended the use of HFCS for beverages in Mexico, the Company ceased production of HFCS 55 at its San Juan del Rio plant, one of its three plants in Mexico. Over time, the Company resumed production and sales of HFCS and by 2006 had returned to levels attained prior to the imposition of the tax as a result of certain customers having obtained court rulings exempting them from paying the tax. The Mexican Congress repealed this tax effective January 1, 2007.

On October 21, 2003, the Company submitted, on its own behalf and on behalf of its Mexican affiliate, CPIngredientes, S.A. de C.V. (previously known as Compania Proveedora de Ingredientes), a Request for Institution of Arbitration Proceedings Submitted Pursuant to

Chapter 11 of the North American Free Trade Agreement (NAFTA) (the Request). The Request was submitted to the Additional Office of the International Centre for Settlement of Investment Disputes and was brought against the United Mexican States. In the Request, the Company asserted that the imposition by Mexico of a discriminatory tax on beverages containing HFCS in force from 2002 through 2006 breached various obligations of Mexico under the investment protection provisions of NAFTA. The case was bifurcated into two phases, liability and damages, and a hearing on liability was held before a Tribunal in July 2006. In a Decision dated January 15, 2008, the Tribunal unanimously held that Mexico had violated NAFTA Article 1102, National Treatment, by treating beverages sweetened with HFCS produced by foreign companies differently than those sweetened with domestic sugar. In July 2008, a hearing regarding the quantum of damages was held before the same Tribunal. The Company sought damages and pre- and post-judgment interest totaling $288 million through December 31, 2008.

In an award rendered August 18, 2009, the Tribunal awarded damages to CPIngredientes in the amount of $58.4 million, representing lost profits in Mexico as a result of the tax and certain out-of-pocket expenses incurred by CPIngredientes, together with accrued interest. On October 1, 2009, the Company submitted to the Tribunal a request for correction of this award to avoid effective double taxation on the amount of the award in Mexico. On November 16, 2009, the Company entered a Notice of Application in the Superior Court of Justice of Ontario, Canada requesting set-aside of the payment provisions of the award.

On March 26, 2010, the Tribunal issued a correction of its August 18, 2009 damages award. While the amount of damages has not changed, the decision makes the damages payable to Corn Products International, Inc. instead of CPIngredientes to eliminate double taxation. On June 15, 2010, Mexico entered a Notice of Application in the Superior Court of Justice of Ontario, Canada with regard to the Tribunal s March 26, 2010 correction. The damages awarded by the Tribunal have not been recorded in the Company s consolidated financial statements.

In an order dated July 30, 2010, the Ontario Court consolidated the set-aside actions. They will be heard together on March 7-8, 2011.

ITEM 2
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

On October 1, 2010, the Company completed its acquisition of National Starch, a global provider of specialty starches, from AkzoNobel, Inc., a global coatings and specialty chemicals company, headquartered in The Netherlands. The Company acquired 100 percent of National Starch through asset purchases in certain countries and stock purchases in certain countries. The purchase price was $1.3 billion in cash, subject to certain post-closing adjustments. The funding of the purchase price was provided principally from borrowings. The acquisition positions us with a broader portfolio of products, enhanced geographic reach, and the ability to offer customers a broad range of value-added ingredient solutions for a variety of their evolving needs.

National Starch is headquartered in Bridgewater, New Jersey and has approximately 2,200 employees world-wide. National Starch had sales of $1.2 billion in 2009 and has 11 manufacturing facilities in 8 countries, across 5 continents. Additionally, National Starch has various sales and technical offices around the world. See Note 3 of the notes to the condensed consolidated financial statements for additional information related to the acquisition.

Our combined company currently employs approximately 10,000 people in North America, South America, Europe, the Middle East, Africa and the Asia-Pacific. It operates 37 manufacturing facilities in 15 countries; has sales offices in 29 countries, and has research and ingredient development centers in key global markets.

We are one of the world s largest corn refiners and a major supplier of high-quality food ingredients, industrial products and specialty starches derived from the wet milling and processing of corn and other starch-based materials. The corn refining industry is highly competitive. Many of our products are viewed as commodities that compete with virtually identical products manufactured by other companies in the industry. As noted above, we have thirty-seven manufacturing plants located throughout North America, South America, Europe, Africa and the Asia-Pacific and we manage and operate our businesses at a local level. We believe this approach provides us with a unique understanding of the cultures and product requirements in each of the geographic markets in which we operate, bringing added value to our customers. Our sweeteners are found in products such as baked goods, candies, chewing gum, dairy products and ice cream, soft drinks and beer. Our starches are a staple of the food, paper, textile and corrugating industries.

Our business improved in the third quarter of 2010 as net sales and operating income grew from the year ago period. Increased sales volumes, improved plant utilization rates, lower corn costs and favorable currency translations drove the earnings improvement. Our net income and diluted earnings per common share declined from the year ago periods due to charges related to our acquisition of National Starch (see below) and impairment/restructuring charges pertaining to our operations in Chile. Without such charges, our net income and diluted earnings per common share would have increased from the 2009 third quarter results. We continue to see economic recovery in many of our international markets and expect our business to continue to perform well across all of our regions. We continue to expect improved sales and earnings for full year 2010 over 2009. Additionally, we enhanced our financial flexibility during the third quarter by entering into a new $1 billion revolving credit facility.

We currently expect that our future operating cash flows and borrowing availability under our credit facilities will provide us with sufficient liquidity to fund our anticipated capital expenditures, dividends, and other investing and/or financing strategies for the foreseeable future.

Results of Operations

We have significant operations in North America, South America and Asia/Africa. For most of our foreign subsidiaries, the local foreign currency is the functional currency. Accordingly, revenues and expenses denominated in the functional currencies of these subsidiaries are translated into US dollars at the applicable average exchange rates for the period. Fluctuations in foreign currency exchange rates affect the US dollar amounts of our foreign subsidiaries revenues and expenses. The impact of currency exchange rate changes, where significant, is provided below.

For The Three Months and Nine Months Ended September 30, 2010

With Comparatives for the Three Months and Nine Months Ended September 30, 2009

Net Income. Net income for CPI for the quarter ended September 30, 2010 decreased to $36.9 million, or $0.48 per diluted common share, from $52.8 million, or $0.70 per diluted common share, in the third quarter of 2009. Net income for CPI for the nine months ended September 30, 2010 increased to $117.2 million, or $1.53 per diluted common share, from a net loss of $15.2 million, or a net loss of $0.20 per diluted common share, in the prior year period. The third quarter 2010 results include after-tax charges for bridge loan and other financing costs of $14 million ($0.18 per diluted common share), after-tax acquisition-related costs of $10 million ($0.13 per diluted common share) and after-tax charges of $1 million ($0.02 per diluted common share) principally consisting of employee severance and related benefit costs associated with the termination of employees in Chile. The results for the nine months ended September 30, 2010 include the $14 million of after-tax charges for bridge loan and other financing costs ($0.18 per diluted common share), after-tax acquisition-related costs of $15 million ($0.19 per diluted common share) and after-tax charges of $22 million ($0.29 per diluted common share) for impaired assets and other costs associated with our operations in Chile. The results for the nine months ended September 30, 2009 include an after-tax charge of $110 million ($1.47 per diluted common share) for impaired assets and restructuring costs. See Note 4 of the notes to the condensed consolidated financial statements for additional information pertaining to the asset impairments and restructurings. Without the bridge loan and other financing costs, and the impairment, restructuring and acquisition-related charges, net income for the third quarter and first nine months of 2010 would have grown 18 percent and 76 percent, respectively, over the comparable prior year periods, while our diluted earnings per share would have risen 16 percent and 72 percent, respectively. This net income growth primarily reflects an increase in operating income across all of our regions principally driven by improved sales volumes, improved plant utilization rates, lower corn costs and stronger foreign currencies.

Net Sales. Third quarter net sales totaled $1.02 billion, up 5 percent from third quarter 2009 net sales of $971 million. The increase reflects a 9 percent volume improvement and favorable currency translation of 3 percent due to stronger foreign currencies, which more than offset a price/product mix decline of 7 percent. Volumes grew in all of our regions and particularly in our international businesses. Co-product sales of $183 million for third quarter 2010 increased 4 percent from the prior year period, driven by improved volume and currency translation that more than offset lower selling prices. North American net sales of $578 million for third quarter 2010 declined 3 percent from $598 million a year ago, as a price/product mix decline of 12 percent attributable to lower corn costs more than offset an 8 percent volume improvement and a 1 percent increase attributable to currency translation. Volume growth in the region was driven by strong growth in Mexico where demand for sweeteners from the beverage industry remained strong. Improved demand in Canada also contributed to the volume growth in the region. In South America, third quarter 2010 net sales increased 14 percent to $310 million from $271 million in the prior year period, as favorable currency translation of 6 percent and volume growth of 10 percent driven by strong demand from various industries more than offset a price/product mix decline of 2 percent. In Asia/Africa, third quarter 2010 net sales grew 30 percent to $132 million from $101 million a year ago. The increase reflects volume growth of 17 percent, primarily driven by significantly higher demand for sweeteners in South Korea, price/product mix improvement of 11 percent and a 2 percent benefit from currency translation.

Net sales for the nine months ended September 30, 2010 totaled $2.96 billion, up 9 percent from $2.71 billion a year ago. The increase reflects a 13 percent volume improvement and favorable currency translation of 5 percent due to stronger foreign currencies, which more than offset a price/product mix decline of 9 percent. Volumes grew across all of our regions and particularly in our international businesses. Co-product sales of $545 million for the first nine months of 2010 increased 9 percent from the prior year period, as improved volume and currency translation more than offset lower selling prices. Net sales in North America for the first nine months of 2010 decreased slightly to $1.70 billion from $1.71 billion a year ago. The decrease reflects a price/product mix decline of 14 percent, which more than offset an 11 percent volume improvement and a 2 percent increase attributable to currency translation. Volumes grew across the region, led by strong growth in Mexico where demand for sweeteners from the beverage industry was particularly strong. Improved demand in Canada also contributed to the volume growth in the region. In South America, net sales for the first nine months of 2010 increased 22 percent to $874 million from $714 million in the prior year period, as favorable currency translation of 12 percent and volume growth of 14 percent driven by strong demand from various industries more than offset a price/product mix decline of 4 percent. In Asia/Africa, net sales for the first nine months of 2010 rose 35 percent to $385 million, from $286 million a year ago. The increase reflects volume growth of 23 percent, primarily driven by significantly higher demand for sweeteners in South Korea, a 6 percent benefit from currency translation and price/product mix improvement of 6 percent.

Cost of Sales and Operating Expenses. Cost of sales of $848 million for third quarter 2010 increased 4 percent from $817 million in the prior year period. Cost of sales for the first nine months of 2010 increased 5 percent to $2.48 billion from $2.36 billion a year ago. These increases principally reflect volume growth and currency translation, which more than offset lower corn costs. Gross corn costs for the third quarter and first nine months of 2010 declined approximately 1 percent and 3 percent from the comparable prior year periods. Currency translation attributable to the stronger US dollar caused cost of sales for the third quarter and first nine months of 2010 to increase approximately 3 percent and 5 percent, respectively, from the year ago periods. Our gross profit margin for the third quarter and first nine months of 2010 was 16.8 percent and 16.2 percent, respectively, compared to 15.8 percent and 13.2 percent last year.

Operating expenses for the third quarter and first nine months of 2010 increased to $81.6 million and $224.5 million, respectively, from $65.9 million and $181.6 million last year. These increases primarily reflect expenses pertaining to the acquisition of National Starch, higher compensation-related costs, a return to more historical run rates and stronger foreign currencies. Operating expenses for the third quarter and first nine months of 2010 include costs pertaining to the acquisition of National Starch of $11 million and $17 million, respectively. Currency translation associated with the stronger foreign currencies caused operating expenses for the third quarter and first nine months of 2010 to increase approximately 2 percent and 4 percent, respectively, from the prior year periods. Operating expenses, as a percentage of net sales, were 8.0 percent and 7.6 percent for the third quarter and first nine months of 2010, respectively, up from 6.8 percent and 6.7 percent in the comparable prior year periods. Excluding the acquisition-related costs, operating expenses, as a percentage of net sales, was 7.0 percent for both the third quarter and first nine months of September 2010.

Operating Income. Third quarter 2010 operating income was $88.6 million, up slightly from $87.8 million a year ago. Operating income for the third quarter of 2010 includes $11 million of acquisition-related costs and a charge of $3 million principally consisting of employee severance and related benefit costs associated with the termination of employees in Chile. Without these costs, operating income for third quarter 2010 would have grown 17 percent over the year ago period, driven by earnings growth in North America and Asia/Africa. Currency translation associated with stronger foreign currencies caused operating income to increase by approximately $3 million from the prior year period. North America operating income for third quarter 2010 increased 9 percent to $66.5 million from $61.1 million a year ago, primarily reflecting volume growth, lower corn costs and improved plant utilization rates. Currency translation associated with the stronger Canadian dollar caused operating income to increase by approximately $1 million in the region. South America operating income for third quarter 2010 decreased 4 percent to $35.7 million from $37.3 million a year ago. This decline reflects reduced earnings in Brazil and in the Andean region of South America mainly due to lower product selling prices, which more than offset increased earnings in the Southern Cone of South America where strong volume and higher pricing drove improved results. Translation effects associated with stronger South American currencies, particularly the Brazilian Real, caused operating income to increase by approximately $2 million in the region. Asia/Africa operating income more than tripled to $12.5 million from $3.7 million a year ago. This improvement primarily reflects strong volume growth, particularly in South Korea, and higher product selling prices in the region.

Operating income for the nine months ended September 30, 2010 increased to $236.9 million from $53.7 million a year ago. Operating income for the first nine months of 2010 and 2009 include impairment/restructuring charges of $24 million and $125 million, respectively. Additionally, we incurred $17 million of acquisition-related costs in the first nine months of 2010. Without the impairment, restructuring and acquisition-related costs, operating income for the first nine months of 2010 would have grown 56 percent over the year ago period, as earnings increased in each of our regions. Currency translation associated with stronger foreign currencies caused operating income to increase by approximately $18 million from the prior year period. North America operating income increased 43 percent to $164.6 million from $114.8 million a year ago, driven by volume growth, lower corn costs and improved plant utilization rates. Currency translation associated with the stronger Canadian dollar caused operating income to increase by approximately $8 million in the region. South America operating income increased 24 percent to $113.4 million from $91.4 million a year ago. This increase primarily reflects improved earnings in the Southern Cone of South America and Brazil driven by strong volume growth and favorable currency translation. Translation effects associated with stronger South American currencies (particularly the Brazilian Real) caused operating income to increase by approximately $9 million in the region. Asia/Africa operating income more than tripled to $38.5 million from $11.2 million a year ago. This improvement primarily reflects strong volume growth, particularly in South Korea, higher product selling prices and lower corn costs. Stronger foreign currencies caused operating income to increase by approximately $1 million in the region.

Financing Costs-net. Financing costs for the third quarter and first nine months of 2010 increased 225 percent and 33 percent, respectively, from the prior year periods. These increases primarily reflect the third quarter 2010 write-off of $20 million in bridge loan financing costs. In connection with the acquisition of National Starch (see Note 3 of the notes to the condensed consolidated financial statements), we had obtained a bridge loan financing commitment of $1.35 billion. As a result of our September 2010 sale of $900 million aggregate principal amount of senior unsecured notes and the entry into our new $1 billion revolving credit facility (see also Liquidity and Capital Resources section), we terminated the $1.35 billion bridge term loan facility. Fees associated with the bridge loan totaling $20 million were expensed to financing costs in September 2010. Without this charge, financing costs for third quarter 2010 would have increased approximately 15 percent from the prior year period, primarily reflecting higher average borrowings and interest rates, partially offset by a reduction in foreign currency transaction losses. Without the $20 million charge, financing costs for the first nine months of 2010 would have decreased approximately 29 percent from the prior year period, primarily reflecting lower average borrowings, a reduction in foreign currency transaction losses and an increase in interest income driven by higher cash positions.

Provision for Income Taxes. Our effective income tax rates for the third quarter and first nine months of 2010 were 33.6 percent and 37.2 percent, respectively, as compared to 31.2 percent and 148.0 percent in the prior year periods. Our effective income tax rates for the 2010 periods reflect the impacts of National Starch acquisition costs and the Chilean charges for impaired assets and other related costs and an increase to the valuation allowance for Chile, the majority of which was recorded in the second quarter of 2010. Our effective income tax rate for the nine months ended September 30, 2009 reflects the tax effect of the goodwill write-off and an increase to the valuation allowance in Korea, both of which were recorded in the second quarter of 2009.

Net Income Attributable to Non-controlling Interests. The net income attributable to non-controlling interests for the third quarter and first nine months of 2010 was $1.9 million and $5.4 million, respectively, up from $1.2 million and $4.5 million from the comparable prior year periods. These increases primarily reflect improved earnings from our operations in Pakistan.

Comprehensive Income Attributable to CPI. We recorded comprehensive income of $120 million for the third quarter of 2010, as compared to $158 million in the prior year period. The decrease primarily reflects our lower net income, unfavorable variances in the currency translation adjustment and reduced gains on cash flow hedges. For the first nine months of 2010, we recorded comprehensive income of $177 million, as compared to $194 million a year ago. The decrease primarily reflects unfavorable variances in the currency translation adjustment and reduced gains on cash flow hedges, which more than offset our net income growth. The unfavorable variances in the currency translation adjustment reflect a more moderate strengthening in end of period foreign currencies during the 2010 periods, as compared to the 2009 periods, when end of period foreign currency appreciation was more significant.

Liquidity and Capital Resources

Cash provided by operating activities for the first nine months of 2010 decreased to $325 million from $368 million a year ago. The decrease in operating cash flow primarily reflects a reduction in cash flow from working capital activities, which more than offset our net income growth. Capital expenditures of $90 million for the first nine months of 2010 are in line with our capital spending plan for the year. We anticipate that our capital expenditures will approximate $150 million for full year 2010.

On March 25, 2010, we sold $200 million of 5.62 percent Senior Series A Notes due March 25, 2020 (the Series A Notes). Interest on the Series A Notes is required to be paid semi-annually on March 25th and September 25th, beginning in September 2010. The Series A Notes are unsecured obligations of ours and rank equally with our other unsecured, senior indebtedness. We have the option to prepay the Series A Notes at 100 percent of the principal amount plus interest up to the prepayment date and, in certain circumstances, a make-whole amount. Proceeds from the sale of the Series A Notes have been used for general corporate purposes. See Note 11 of the notes to the condensed consolidated financial statements for additional information regarding the Series A Notes.

On September 2, 2010, we entered into a new three-year, senior unsecured $1 billion revolving credit facility. The new credit facility replaced our previously existing $500 million senior unsecured revolving credit facility. We paid fees of approximately $8 million relating to the new credit facility, which are being amortized to interest expense over the three-year term of the facility. We had $300 million of borrowings outstanding under the revolving credit facility at September 30, 2010. In addition to borrowing availability under our revolving credit facility, we also have approximately $443 million of unused operating lines of credit in the various foreign countries in which we operate.

Subject to certain terms and conditions, we may increase the amount of the revolving facility under the Revolving Credit Agreement by up to $250 million in the aggregate. All committed pro rata borrowings under the revolving facility will bear interest at a variable annual rate based on the LIBOR or base rate, at our election, subject to the terms and conditions thereof, plus, in each case, an applicable margin based on our leverage ratio (as reported in the financial statements delivered pursuant to the Revolving Credit Agreement).

The Revolving Credit Agreement contains customary representations, warranties, covenants, events of default, terms and conditions, including limitations on liens, incurrence of debt, mergers and significant asset dispositions. We must also comply with a leverage ratio and an interest coverage ratio. The occurrence of an event of default under the Revolving Credit Agreement could result in all loans and other obligations being declared due and payable and the revolving credit facility being terminated.

In connection with the acquisition of National Starch, on September 17, 2010, we issued and sold $900 million aggregate principal amount of senior unsecured notes (the   Notes   ) as follows:

(in millions)		**Principal**		**Premium (Discount)**		**Selling Price**
3.2% notes due November 1, 2015	$	350	$	(1)	$	349
4.625% notes due November 1, 2020		400		(1)		399
6.625% notes due April 15, 2037		150		8		158
	$	900	$	6	$	906

We paid debt issuance costs of approximately $6 million relating to the Notes, which will be amortized to interest expense over the lives of the respective notes. Additionally, the premium and discounts on the Notes will be amortized to interest expense over the lives of the respective notes.

Interest on the 3.2 percent notes and the 4.625 percent notes is required to be paid semi-annually on May 1st and November 1st, commencing May 1, 2011. Interest on the 6.625 percent notes is required to be paid semi-annually on April 15th and October 15th, commencing October 15, 2010.

The Notes are redeemable, in whole at any time or in part from time to time, at our option. See Note 11 of the notes to the condensed consolidated financial statements for additional information regarding the Notes.

As a result of the sale of the Notes and the completion of the new revolving credit facility, we terminated the $1.35 billion bridge term loan facility that we had previously arranged. Fees associated with the bridge loan totaling $20 million were expensed to financing costs in September 2010.

At September 30, 2010, we had total debt outstanding of $1.775 billion, compared to $544 million at December 31, 2009. In addition to the borrowings outstanding under the revolving credit facility, the debt includes $350 million (principal amount) of 3.2 percent notes due 2015, $200 million of 6.0 percent senior notes due 2017, $200 million of 5.62 percent senior notes due 2020, $400 million (principal amount) of 4.625 percent notes due 2020, $250 million (principal amount) of 6.625 percent senior notes due 2037 and $70 million of consolidated subsidiary debt consisting of local country short-term borrowings. The weighted average interest rate on our total indebtedness was approximately 5.5 percent for the first nine months of 2010, up slightly from 5.4 percent in the comparable prior year period. The weighted average interest rate for 2010 excludes the $20 million of bridge loan fees charged to financing costs in September 2010.

We had an agreement with certain common stockholders (collectively the holder), relating to 500,000 shares of our common stock, that provided the holder with the right to require us to repurchase those common shares for cash at a price equal to the average of the closing per share market price of our common stock for the 20 trading days immediately preceding the date that the holder exercised the put option. This put option was exercisable at any time, until January 2010, when it expired. The shares associated with the put option were classified as redeemable common stock in our consolidated balance sheet prior to the expiration of the put option. The carrying value of the redeemable common stock was $14 million at December 31, 2009. Effective with the expiration of the agreement, we discontinued reporting the shares as redeemable common stock and reclassified the $14 million from redeemable common stock to additional paid-in capital.

On September 15, 2010, our board of directors declared a quarterly cash dividend of $0.14 per share of common stock. This dividend was paid on October 25, 2010 to stockholders of record at the close of business on September 30, 2010.

We currently expect that our future operating cash flows and borrowing availability under our credit facilities will provide us with sufficient liquidity to fund our anticipated capital expenditures, dividends, and other investing and/or financing strategies for the foreseeable future.

Hedging:

We are exposed to market risk stemming from changes in commodity prices, foreign currency exchange rates and interest rates. In the normal course of business, we actively manage our exposure to these market risks by entering into various hedging transactions, authorized under established policies that place clear controls on these activities. These transactions utilize exchange traded derivatives or over-the-counter derivatives with investment grade counterparties. Our hedging transactions include but are not limited to a variety of derivative financial instruments such as commodity futures, options and swap contracts, forward currency contracts and options, interest rate swap agreements and treasury lock agreements. See Note 6 of the notes to the condensed consolidated financial statements for additional information.

Commodity Price Risk:

We use derivatives to manage price risk related to purchases of corn and natural gas used in the manufacturing process. We periodically enter into futures, options and swap contracts for a portion of our anticipated corn and natural gas usage, generally over the following twelve to eighteen months, in order to hedge price risk associated with fluctuations in market prices. These derivative instruments are recognized at fair value and have effectively reduced our exposure to changes in market prices for these commodities. We are unable to hedge price risk related to co-product sales. Unrealized gains and losses associated with marking our commodities-based derivative instruments to market are recorded as a component of other comprehensive income (OCI). At September 30, 2010, our accumulated other comprehensive loss account (AOCI) included $5 million of gains, net of tax of $3 million, related to these derivative instruments. It is anticipated that these gains, net of tax, will be reclassified into earnings during the next twelve months. We expect the gains to be offset by changes in the underlying commodities cost.

Foreign Currency Exchange Risk:

Due to our global operations, we are exposed to fluctuations in foreign currency exchange rates. As a result, we have exposure to translational foreign exchange risk when our foreign operation results are translated to US dollars and to transactional foreign exchange risk when transactions not denominated in the functional currency of the operating unit are revalued. We primarily use foreign currency forward contracts, swaps and options to selectively hedge our foreign currency transactional exposures. We generally hedge these exposures up to twelve months forward. At September 30, 2010, we had $28 million of net notional foreign currency forward contracts that hedged net liability transactional exposures.

Interest Rate Risk:

We are exposed to interest rate volatility with regard to future issuances of fixed-rate debt, and existing and future issuances of variable-rate debt. Primary exposures include US Treasury rates, LIBOR, and local short-term borrowing rates. We use interest rate swaps and Treasury Lock agreements (T-Locks) from time to time to hedge our exposure to interest rate changes, to reduce the volatility of our financing costs, or to achieve a desired proportion of fixed versus floating rate debt, based on current and projected market conditions. At September 30, 2010, we did not have any interest rate swaps or T-Locks outstanding.

In conjunction with a plan to issue the 5.62 percent Senior Series A Notes and in order to manage exposure to variability in the benchmark interest rate on which the fixed interest rate of the Senior Series A Notes would be based, we had previously entered into a Treasury Lock agreement (the T-Lock) with respect to $50 million of these borrowings. The T-Lock was designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Lock was entered and the time the debt was priced. It is accounted for as a cash flow hedge. The T-Lock expired on April 30, 2009 and we paid approximately $6 million, representing the losses on the T-Lock, to settle the agreement. The losses are included in AOCI in the equity section of our balance sheet and are being amortized to financing costs over the ten-year term of the Senior

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Series A Notes. See also Note 6 of the notes to the condensed consolidated financial statements for additional information.

In conjunction with a plan to issue the 3.2 percent Senior Notes due November 1, 2015 (the 2015 Notes) and the 4.625 percent Senior Notes due November 1, 2020 (the 2020 Notes), and in order to manage our exposure to variability in the benchmark interest rates on which the fixed interest rates of these notes would be based, we entered into T-Lock agreements with respect to $300 million of the 2015 Notes and $300 million of the 2020 Notes (the T-Locks). The T-Locks were designated as hedges of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Locks were entered and the time the debt was priced. The T-Locks are accounted for as cash flow hedges. The T-Locks were terminated on September 15, 2010 and we paid approximately $15 million, representing the losses on the T-Locks, to settle the agreements. The losses are included in AOCI and are being amortized to financing costs over the terms of the 2015 and 2020 Notes. See also Note 6 of the notes to the condensed consolidated financial statements for additional information.

At September 30, 2010, our accumulated other comprehensive loss account included $14 million of losses (net of tax of $9 million) related to Treasury Lock agreements. It is anticipated that $2 million of these losses (net of tax of $1 million) will be reclassified into earnings during the next twelve months.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are provided in the Management s Discussion and Analysis of Financial Condition and Results of Operations included in our 2009 Annual Report on Form 10-K. There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2010.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends these forward-looking statements to be covered by the safe harbor provisions for such statements. These statements include, among other things, any predictions regarding the Company s prospects or future financial condition, earnings, revenues, expenses or other financial items, any statements concerning the Company s prospects or future operations, including management s plans or strategies and objectives therefor and any assumptions, expectations or beliefs underlying the foregoing. These statements can sometimes be identified by the use of forward looking words such as may, will, should, anticipate, believe, plan, project, estimate, expect, intend, continue, pro forma, forecast or other similar expression thereof. All statements other than statements of historical facts in this report or referred to in or incorporated by reference into this report are forward-looking statements. These statements are based on current expectations, but are subject to certain inherent risks and uncertainties, many of which are difficult to predict and are beyond our control. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations expressed in or implied by these statements, based on various factors, including the effects of global economic conditions and their impact on our sales volumes and pricing of our products, our ability to collect our receivables from customers and our ability to raise funds at reasonable rates; fluctuations in worldwide markets for corn and other commodities, and the associated risks of hedging against such fluctuations; fluctuations in the markets and prices for our co-products, particularly corn oil; fluctuations in aggregate industry supply and market demand; the behavior of financial markets, including foreign currency fluctuations and fluctuations in interest and exchange rates; continued volatility and turmoil in the capital markets; the commercial and consumer credit environment; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and/or sell our products; future financial performance of major industries which we serve, including, without limitation, the food and beverage, pharmaceuticals, paper, corrugated, textile and brewing industries; energy costs and availability, freight and shipping costs, and changes in regulatory controls regarding quotas, tariffs, duties, taxes and income tax rates; operating difficulties**;** boiler reliability; our ability to effectively integrate and operate acquired businesses, including National Starch; labor disputes; genetic and biotechnology issues; changing consumption preferences and trends; increased competitive and/or customer pressure in the corn-refining industry; and the outbreak or continuation of serious communicable disease or hostilities including acts of terrorism. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement as a result of new information or future events or developments. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these and other risks, see Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent reports on Forms 10-Q or 8-K.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in our Annual Report on Form 10-K for the year ended December 31, 2009, and is incorporated herein by reference. There have been no material changes to our market risk during the nine months ended September 30, 2010.

ITEM 4

CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2010. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (a) are effective in providing reasonable assurance that all material information required to be filed in this report has been recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (b) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1

LEGAL PROCEEDINGS

On October 21, 2003, we submitted, on our own behalf and on behalf of our Mexican affiliate, CPIngredientes, S.A. de C.V. (previously known as Compania Proveedora de Ingredientes), a Request for Institution of Arbitration Proceedings Submitted Pursuant to Chapter 11 of the North American Free Trade Agreement (NAFTA) (the Request). The Request was submitted to the Additional Office of the International Centre for Settlement of Investment Disputes and was brought against the United Mexican States. In the Request, we asserted that the imposition by Mexico of a discriminatory tax on beverages containing HFCS in force from 2002 through 2006 breached various obligations of Mexico under the investment protection provisions of NAFTA. The case was bifurcated into two phases, liability and damages, and a hearing on liability was held before a Tribunal in July 2006. In a Decision dated January 15, 2008, the Tribunal unanimously held that Mexico had violated NAFTA Article 1102, National Treatment, by treating beverages sweetened with HFCS produced by foreign companies differently than those sweetened with domestic sugar. In July 2008, a hearing regarding the quantum of damages was held before the same Tribunal. We sought damages and pre- and post-judgment interest totaling $288 million through December 31, 2008.

In an award rendered August 18, 2009, the Tribunal awarded damages to CPIngredientes in the amount of $58.4 million, representing lost profits in Mexico as a result of the tax and certain out-of-pocket expenses incurred by CPIngredientes, together with accrued interest. On October 1, 2009, we submitted to the Tribunal a request for correction of this award to avoid effective double taxation on the amount of the award in Mexico. On November 16, 2009, we entered a Notice of Application in the Superior Court of Justice of Ontario, Canada requesting set-aside of the payment provisions of the award.

On March 26, 2010, the Tribunal issued a correction of its August 18, 2009 damages award. While the amount of damages has not changed, the decision makes the damages payable to Corn Products International, Inc. instead of CPIngredientes to eliminate double taxation. On June 15, 2010, Mexico entered a Notice of Application in the Superior Court of Justice of Ontario, Canada with regard to the Tribunal s March 26, 2010 correction.

In an order dated July 30, 2010, the Ontario Court consolidated the set-aside actions. They will be heard together on March 7-8, 2011.

ITEM 2

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchase of Equity Securities:

(shares in thousands)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Plans or Programs at end of period
July 1 July 31, 2010				4,685 shares
August 1 August 31, 2010				4,685 shares
Sept. 1 Sept. 30, 2010				4,685 shares
Total				

The Company has a stock repurchase program, which runs through November 30, 2010, that permits the Company to repurchase up to 5 million shares of its outstanding common stock. As of September 30, 2010, the Company had repurchased 315 thousand shares under the program, leaving 4.7 million shares available for repurchase.

ITEM 6

EXHIBITS

a) Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto.

All other items hereunder are omitted because either such item is inapplicable or the response is negative.

SIGNATURES

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

CORN PRODUCTS INTERNATIONAL, INC.

DATE:	November 4, 2010	By	/s/ Cheryl K. Beebe
		Cheryl K. Beebe Vice President and Chief Financial Officer	
DATE:	November 4, 2010	By	/s/ Robin A. Kornmeyer
		Robin A. Kornmeyer Vice President and Controller	

EXHIBIT INDEX

Number	Description of Exhibit
4.1	Revolving Credit Agreement, dated as of September 2, 2010, among Corn Products International, Inc., as borrower, the lenders from time to time party thereto, JPMorgan Chase Bank, National Association, as administrative agent, Bank of Montreal, as syndication agent, and Bank of America, N.A. and Citibank, N.A., as co-documentation agents incorporated by reference to Exhibit 4.1 (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed September 2, 2010, SEC File No. 1-13397)
4.2	Amendment No. 1 to Revolving Credit Agreement, dated as of September 29, 2010, among Corn Products International, Inc., as borrower, the lenders from time to time party thereto, JPMorgan Chase Bank, National Association, as administrative agent, Bank of Montreal, as syndication agent, and Bank of America, N.A. and Citibank, N.A., as co-documentation agents
4.6	Fifth Supplemental Indenture, dated September 17, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to The Bank of New York), as trustee (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed September 20, 2010, SEC File No. 1-13397)
4.7	Sixth Supplemental Indenture, dated September 17, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to The Bank of New York), as trustee (incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K filed September 20, 2010, SEC File No. 1-13397)
4.8	Seventh Supplemental Indenture, dated September 17, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to The Bank of New York), as trustee (incorporated by reference to Exhibit 4.3 to the Company s Current Report on Form 8-K filed September 20, 2010, SEC File No. 1-13397)
10.26	Confidentiality and Noncompete Agreement, dated as of July 23, 2010, between Corn Products Brasil-Ingredientes Industrias Ltda., the Company and Jorge L. Fiamenghi
10.27	Consulting Agreement, dated as of July 23, 2010, between the Company and Jorge L. Fiamenghi
10.28	Term Sheet, dated as of July 23, 2010 for Employment Agreements between the Company and Julio dos Reis and Productos de Maiz S.A. and Julio dos Reis
11	Statement re: Computation of Earnings per Share

31.1	CEO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002
31.2	CFO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002
32.1	CEO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002
32.2	CFO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002
101	The following financial information from Corn Products International, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Equity and Redeemable Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to the Condensed Consolidated Financial Statements, tagged as block text.*

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* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as Amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as Amended, and otherwise are not subject to liability under those sections.