

ACCELERON PHARMA INC  
Form SC 13G  
June 12, 2014

SECURITIES  
AND  
EXCHANGE  
COMMISSION  
Washington,  
D.C. 20549

SCHEDULE  
13G

Under the  
Securities  
Exchange Act of  
1934  
(Amendment  
No. )\*

ACCELERON  
PHARMA INC.  
(Name of  
Issuer)

Common Stock,  
\$0.001 Par  
Value  
(Title of Class  
of Securities)

00434H108  
(CUSIP  
Number)

June 3, 2014  
(Date of Event  
Which Requires  
Filing of This  
Statement)

Check the  
appropriate box  
to designate the  
rule pursuant to  
which this  
Schedule is  
filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

(Page 1 of 12

Pages)

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\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

<b>1</b>	NAME OF REPORTING PERSON
	Adage Capital Partners, L.P.
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER (b) " OF A GROUP
<b>3</b>	SEC USE ONLY CITIZENSHIP OR PLACE OF ORGANIZATION
	Delaware
<b>5</b>	SOLE VOTING POWER
<b>6</b>	0 SHARED VOTING POWER
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	1,600,469
<b>7</b>	SOLE DISPOSITIVE POWER
<b>8</b>	0 SHARED DISPOSITIVE POWER
<b>9</b>	1,600,469 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,600,469

CHECK BOX

IF THE

AGGREGATE

AMOUNT IN ..

**10**

ROW (9)

EXCLUDES

CERTAIN

SHARES

PERCENT OF

CLASS

REPRESENTED BY

**11**

AMOUNT IN ROW

(9)

5.09%

TYPE OF

REPORTING

**12**

PERSON

PN

<b>1</b>	NAME OF REPORTING PERSON
<b>2</b>	Adage Capital Partners GP, L.L.C. CHECK THE APPROPRIATE BOX IF A MEMBER (b) " OF A GROUP
<b>3</b>	SEC USE ONLY CITIZENSHIP OR PLACE OF ORGANIZATION
<b>4</b>	Delaware
<b>5</b>	SOLE VOTING POWER
<b>6</b>	0 SHARED VOTING POWER
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	1,600,469
<b>7</b>	SOLE DISPOSITIVE POWER
<b>8</b>	0 SHARED DISPOSITIVE POWER
<b>9</b>	1,600,469 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,600,469

CHECK BOX

IF THE

AGGREGATE

AMOUNT IN ..

**10**

ROW (9)

EXCLUDES

CERTAIN

SHARES

PERCENT OF

CLASS

REPRESENTED BY

**11**

AMOUNT IN ROW

(9)

5.09%

TYPE OF

REPORTING

**12**

PERSON

OO

<b>1</b>	NAME OF REPORTING PERSON
<b>2</b>	Adage Capital Advisors, L.L.C. CHECK THE APPROPRIATE BOX IF A MEMBER (b) " OF A GROUP
<b>3</b>	SEC USE ONLY CITIZENSHIP OR PLACE OF ORGANIZATION
<b>4</b>	Delaware
<b>5</b>	SOLE VOTING POWER
<b>6</b>	0 SHARED VOTING POWER
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	1,600,469
<b>7</b>	SOLE DISPOSITIVE POWER
<b>8</b>	0 SHARED DISPOSITIVE POWER
<b>9</b>	1,600,469 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,600,469

CHECK BOX

IF THE

AGGREGATE

AMOUNT IN ..

**10**

ROW (9)

EXCLUDES

CERTAIN

SHARES

PERCENT OF

CLASS

REPRESENTED BY

**11**

AMOUNT IN ROW

(9)

5.09%

TYPE OF

REPORTING

**12**

PERSON

OO



<b>1</b>	NAME OF REPORTING PERSON
	Robert Atchinson
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER (b) " OF A GROUP
<b>3</b>	SEC USE ONLY CITIZENSHIP OR PLACE OF ORGANIZATION
	United States
<b>5</b>	SOLE VOTING POWER
	0 SHARED VOTING POWER
<b>6</b>	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
	1,600,469
<b>7</b>	SOLE DISPOSITIVE POWER
	0 SHARED DISPOSITIVE POWER
<b>8</b>	
	1,600,469
<b>9</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	1,600,469

<b>10</b>	CHECK BOX IF THE AGGREGATE AMOUNT IN .. ROW (9) EXCLUDES CERTAIN SHARES PERCENT OF CLASS REPRESENTED BY
<b>11</b>	AMOUNT IN ROW (9)
<b>12</b>	5.09% TYPE OF REPORTING PERSON  IN

<b>1</b>	NAME OF REPORTING PERSON
	Phillip Gross
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER (b) " OF A GROUP
<b>3</b>	SEC USE ONLY CITIZENSHIP OR PLACE OF ORGANIZATION
	United States
<b>5</b>	SOLE VOTING POWER
	0
<b>6</b>	SHARED VOTING POWER
<b>7</b>	1,600,469 SOLE DISPOSITIVE POWER
<b>8</b>	0 SHARED DISPOSITIVE POWER
<b>9</b>	1,600,469 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	1,600,469

<b>10</b>	CHECK BOX IF THE AGGREGATE AMOUNT IN .. ROW (9) EXCLUDES CERTAIN SHARES PERCENT OF CLASS
<b>11</b>	REPRESENTED BY AMOUNT IN ROW (9)
<b>12</b>	5.09% TYPE OF REPORTING PERSON  IN

**Item 1(a). NAME OF ISSUER**

The name of the issuer is ACCELERON PHARMA Inc. (the "Company").

**Item 1(b). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES**

The Company's principal executive offices are located at 128 Sidney Street, Cambridge, Massachusetts, 02139.

**Item 2(a). NAME OF PERSON FILING**

This statement is filed by:

- (i) Adage Capital Partners, L.P., a Delaware limited partnership ("ACP") with respect to the shares of Common Stock directly owned by it;

- (ii) Adage Capital Partners GP, L.L.C., a limited liability company organized under the laws of the State of Delaware ("ACPGP"), as general partner of ACP with respect to the shares of Common Stock directly owned by ACP;

- (iii) Adage Capital Advisors, L.L.C., a limited liability company organized under the laws of the State of Delaware ("ACA"), as managing member of ACPGP, general partner of ACP, with respect to the shares of Common Stock directly owned by ACP;

- (iv) Robert Atchinson ("Mr. Atchinson"), as managing member of ACA, managing member of ACPGP, general partner of ACP with respect to the shares of Common Stock directly owned by ACP; and

- (v) Phillip Gross ("Mr. Gross"), as managing member of ACA, managing member of ACPGP, general partner of ACP with respect to the shares of Common Stock directly owned by ACP.

The foregoing persons are hereinafter sometimes collectively referred to as the "Reporting Persons." Any disclosures herein with respect to persons other than the Reporting Persons are made on information and belief after making inquiry to the appropriate party.

**Item 2(b). ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE**

The address of the business office of each of the Reporting Persons is 200 Clarendon Street, 52nd floor, Boston, Massachusetts 02116.

**Item 2(c). CITIZENSHIP**

ACP is a limited partnership organized under the laws of the State of Delaware. ACPGP and ACA are limited liability companies organized under the laws of the State of Delaware. Messrs. Gross and Atchinson are citizens of the United States.

**Item 2(d). TITLE OF CLASS OF SECURITIES**

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Common Stock, \$0.001 par value (the "Common Stock").

**Item 2(e). CUSIP NUMBER**

00434H108

**Item 3. IF THIS STATEMENT IS FILED PURSUANT TO Rules 13d-1(b), OR 13d-2(b) OR (c), CHECK WHETHER THE PERSON FILING IS A:**

- (a) " Broker or dealer registered under Section 15 of the Act;
- (b) " Bank as defined in Section 3(a)(6) of the Act;
- (c) " Insurance company as defined in Section 3(a)(19) of the Act;
- (d) " Investment company registered under Section 8 of the Investment Company Act of 1940;
- (e) " An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f) " An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) " A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) " A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
- (i) " A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;
- (j) " A non-U.S. institution in accordance with Rule 13d-1(b)(1)(ii)(J);
- (k) " Group, in accordance with Rule 13d-1(b)(1)(ii)(K).

If filing as a non-U.S. institution in accordance with Rule 13d-1(b)(1)(ii)(J), please

specify the type of institution: Not applicable

**Item 4. OWNERSHIP**

A. Adage Capital Partners, L.P.,  
Adage Capital Partners GP, L.L.C.  
and Adage Capital Advisors,  
L.L.C.

- (a) Amount beneficially owned: 1,600,469  
Percent of class: 5.09%. The percentages used herein and in the rest of Item 4 are calculated based upon 31,455,763 shares of Common Stock outstanding as of April 30, 2014 as reported in the Company's Form 10-Q dated May 15, 2014.
- (c) (i) Sole power to vote or direct the vote: 0  
Shared power to vote or direct the vote: 1,600,469
- (ii) Sole power to dispose or direct the disposition: 0  
Shared power to dispose or direct the disposition of: 1,600,469
- (iii)
- (iv)

ACP has the power to dispose of and the power to vote the shares of Common Stock beneficially owned by it, which power may be exercised by its general partner, ACPGP. ACA, as managing member of ACPGP, directs ACPGP's operations. Neither ACPGP nor ACA directly own any shares of Common Stock. By reason of the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 (the "Act"), ACPGP and ACA may be deemed to beneficially own the shares owned by ACP.

B. Robert Atchinson and Phillip Gross



- (a) Amount beneficially owned: 1,600,469
- (b) Percent of class: 5.09%
- (c) (i) Sole power to vote or direct the vote: 0
  - (ii) Shared power to vote or direct the vote: 1,600,469
  - (iii) Sole power to dispose or direct the disposition: 0
  - (iv) Shared power to dispose or direct the disposition: 1,600,469

Messrs. Atchinson and Gross, as managing members of ACA, have shared power to vote the Common Stock beneficially owned by ACP. Neither Mr. Atchinson nor Mr. Gross directly own any shares of Common Stock. By reason of the provisions of Rule 13d-3 of the Act, each may be deemed to beneficially own the shares beneficially owned by ACP.

**Item 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS**

Not applicable.

**Item 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON**

Not applicable.

**Item 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY OR CONTROL PERSON**

Not applicable.

**Item 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP**

Not applicable.

**Item 9. NOTICE OF DISSOLUTION OF GROUP**

Not applicable.

**Item 10. CERTIFICATION**

Each of the Reporting Persons hereby makes the following certification:

By signing below each Reporting Person certifies that, to the best of his or its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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SIGNATURES

After reasonable inquiry and to the best of his or its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

DATE: June 12, 2014

ADAGE CAPITAL PARTNERS, L.P.  
By: Adage Capital Partners GP, L.L.C.,  
its general partner

By: Adage Capital Advisors, L.L.C.,  
its managing member

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

ADAGE CAPITAL PARTNERS GP, L.L.C.  
By: Adage Capital Advisors, L.L.C.,  
its managing member

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

ADAGE CAPITAL ADVISORS, L.L.C.

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

/s/ Robert Atchinson  
ROBERT ATCHINSON, individually

/s/ Phillip Gross  
PHILLIP GROSS, individually

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EXHIBIT 1

JOINT FILING AGREEMENT  
PURSUANT TO RULE 13d-1(k)

The undersigned acknowledge and agree that the foregoing statement on Schedule 13G is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13G shall be filed on behalf of each of the undersigned without the necessity of filing additional joint filing agreements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning him or it contained herein and therein, but shall not be responsible for the completeness and accuracy of the information concerning the others, except to the extent that he or it knows or has reason to believe that such information is inaccurate.

DATE: June 12, 2014

ADAGE CAPITAL PARTNERS, L.P.  
By: Adage Capital Partners GP, L.L.C.,  
its general partner

By: Adage Capital Advisors, L.L.C.,  
its managing member

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

ADAGE CAPITAL PARTNERS GP, L.L.C.  
By: Adage Capital Advisors, L.L.C.,  
its managing member

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

ADAGE CAPITAL ADVISORS, L.L.C.

/s/ Robert Atchinson  
Name: Robert Atchinson  
Title: Managing Member

/s/ Robert Atchinson  
ROBERT ATCHINSON, individually

/s/ Phillip Gross

PHILLIP GROSS, individually

/FONT> 110,762 \*

Rodolphe M. Vallee

10,155 10,155 \*

**ALL DIRECTORS AND EXECUTIVE OFFICERS AS OF JANUARY 29, 2010 AS A GROUP (12 PERSONS )**

1,962,059 568,043 2,530,102 2.40%

- (1) Each named executive officer and director as of January 29, 2010, had sole voting and investment power with respect to his or her shares, except as follows: Mr. Fernandez's beneficial ownership of our class A common stock includes 108,570 shares held in a trust and 6,000 shares held as custodian for his children; and Mr. Neborak's beneficial ownership of our class A common stock includes 3,000 shares held by his spouse and 3,600 shares held as custodian for his children.
- (2) See the Outstanding Equity Awards at Fiscal Year-End Table herein for additional information regarding stock options held by NEOs as of November 30, 2009.
- (3) On September 8, 2009, Ms. Kinney received 949 RSUs that will vest on April 2, 2010. On December 14, 2009, each of Ms. Handy and Mr. Siguler received 444 RSUs that will vest on April 2, 2010.
- (4) All NEOs and directors (other than Mr. Fernandez) each beneficially owned less than 1.0% of the shares of class A common stock outstanding.

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**Principal Shareholders.** The following table contains information regarding the only persons we know of that beneficially own more than 5% of our class A common stock. Percentage of class amounts are based on 105,556,532 shares of our class A common stock outstanding as of January 29, 2010.

Name and Address	Shares of Common Stock Beneficially Owned	
	Number of Shares	Percentage of Class
Baron Capital Group, Inc., BAMCO, Inc., Baron Capital Management, Inc., Ronald Baron 767 Fifth Avenue, 49 <sup>th</sup> Floor New York, NY 10153	9,739,375 <sup>(1)</sup>	9.23%
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street New York, NY 10022	6,224,513 <sup>(2)</sup>	5.90%
Morgan Stanley 1585 Broadway New York, NY 10036 Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	10,643,753 <sup>(3)</sup>	10.08%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	8,800,020 <sup>(4)</sup>	8.34%

<sup>(1)</sup> Based on a Schedule 13G/A Information Statement filed with the SEC on February 12, 2010 jointly by Baron Capital Group, Inc. (BCG), BAMCO, Inc. (BAMCO), Baron Capital Management, Inc. (BCM) and Ronald Baron. The Schedule 13G/A discloses that BAMCO and BCM are subsidiaries of BCG and Ronald Baron owns a controlling interest in BCG. In addition, the Schedule 13G/A reported that: (i) BCG had shared voting power as to 9,171,000 shares of our class A common stock and shared investment power as to 9,739,375 shares of our class A common stock; (ii) BAMCO had shared voting power as to 8,724,144 shares of our class A common stock and shared investment power as to 9,392,519 shares of our class A common stock; (iii) BCM had shared voting power as to 346,856 shares of our class A common stock and shared investment power as to 346,856 shares of our class A common stock and (iv) Ronald Baron had shared voting power as to 9,739,375 shares of our class A common stock and shared investment power as to 9,739,375 shares of our class A common stock.

<sup>(2)</sup> Based on a Schedule 13G Information Statement filed with the SEC on January 29, 2010. The Schedule 13G discloses that BlackRock, Inc. had sole voting power and sole investment power as to 6,224,513 shares of our class A common stock.

<sup>(3)</sup> Based on a Schedule 13G/A Information Statement filed with the SEC on February 12, 2010 jointly by Morgan Stanley and Morgan Stanley Investment Management Inc. (MSIM). The Schedule 13G/A discloses that MSIM, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), is a wholly-owned subsidiary of Morgan Stanley. In addition, the Schedule 13G/A reported that: (i) Morgan Stanley

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had sole voting power as to 10,277,453 shares of our class A common stock and sole investment power as to 10,643,753 shares of our class A common stock and (ii) MSIM had sole voting power as to 8,105,856 shares of our class A common stock and sole investment power as to 8,472,156 shares of our class A common stock.

<sup>(4)</sup> Based on a Schedule 13G/A Information Statement filed with the SEC on February 12, 2010. The Schedule 13G/A discloses that T. Rowe Price Associates, Inc. had sole voting power as to 2,208,620 shares of our class A common stock and sole investment power as to 8,800,020 shares of our class A common stock.

## **Table of Contents**

### **Executive Compensation**

#### **Compensation Discussion and Analysis**

##### **Overview**

This compensation discussion and analysis summarizes our general philosophy with regard to the compensation of our CEO, our CFO and our three next highest paid executive officers (also referred to as named executive officers or NEOs) during fiscal 2009 and provides a context for the executive compensation disclosure, both narrative and tabular.

In the first section below, we discuss the elements and objectives of our compensation program. In the second section, we discuss the process for determining named executive officer compensation. In the third section, we provide an overview of compensation decisions regarding our named executive officers with respect to fiscal 2009.

Pursuant to its charter, the Compensation Committee reviews our compensation strategy and reviews and approves our compensation and benefits policies generally and NEO awards. The Compensation Committee and the Section 162(m) Committee (a subcommittee of the Compensation Committee whose composition and role is set forth in *Tax Considerations* below) approved the compensation structure and amounts for each of our named executive officers for fiscal 2009. The compensation structure for fiscal 2009 continued to evolve from prior years, but is generally consistent with the one applied in fiscal 2008 with some important modifications as discussed below under Compensation Program Objectives and Policies *Elements of Compensation*.

The Compensation Committee engaged Semler Brossy Consulting LLC (Semler Brossy) as its independent compensation consultant to assist the Compensation Committee on a range of executive compensation matters, including the overall design of our executive compensation program, selection of peer group companies, provision of competitive market data and other matters related to our named executive officer compensation program. Semler Brossy's services to the Compensation Committee are further discussed below.

##### **Compensation Program Objectives and Policies**

###### *Executive Compensation Philosophy and Goals*

Morgan Stanley was our parent company prior to the Company's initial public offering (IPO) and was the controlling shareholder of the Company after the IPO until May 22, 2009. Following the Company's IPO and continuing through its disaffiliation, the Company has considered whether various legacy executive officer pay practices are appropriate for MSCI as an independent company. Decisions regarding compensation structure for fiscal 2008 and fiscal 2009 were made by our Compensation Committee and reflect certain modifications to historical practices, including those discussed below, and we continue to evaluate our compensation structure to insure that it is appropriately aligned with our future business strategy. Consequently, additional modifications to our compensation structure may be considered in fiscal 2010, where such modifications are determined appropriate to support our compensation philosophy and objectives as an independent company and are more aligned with the market practices of companies such as ours.

Consistent with our historical approach, our executive compensation philosophy for fiscal 2009 was to pay our named executive officers base salaries that represent a relatively small percentage of their potential total compensation while offering them the opportunity to earn significant incentive compensation in the form of an annual cash bonus and equity-based awards. We refer to the annual cash bonus and equity-based awards collectively as incentive compensation. In fiscal 2009, the Compensation Committee made two noteworthy modifications to our executive compensation program. First, base salaries were increased to better align the fixed compensation element of our compensation program with that of our peer groups. Second, we increased equity-based compensation as a percentage of incentive compensation and total compensation, as we feel that this compensation mix better aligns the interests of our named executive officers with the long-term interests of our



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shareholders and better aligns our compensation program with those of our peer groups. Please see the *Elements of Compensation* discussion below for more information regarding modifications to our compensation structure for fiscal 2009. Our executive compensation philosophy aims to provide a framework that encourages our named executive officers to make a long-term commitment to the Company and which rewards individual and Company performance.

The primary objectives of our compensation program are to:

Attract, retain and motivate top-level talent. Our compensation program should provide each executive officer with a total compensation opportunity that is market competitive and rewards individual performance. This objective is intended to ensure that we are not at a competitive disadvantage in attracting and retaining executive officers while maintaining an appropriate cost structure. Accordingly, we use survey data prepared by third parties to assess the competitiveness of our compensation levels and, where appropriate, adjust compensation amounts to account for such factors as the executive's level of experience, responsibilities and expected future contributions. We aim to compensate at the higher end of market practices to retain top-level talent.

Reward executives for individual and team accomplishments as well as Company performance. Our compensation program is structured to reward performance. Accordingly, our compensation program is weighted toward incentive compensation, with base salary being the only component of an NEO's total compensation that is fixed each year.

Align the long-term interests of our executive officers with those of our shareholders. Our compensation program should align executives' interests with those of our shareholders by promoting actions that will have a long-term impact on total shareholder return. Accordingly, a significant element of our compensation program is equity-based compensation (which has been increased in relation to other compensation elements for fiscal 2009) because we believe that aligning the incentives of management and shareholders will promote our long-term success.

The Compensation Committee believes that our executive officers are crucial to our continued business success. As a result, the Company has implemented an executive compensation program based largely on pay-for-performance principles that is expected to encourage each executive officer to strive for outstanding individual performance and drive Company performance. In making its compensation decisions for fiscal 2009, the Compensation Committee did not utilize pre-set formulas to determine exact amounts for NEO compensation other than those required by our Section 162(m) plan (discussed below). It makes informed decisions based on its judgment and consideration of the importance of the executive to the Company, historical compensation, individual performance during the year, Company performance and market data to determine the amounts of base salaries, cash bonuses, equity awards and benefits for our named executive officers. For fiscal 2009, the core drivers for NEO compensation decisions included the Company's performance and individual contributions of the named executive officers to such performance, particularly when measured in light of the effects of the financial crisis on, and cost-cutting measures by, many of our clients. For more information on the factors used by the Compensation Committee in determining fiscal 2009 named executive officer compensation and the process followed, please see the headings *Process for Determination of Executive Compensation* and *Fiscal 2009 Compensation Decisions* below.

### *Elements of Compensation*

Our current compensation program, although evolving, is based on the concept of total reward, which is consistent with our compensation program in prior years. The compensation program incorporates both fixed and variable components. The fixed component of our compensation program is comprised of annual base salary. The variable component is comprised of incentive compensation in the form of annual cash bonus and equity-based compensation. While our compensation program has historically included these elements, we modified the structure of our variable component in fiscal 2009 by placing significantly greater emphasis on equity-based compensation and lesser emphasis on annual cash bonuses. In doing so, we continued our prior practice of setting

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incentive compensation based on performance during the completed fiscal year while at the same time also subjecting a greater portion of the ultimate value of such incentive compensation to prospective Company performance. Additionally, in fiscal 2009 we adjusted our mix of fixed and variable compensation through base salary increases in order to, among other things, better align our compensation practices with those of our peer groups. Although base salaries were increased in fiscal 2009, the total amount of cash paid to the named executive officers decreased from fiscal 2008 as a result of the shift in our incentive compensation towards equity-based compensation. Compensation decisions related to incentive compensation made at the end of fiscal 2009 took into account the new base salary levels. In fiscal 2009, cash represented 39% and an average of 59% of the total rewards for the CEO and the NEOs (excluding the CEO), respectively, compared to 61% and 70% in fiscal 2008, respectively.

The primary elements of our executive compensation program are described below.

### Fixed Compensation.

*Annual Base Salary.* The annual base salary element offers our named executive officers a measure of certainty and predictability to meet certain living and other financial commitments. In setting base salaries for our named executive officers, the Compensation Committee has sought, to the extent possible, to establish base salaries that are competitive with those provided in our peer groups for similar positions. The Compensation Committee reviews the base salaries of our named executive officers on an annual basis.

In May 2009, the Compensation Committee approved increases to the base salaries of our named executive officers as part of our effort to more closely reflect market level base salaries and the base salaries provided by our peer groups for positions with similar responsibilities (without benchmarking to a specified target). Mr. Fernandez's annualized base salary increased from \$250,000 to \$600,000, Mr. Brierwood's annualized base salary increased from \$322,903 to \$400,000, Mr. Neborak's annualized base salary increased from \$225,000 to \$400,000, Mr. Pettit's annualized base salary increased from \$284,915 to \$400,000 and Mr. Retelny's annualized base salary increased from \$185,000 to \$400,000. Because the salary increases were effective June 1, 2009, the NEOs received a proportional blend of their prior and new base salaries during fiscal 2009. The variable compensation component of the fiscal 2009 total rewards (cash bonus and equity based compensation) took into account these base salary increases. We intend to review base salary levels during the fourth quarter of fiscal 2010.

### Variable Compensation.

The variable elements of our compensation program include both an annual cash bonus and equity-based compensation. This incentive compensation is paid pursuant to a performance-based incentive plan implemented under Section 162(m) of the Internal Revenue Code (discussed below). In order for the named executive officers to receive incentive compensation under the plan, the Company must meet specified Adjusted EBITDA levels for the relevant fiscal year. The Compensation and Section 162(m) Committees then take into account Company and individual performance, historical compensation and market data in setting incentive compensation for each named executive officer. The amount of incentive compensation payable to each named executive officer is subject to an annual cap. There is no minimum or guaranteed amount of annual incentive compensation payable to the named executive officers, meaning that the named executive officers may be paid no incentive compensation with respect to any fiscal year. If the Compensation Committee, subject to compliance with Section 162(m), makes a decision to pay incentive compensation, it determines the total amount of incentive compensation to be paid to each named executive officer and such amount is then allocated between cash bonus and equity-based compensation.

*Annual Cash Bonus.* For fiscal 2009, cash bonuses were awarded to our named executive officers and such bonuses were the larger component of their total cash compensation. We did not establish a cash bonus program with pre-set performance goals that were required to be met nor did we set target cash bonuses, other than as mandated by Section 162(m). The annual cash bonuses our Compensation Committee approved for our named executive officers in respect of services for fiscal 2009 were primarily based on Company performance and

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individual and team performance and included a review of historical compensation paid to the named executive officers. See *Fiscal 2009 Compensation Decisions* for the factors taken into consideration. Because we had no defined annual cash bonus targets and no pre-determined formulas for calculation of such cash bonuses, the amounts of our annual cash bonuses to our named executive officers were discretionary and appear in the *Bonus* column of the *Summary Compensation Table* on page 22.

*Annual Equity Bonus.* The Compensation Committee has the discretion to award equity-based awards, subject to certification by the Section 162(m) Committee of the satisfaction of certain performance criteria under the performance-based incentive plan. Equity-based awards are intended to align the incentives of our named executive officers with the long-term stock performance of the Company and to promote long-term retention of key members of our management. For fiscal 2009, we implemented an approach where equity awards to each named executive officer represented a fixed percentage of total reward for fiscal 2009. That fixed equity percentage was 61% for the CEO and 41% for each of the other named executive officers. For fiscal 2008, equity awards constituted 39% of the CEO's total reward and an average of 30% of the NEOs (excluding the CEO) total rewards. While the fiscal 2009 ratio represented a significant increase in the percentage of equity-based compensation paid to our NEOs as a percentage of variable compensation and total reward, we believe that it is consistent with the practices of companies in our peer groups identified below under *Process for Determination of Executive Compensation*.

### Benefits.

The Company provides health, welfare and other benefits to remain competitive with regard to hiring and retaining its employees. Our named executive officers are eligible to participate in these benefit plans on the same terms and conditions as all other employees.

*Pension and Retirement Benefits.* We offer health, welfare and other benefit plans to all employees, including named executive officers, under the same terms and conditions. In the United States and the United Kingdom, the Company has established defined contribution plans for all employees. Contributions by the Company to these defined contribution plans for our named executive officers for the applicable period are disclosed in the *All Other Compensation* column in the *Summary Compensation Table* below.

Through August 31, 2008, our named executive officers were entitled to participate in pension and retirement plans sponsored by Morgan Stanley. Effective on that date, our named executive officers ceased to accrue benefits in all plans sponsored by Morgan Stanley and were considered to be terminated employees for the purposes of those plans. The narrative disclosure following the *Pension Benefits under Morgan Stanley Plans Table* below provides further detail on defined benefit pension plan arrangements sponsored by Morgan Stanley for our named executive officers. Because we are no longer affiliated with Morgan Stanley, this will be the final year in which we include disclosures with respect to Morgan Stanley pension and retirement plans. We have not replaced the Morgan Stanley defined benefit pension plan with a defined benefit pension plan of our own.

*Deferred Compensation Programs.* During fiscal 2009, no contributions were made by our named executive officers or by the Company to any deferred compensation plan and we currently do not offer any deferred compensation programs to our named executive officers.

Prior to fiscal 2008, our named executive officers were entitled to participate in certain nonqualified deferred compensation programs sponsored by Morgan Stanley on similar terms and conditions as similarly situated employees of Morgan Stanley based on title, service and compensation. In general, these plans permitted our named executive officers to defer their compensation on a voluntary basis and did not provide for Company contributions to the plans. During fiscal 2009, our named executive officers (and all other participating MSCI employees) other than Mr. Fernandez received account distributions with respect to certain Morgan Stanley nonqualified deferred compensation plans. The voluntary nonqualified deferred compensation plans in which our named executive officers participated are described in the narrative disclosure following the *Nonqualified Deferred Compensation under Morgan Stanley Plans Table* on page 32. Because we are no longer affiliated with Morgan Stanley, this will be the final year in which we include disclosures with respect to Morgan Stanley's deferred compensation programs.

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*Perquisites and other benefits.* We do not typically provide perquisites to our named executive officers. Mr. Pettit received benefits for his relocation from our Berkeley, California office to our London, England office in September 2009 as described below in footnote (6) to the Summary Compensation Table.

*Employment Agreements and Change in Control Arrangements.* We do not have employment agreements with any of our named executive officers.

In the event of a change in control of MSCI and a qualifying termination (defined as a resignation from employment for good reason or a termination not for cause within 18 months following the change in control), all outstanding founders grant stock options and RSUs granted as one-time awards at the time of the IPO, in November 2007, will vest in full. This double-trigger vesting is consistent with market practices and benefits the shareholders by encouraging employees to focus on the value-creating aspects of a transaction instead of the uncertainty of their own financial situation should a transaction occur.

More detailed information on post-termination and change in control payments to our named executive officers is provided in the section titled Potential Payments upon Termination or Change in Control, on page 33. For the equity grants made in fiscal 2009 and fiscal 2010 in respect of service in fiscal 2008 and fiscal 2009, respectively, double trigger vesting continues to apply in most cases. For named executive officers, the awards are subject to single trigger accelerated vesting upon certain hostile change in control events or other qualifying change in control events (as defined in the applicable award certificate). We have not granted any other equity awards to our named executive officers.

## **Process for Determination of Executive Compensation**

Our named executive officers are employees at will and therefore, as noted above, the Company does not have any employment or separation agreements with its named executive officers. As a result, the Company is not bound by any contractual requirements to compensate the named executive officers in a specific manner or amount and has the flexibility to alter or amend our compensation programs as circumstances dictate, in accordance with the terms of the programs. The CEO, in consultation with the Chief Human Resources Officer, makes recommendations on compensation for named executive officers other than himself and the Compensation Committee takes these recommendations into account in reaching its compensation decisions. No other member of management participates in, or has authority over, final compensation decisions relating to the named executive officers.

There is no dominant factor driving the Compensation Committee's compensation decisions. Instead, the Compensation Committee takes into account a myriad of factors, including compliance with Section 162(m) (as described below) in determining compensation components and setting compensation amounts. The importance of each individual factor may change from time to time, depending on the factual situation surrounding such decisions. We believe this continues to be the best approach for our Company, as it enables the Compensation Committee to balance competing interests, address evolving concerns and sufficiently meet Company objectives. In fiscal 2009, the Compensation Committee adopted a framework that identified key financial considerations by business area and provided comparisons to the Company's primary peers. Although this framework did not include pre-set formulaic performance targets, it was intended to be used as a compensation monitoring tool that (i) established performance considerations, (ii) facilitated discussions with respect to the Company's financial performance, the influences on such performance and actions to address any related issues and (iii) provided guidance with respect to quarterly annual incentive accruals and the actual year-end incentive pool.

For fiscal 2009, pursuant to this framework adopted during fiscal 2009 and applied in the second half of the year, the Compensation Committee reviewed on a quarterly and yearly basis actual performance versus budgeted performance with respect to the following financial measures: revenue, adjusted EBITDA, adjusted EBITDA margin, compensation expense (excluding founders grant), non-compensation expenses (excluding depreciation and amortization), net income and earnings per share measures. The Compensation Committee also compared

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year-over-year revenue growth of the following product categories with the Company's most comparable primary peers: equity index subscriptions, equity analytics, BarraOne and subscription revenue. Finally, the Compensation Committee reviewed the following performance indicators on the basis of actual versus planned results: revenue, adjusted EBITDA, adjusted EBITDA margin, run rate, retention rates for each of our three product categories, net new clients and balances of assets under management with respect to our exchange traded funds (ETF) licenses. While these financial measures were relevant to compensation decisions for fiscal 2009, the Compensation Committee plans to review the elements of the framework throughout the year and identify the appropriate key financial measures on a yearly basis.

The Compensation Committee also engaged Semler Brossy as its compensation consultant to assist with the determination of fiscal 2009 compensation for the named executive officers. Semler Brossy collected and analyzed publicly available proxy data on the compensation of the executives of the companies in our primary and secondary peer groups shown below.

Our primary peer group includes nine (9) direct comparators, the selection of which was based on identifying the most relevant companies in terms of: (i) business model, (ii) scale, (iii) geographic footprint, (iv) ownership structure, (v) competitors for talent and (vi) opportunity cost comparators with respect to talent.

Our primary peer group of companies established in fiscal 2008 was modified as follows for fiscal 2009:

Investment Technology Group Inc. and Verisk Analytics Inc. were added because they have size, scope and business models that are comparable to the Company; and

Choicepoint, Inc., was deleted because it was acquired in September 2008. Federated Investors, Inc., The McGraw-Hill Companies Inc. and Moody's Corporation were deleted as a result of the Compensation Committee's decision to use a more targeted peer group in conjunction with other points of reference and because the businesses comparable to ours within those companies constituted segments, subsidiaries, divisions or units of companies that are much larger than and not comparable to the Company.

Our primary peer group includes the following nine (9) companies:

Factset Research Systems Inc.;  
Fair Isaac Corporation;  
IHS Inc.;  
Interactive Data Corporation;  
Investment Technology Group Inc.  
Morningstar, Inc.;  
RiskMetrics Group, Inc.;  
SEI Investments Company; and  
Verisk Analytics Inc. (Research & Consulting Services)

The relevance of the primary peer group as a reference for CEO pay levels is limited because there is a wide variation in compensation structures and pay practices within the primary peer group with respect to CEO compensation due to a number of factors, including significant ownership stakes by CEOs in their companies. As a result, the primary peer group provides a limited data set for CEO pay practices. To provide greater insight into competitive CEO pay practices and a more robust data set, a secondary peer group was developed as a further input to the CEO compensation decision. In addition to selecting companies with similar characteristics to us in similar and adjacent industries, Semler Brossy applied the following seven (7) objective screening criteria to identify the secondary peer group: (i) select Global Industry Classification Standards (GICS) sub-industries, (ii) revenues, (iii) net income, (iv) operating margin, (v) revenue per employee, (vi) foreign sales component and (vii) single incumbent in the CEO position.

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Our secondary peer group includes the following 19 companies:

FTI Consulting Inc.	TIBCO Software Inc.
Gartner Inc.	Solera Holdings Inc.
Sybase Inc.	Progress Software Corp.
Janus Capital Group Inc.	ANSYS Inc.
Intercontinental Exchange Inc.	Informatica Corp.
Navigant Consulting Inc.	Digital River Inc.
Akamai Technologies Inc.	Penson Worldwide Inc.
Equinix Inc.	TNS Inc.
j2 Global Communications Inc.	NetScout Systems Inc.
GFI Group Inc.	

The compensation analysis of the primary and secondary peer groups took into account base salary, total cash compensation and total direct compensation, which includes annual cash incentives and equity-based compensation. The analysis served as a reference for pay levels and practices, without benchmarking to a specified target. The Compensation Committee believes that, in aggregate, the total reward in respect of services for fiscal 2009 for our named executive officers is both appropriate and competitive.

*Tax Considerations*

Section 162(m) of the Internal Revenue Code and the supporting regulations generally limit tax deductibility of compensation in excess of \$1 million paid to a named executive officer other than the Chief Financial Officer during any taxable year. However, this limitation does not apply to qualified performance-based compensation. For all of our named executive officers, annual cash bonus and annual equity compensation are determined under the terms of a performance-based plan, implemented under Section 162(m) of the Internal Revenue Code and approved by our shareholders. This plan provides that, commencing with fiscal 2008, each Section 162(m) participant will be eligible under the plan to earn an annual incentive award for each fiscal year in a maximum amount equal to the following percentages of Adjusted EBITDA (as defined in the plan) for that fiscal year:

5% for the CEO,

4% for the second highest compensated Section 162(m) participant, and

2% for each of the other Section 162(m) participants.

The Compensation Committee delegated for fiscal 2009 to a group of directors who are outside directors as defined under Section 162(m) of the Internal Revenue Code (162(m) Committee) the responsibility and authority to review and approve performance-based compensation for certain executive officers, pursuant to the plan. The 162(m) Committee was comprised of Mr. Benjamin F. duPont and Mr. Rodolphe M. Vallee. In determining the annual incentive award amounts payable under the plan, the 162(m) Committee may pay a Section 162(m) participant up to but not in excess of the maximum amounts described above, taking into account factors that the 162(m) Committee may deem relevant to the assessment of individual or corporate performance for the year. The 162(m) Committee reviewed and approved the 2009 annual incentive awards as recommended by the Compensation Committee. As part of its approval of fiscal 2009 incentive compensation for our named executive officers, the 162(m) Committee reviewed the maximum amount yielded by the application of the shareholder-approved performance formula described above, and the Section 162(m) Committee certified that the Company's financial results for fiscal 2009 satisfied the performance criteria of Section 162(m).

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The Compensation Committee considers Section 409A of the Internal Revenue Code when determining compensation paid to our named executive officers and structures its compensation arrangements in a way intended to avoid the imposition of any additional tax, interest or penalties under Section 409A.

### *Risk Policies*

The compensation program is intended to reward the management team for stable and improving Company performance while taking into account individual near-term actions. Our program is designed and administered with the intention of providing balanced incentives that do not encourage excessive or inappropriate risk taking.

### **Fiscal 2009 Compensation Decisions**

In determining the variable component of the total reward (cash and equity bonuses) for the named executive officers for fiscal 2009, the Compensation Committee took into account the performance of the Company and the performance of each individual. The Compensation Committee considered, among other things, the following Company performance factors with no particular weighting applied to any one factor:

record revenues of approximately \$443 million, up 2.8% from fiscal 2008;

diluted EPS of \$0.80 compared to \$0.67 for fiscal 2008;

net income of approximately \$81 million, up 19.8% from fiscal 2008 ;

record adjusted EBITDA (EBITDA excluding founders grant amortization) of \$215 million, up 10.4% from fiscal 2008 and an adjusted EBITDA margin of 48.6% for fiscal 2009, compared to 45.2% in fiscal 2008 (See Table 12 titled Reconciliation of Adjusted EBITDA to Net Income and information about the use of non-GAAP financial information provided under Notes Regarding the Use of Non-GAAP Financial Measures in our Earnings Release dated January 7, 2010. The Earnings Release is available under the Investor News link under the Investor Relations link at [www.mscibarra.com](http://www.mscibarra.com). Information contained on our website is not incorporated by reference into this Proxy Statement or any other report filed with the SEC);

improved cost structure achieved by increasing the number of employees and functions in emerging market centers where 43% of our employees are now located, compared to 28% in fiscal 2008;

successful completion of the implementation of enhanced infrastructure to replace all services previously provided by Morgan Stanley, including IT infrastructure and all administrative functions on a worldwide basis;

licensing of our indices as the basis of 101 new ETFs launched in fiscal 2009 bringing the total of primary exchange listings of ETFs linked to our indices to 268; and

cash, cash equivalents and short term investments less term loan debt were approximately \$91 million at November 30, 2009, an increase of approximately \$225 million over 2008 and approximately \$344 million over 2007.

### *NEO Compensation Determinations*

*Henry A. Fernandez.* Mr. Fernandez has been the CEO of the Company since 1998 and has been instrumental in its organization as a stand-alone business and growth from essentially a single product company to a fully independent public company in 2009 offering an array of investment decision support tools to financial services institutions around the world. Under his leadership, in addition to becoming a leading global provider

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of investment decision tools, we (i) acquired and integrated Barra, Inc. in 2004, (ii) successfully transitioned to operating as a stand-alone public company; (iii) increased revenues by an average of 12.5% since 2005 from \$278 million in fiscal 2005 to \$443 million in fiscal 2009; (iv) grew our client base from 2,724 in November 2006 to 3,142 in November 2009 and (v) became a part of the S&P Midcap 400 Index in November 2009.



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Mr. Fernandez's leadership and actions were instrumental in enabling the Company to achieve record revenue levels and adjusted EBITDA margins in fiscal 2009 despite an extraordinarily tough business environment and challenging economic conditions for many of our clients. Overall, we believe that our financial performance for fiscal 2009 compared favorably to others whose clients are in the financial services business.

Mr. Fernandez led several initiatives to manage the Company through the economic environment that began to impact the Company in the second half of fiscal 2008, the most important initiative being the enhancement of a disciplined cost management approach to all aspects of the Company's operations. He also focused on maintaining the Company's strong liquidity position to protect the Company's financial well-being in a contracting credit market. This strategy has now positioned the Company to take advantage of opportunities that could positively impact the Company's long-term growth objectives, such as organic growth initiatives and acquisitions.

The Compensation Committee approved a total reward for Mr. Fernandez in the amount disclosed in this Proxy Statement, which was greater than the total rewards of our other NEOs. His total reward was based on our compensation philosophy and the Compensation Committee's subjective evaluation of his performance, the unique contributions he makes to the Company and the various other factors described above, including our goal of providing incentives for top-level talent.

*Michael K. Neborak.* Mr. Neborak has been our Chief Financial Officer since 2006 and is responsible for the financial management of the Company. In fiscal 2009 he oversaw the final financial systems transition from Morgan Stanley, the addition of new functionality to our financial reporting systems, the refinement of where we locate our financial operations and the improvement in the quality and controls of our finance organization. Mr. Neborak led a number of initiatives including efforts to minimize expenses incurred during fiscal 2008 and fiscal 2009 to establish the Company's stand-alone infrastructure, to replace finance-related services previously provided by Morgan Stanley with lower cost services and to improve the financial forecasting and budgeting processes. In fiscal 2009, Mr. Neborak and his team continued to enhance the necessary internal controls and procedures for financial reporting, as required by Sarbanes-Oxley.

*David Brierwood.* Mr. Brierwood has been our Chief Operating Officer since 2006. Mr. Brierwood leads our product management, research, information technology and software engineering efforts. In fiscal 2009, Mr. Brierwood oversaw a number of major new product initiatives, the final information technology systems transition from Morgan Stanley and a re-engineering of much of our operations function, all while lowering non-compensation expenses.

*C.D. Baer Pettit.* Mr. Pettit has been Head of Client Coverage since 2001 and Head of Marketing since 2005. Under Mr. Pettit's leadership, the Company's sales team was able to react quickly to a very challenging economic environment, which helped the Company achieve record revenues in fiscal 2009. In fiscal 2009, Mr. Pettit also increased the geographic presence of his client coverage organization, managing over 190 employees in 19 offices around the world. In fiscal year 2009, under Mr. Pettit's leadership, the marketing department increased the recognition of key MSCI brands and further strengthened the positive reputation associated with these brand names throughout the global investment community.

*Gary Retelny.* Mr. Retelny has served the Company in various leadership positions since 2003. He is currently the Head of Strategy and Business Development, Chief Administrative Officer, Corporate Secretary and Head of Internal Audit. Mr. Retelny's diverse leadership skills have been critical to the Company's establishment and development as a stand-alone public company, including the implementation of the Company's internal audit function and the Company's corporate governance practices. He also provides valuable support to our Board of Directors and serves as an effective liaison between the Board and management. As Head of Strategy and Business Development, Mr. Retelny is constantly engaged in evaluating and analyzing growth strategies for the Company, including assessing various acquisition opportunities. He works very closely with the CEO on a number of strategic matters.

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Based on the Company performance factors, individual performance factors, the importance of the individual to the Company, historical compensation and the compensation of executive officers in our compensation peer groups (used as a reference without benchmarking to a specified target), the Compensation Committee determined the annual incentive compensation awarded for fiscal 2009 as shown in the table below. The values in this table differ from those shown in the Summary Compensation Table on page 22 due to (a) the inclusion, in accordance with SEC regulations, in the Summary Compensation Table of the amortization components of prior year equity awards in the Stock and Option Award columns and (b) the exclusion, as per SEC regulations, in the Summary Compensation Table of the value of the equity awards made in December 2009 in respect of services performed in fiscal 2009 for those employees who are not Full Career Retirement eligible under the terms of the applicable awards. Messrs. Fernandez and Brierwood are currently Full Career Retirement eligible. Messrs. Neborak, Pettit and Retelny will not become Full Career Retirement eligible prior to the vesting of any of the awards provided in the table below.

Name	Base Salary (\$) <sup>(1)</sup>	Cash Bonus (\$)	Value of Equity Awards (\$) <sup>(2)</sup>	Total Reward (\$)
Henry A. Fernandez	425,000	1,642,000	3,233,000	5,300,000
Michael K. Neborak	312,500	572,500	615,000	1,500,000
David C. Brierwood	326,311	1,148,689	1,025,000	2,500,000
C.D. Baer Pettit	310,773	751,227	738,000	1,800,000
Gary Retelny	292,500	651,500	656,000	1,600,000

(1) Represents base salaries paid during fiscal 2009. Base salaries, which have remained the same since 2007, were increased effective June 1, 2009: Mr. Fernandez's salary increased from \$250,000 to \$600,000; Mr. Neborak's salary increased from \$225,000 to \$400,000; Mr. Brierwood's salary increased from GBP 170,000 to GBP 250,000; Mr. Pettit's salary increased from GBP 150,000 to GBP 250,000; and Mr. Retelny's salary increased from \$185,000 to \$400,000. Messrs. Brierwood and Pettit's salaries were converted to U.S. dollars using the fiscal year average of daily spot rates of £1 to \$1.55386.

(2) Represents the dollar value of RSU awards granted on December 15, 2009 as the equity-based component of their fiscal 2009 incentive compensation (and in respect of service during fiscal 2009). The number of RSUs awarded was determined by dividing the dollar value of the RSU award by \$33.61, the closing price of our class A common stock as reported by the NYSE on December 14, 2009, rounded down to the nearest whole share. Based on this approach, 96,191, 18,298, 30,496, 21,957 and 19,518 RSUs were awarded to Messrs. Fernandez, Neborak, Brierwood, Pettit and Retelny, respectively. The RSUs vest over three years with 1/3<sup>rd</sup> of the award vesting each year beginning December 2010, except in the event of termination for the reasons described under Equity Awards Outstanding under MSCI Equity Plans. The RSUs are also subject to double trigger vesting described above under *Employment Agreements and Change in Control Arrangements*. These provisions are consistent with those provided in the award certificates for our 2008 equity-based incentive compensation.

**Compensation Committee Report**

We, the Compensation Committee of the Board of Directors of MSCI Inc., have reviewed and discussed with management the Compensation Discussion and Analysis above. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2009 filed with the Securities and Exchange Commission.

Respectfully submitted,

Linda H. Riefler (Chair for fiscal 2009)

Benjamin F. duPont

Rodolphe M. Vallee

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The following table sets forth information regarding compensation from MSCI for our named executive officers during fiscal years 2009, 2008 and 2007. Additionally, it covers expenses associated with equity awards and benefits from Morgan Stanley prior to our separation on May 22, 2009.

Name and Principal Position	Fiscal Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(4)(5)</sup>	All Other (\$) <sup>(6)</sup>	Total(\$)
<b>Henry A. Fernandez</b> Chief Executive Officer and President	2009	425,000	1,642,000	8,147,039	1,638,020	114,818	7,231	11,974,108
	2008	250,000	2,984,650	7,124,474	1,682,291	3,883	24,464	12,069,762
	2007	250,000	2,984,650	406,795	78,594		6,100	3,726,139
<b>Michael K. Neborak</b> Chief Financial Officer	2009	312,500	572,500	1,039,007	248,127	0	273,897	2,446,031
	2008	225,000	1,162,500	851,511	262,272	0	7,788	2,509,071
	2007	225,000	1,138,500	135,073	97,073	14,504	6,100	1,616,250
<b>David C. Brierwood</b> Chief Operating Officer	2009	326,311	1,148,689	2,556,999	510,675	11,858	0	4,554,532
	2008	326,476	1,495,211	3,265,811	524,477	2,858	398,344	6,013,177
	2007	339,602	2,213,218	233,929	29,122	67,042	45,847	2,928,760
<b>C.D. Baer Pettit</b> Head of Client Coverage	2009	310,773	751,227	1,675,362	467,790	0	155,059	3,360,211
	2008	284,915	1,096,551	1,562,815	485,872	0	316,232	3,746,385
	2007	299,649	990,228	247,208	31,316	2,327	129,885	1,700,613
<b>Gary Retelny</b> Head of Strategy and Business Development and Chief Administrative Officer	2009	292,500	651,500	1,461,937	422,843	20,460	49,114	2,898,354
	2008	185,000	967,250	1,333,234	443,044	0	7,488	2,936,016
	2007	185,000	869,750	138,754	35,255	25,475	6,100	1,260,334

(1) Base salaries for Messrs. Brierwood and Pettit were paid in British pounds sterling and converted to U.S. dollars using the fiscal year average of daily spot rates of £1 to \$1.55386, \$1.89943 and \$1.9977 for fiscal 2009, 2008 and 2007, respectively.

(2) Annual cash bonus amounts were paid in January 2010 for service with respect to fiscal 2009, in January 2009 for service with respect to fiscal 2008 and in January 2008 for service with respect to fiscal 2007.

(3) Represents amounts recognized as expense in the Company's financial statements related to Morgan Stanley RSU and stock option awards granted to the named executive officers when MSCI was a subsidiary of Morgan Stanley and MSCI RSU and stock option awards granted during and after fiscal 2007 in accordance with FASB ASC Topic 718 (formerly FAS No. 123R). Information regarding these calculations is set forth in footnotes 1 and 11 to the consolidated financial statements included in the Company's 2009 Annual Report on Form 10-K. For additional details regarding equity expensing see the information set forth under the heading "Equity Award Expense Amortization" below.

(4) The "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column includes the aggregate increase from December 1, 2008 to November 30, 2009 for Messrs. Fernandez, Brierwood and Retelny of \$114,818, \$11,858 and \$20,460, respectively, under the Morgan Stanley-sponsored defined benefit pension plans. Effective August 31, 2008, these participants ceased accruing benefits under the Morgan Stanley defined benefit plans. Messrs. Neborak and Pettit do not have any accrued benefits under any of the Morgan Stanley-sponsored defined benefit pension plans. See the "Pension Benefits under Morgan Stanley Plans Table" below for further information.

(5) The "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column also includes the aggregate increase, if any, in the value of the executive officer's accounts under Morgan Stanley's nonqualified deferred compensation plans at November 30, 2009 (without giving effect to any distributions made during fiscal 2009) from December 1, 2008 that are attributable to above-market earnings. Above-market earnings represent the difference between market interest rates determined pursuant to SEC rules and the earnings credited on deferred compensation. There were no above-market earnings for participants during fiscal 2009. For details of the nonqualified

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deferred compensation plans in which the executive officers participate, see the Nonqualified Deferred Compensation under Morgan Stanley Plans Table below.

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- (6) The All Other Compensation column includes contributions made by the Company under our defined contribution plans and other programs for fiscal 2009, as detailed below:
- (a) Company matching contributions to the MSCI Barra 401(k) Retirement Savings Plan for Messrs. Fernandez, Neborak and Retelny of \$7,231, \$16,785 and \$16,617, respectively. Company contributions to the MSCI Barra Group (UK) Personal Pension Plan for Mr. Pettit totaling £20,000 (\$31,077). Mr. Brierwood did not participate in the MSCI Barra Group (UK) Personal Pension Plan. The amount of British pounds sterling was converted to U.S. dollars using the fiscal year average of daily spot rates of £1 to \$1.55386.
  - (b) Cash payments to Messrs. Neborak, Pettit and Retelny on June 15, 2009 of \$257,112, \$88,772 and \$32,498, respectively, representing the fair value of outstanding stock options expiring in connection with the separation from Morgan Stanley. Fair value of these stock option awards granted to Messrs. Neborak (16,413), Pettit (7,225) and Retelny (2,279) by Morgan Stanley was based on the Black Scholes valuation method.
  - (c) Mr. Pettit received benefits valued at \$35,209 for his relocation from our Berkeley, California to London, England offices in September 2009.

**Equity Award Expense Amortization**

The Summary Compensation Table was prepared in accordance with SEC regulations and values equity awards based principally on the treatment of compensation expense in the income statement under the applicable accounting rule, currently FASB ASC Topic 718 (formerly FAS No. 123R). Under this rule, the grant date fair value of RSU and stock option awards are estimated based on the fair value of Morgan Stanley or MSCI common stock on the date of grant and generally expensed over the vesting period of the award. The fair value for equity awards granted to employees eligible for Full Career Retirement at the date of grant are immediately vested and fully expensed during the fiscal year preceding the date of grant. An employee becomes eligible for Full Career Retirement at age 50 with 12 years as a Managing Director, at age 50 with 15 years as an officer, at least age 55 with 5 years of service (the sum of age plus years of service must equal or exceed 65) or 20 years of service.

Messrs. Fernandez and Brierwood became Full Career Retirement eligible in 2006 and therefore the fair market value of their equity awards granted on December 15, 2009 and December 17, 2008 were fully expensed in the prior fiscal years, respectively. Since Messrs. Neborak, Pettit and Retelny are not Full Career Retirement eligible the fair market value of their equity awards have been and will continue to be expensed over the vesting period. For enhanced retention purposes, the MSCI Founders award granted on November 11, 2007 did not provide for vesting in the event of Full Career Retirement. The fair market value of these awards will be expensed over the vesting period for all named executive officers.

The following Stock Award and Option Award tables reflect the expense recognized for financial statement reporting purposes and disclosed in Stock Awards and Option Awards columns of the Summary Compensation Table above for the fiscal years 2009, 2008 and 2007 for RSU and stock option awards granted to our named executive officers by MSCI and Morgan Stanley.

**Table of Contents****Stock Award Expense Amortization**

The following table reflects the dollar amount recognized for financial statement reporting purposes for the fiscal years 2009, 2008 and 2007 for each named executive officer's outstanding RSU awards:

Name	Award Company <sup>(1)</sup>	Grant Date	Shares (#)	Per Share Fair Value (\$/Sh)	Recognized 2009 (\$)	Recognized 2008 (\$)	Recognized 2007 (\$)
Henry A. Fernandez	MSCI	12/15/09	96,191	33.610	3,232,980 <sup>(2)</sup>	0	0
	MSCI	12/17/08	130,388	15.840	0	2,065,346 <sup>(2)</sup>	0
	MSCI	11/14/07	708,334	18.000	4,914,059	5,046,873	210,287
	MS	(3)			0	12,255	196,508
	<b>Total</b>			934,913		8,147,039	7,124,474
Michael K. Neborak	MSCI	12/15/09	18,298	33.610	0	0	0
	MSCI	12/17/08	29,198	15.840	270,860	0	0
	MSCI	11/14/07	104,166	18.000	722,652	742,183	30,924
	MS	(3)			45,495	109,328	104,149
	<b>Total</b>			151,662		1,039,007	851,511
David C. Brierwood	MSCI	12/15/09	30,496	33.610	1,024,971 <sup>(2)</sup>	0	0
	MSCI	12/17/08	106,179	15.840	0	1,681,875 <sup>(2)</sup>	0
	MSCI	11/14/07	220,834	18.000	1,532,028	1,573,435	65,560
	MS	(3)			0	10,501	168,369
	<b>Total</b>			357,509		2,556,999	3,265,811
C.D. Baer Pettit	MSCI	12/15/09	21,957	\$ 33.610	0	0	0
	MSCI	12/17/08	26,422	\$ 15.840	245,108	0	0
	MSCI	11/14/07	200,000	\$ 18.000	1,387,500	1,425,000	59,375
	MS	(3)			42,754	137,815	187,833
	<b>Total</b>			248,379		1,675,362	1,562,815
Gary Retelny	MSCI	12/15/09	19,518	33.610	0	0	0
	MSCI	12/17/08	21,953	15.840	203,651	0	0
	MSCI	11/14/07	179,166	18.000	1,242,965	1,276,558	53,190
	MS	(3)			15,321	56,676	85,564
	<b>Total</b>			220,637		1,461,937	1,333,234

<sup>(1)</sup> Reflects MSCI RSU awards granted in fiscal 2007 through 2010 and Morgan Stanley RSU awards granted prior to our IPO.

<sup>(2)</sup> One-hundred percent of the expenses related to RSU awards granted to Messrs. Fernandez and Brierwood in fiscal 2010 and 2009 were charged in fiscal 2009 and 2008, respectively, due to their Full Career Retirement eligibility at the date of grant. Expenses for all other RSU awards were amortized over the related vesting periods.

<sup>(3)</sup> Reflects RSU awards granted by Morgan Stanley to Messrs. Fernandez and Brierwood for services in fiscal years 2003 and 2004, to Mr. Neborak for services in fiscal year 2006, to Mr. Pettit for services in fiscal years 2003, 2004, 2005 and 2006, and to Mr. Retelny for services in fiscal years 2004, 2005 and 2006.



**Table of Contents****Option Award Expense Amortization**

The following table reflects the dollar amount recognized for financial statement reporting purposes for the fiscal years 2009, 2008 and 2007 for each named executive officer's outstanding stock option awards:

Name	Award Company <sup>(1)</sup>	Grant Date	Shares (#)	Per Share Fair Value (\$/Sh)	Recognized 2009 (\$)	Recognized 2008 (\$)	Recognized 2007 (\$)
Henry A. Fernandez	MSCI	11/14/2007	569,720	7.4598	1,638,020	1,682,291	70,095
	MS	(2)			0	0	8,499
	Total				1,638,020	1,682,291	78,594
Michael K. Neborak	MSCI	11/14/2007	83,782	7.4598	240,885	247,395	10,308
	MS	(2)			7,242	14,877	86,765
	Total				248,127	262,272	97,073
David C. Brierwood	MSCI	11/14/2007	177,618	7.4598	510,675	524,477	21,853
	MS	(2)			0	0	7,269
	Total				510,675	524,477	29,122
C.D. Baer Pettit	MSCI	11/14/2007	160,862	7.4598	462,500	474,999	19,792
	MS	(2)			5,290	10,873	11,524
	Total				467,790	485,872	31,316
Gary Retelny	MSCI	11/14/2007	144,105	7.4598	414,320	425,519	17,730
	MS	(2)			8,523	17,525	17,525
	Total				422,843	443,044	35,255

<sup>(1)</sup> Reflects founders stock option awards granted by MSCI in fiscal 2007 and Morgan Stanley stock option awards granted prior to our IPO for which accounting expense was recognized in fiscal years 2007 through 2009.

<sup>(2)</sup> Reflects stock option awards granted by Morgan Stanley to Messrs. Fernandez and Brierwood for services in fiscal year 2003, to Mr. Neborak in connection with the acceptance of his employment offer and for services in fiscal year 2006, to Mr. Pettit for services in fiscal years 2003 and 2006, and to Mr. Retelny for services in fiscal year 2006.



**Table of Contents****Grants of Plan-Based Awards Table**

The following table sets forth information regarding awards granted to our named executive officers during fiscal 2009 under our Amended and Restated 2007 Equity Incentive Compensation Plan (EICP):

<b>Name</b>	<b>Grant Date</b>	<b>Compensation Committee Action Date</b>	<b>All Other Stock Awards: Number of Shares of Stock or Units (#)<sup>(1)</sup></b>	<b>Grant Date Fair Value of Stock Awards (\$)<sup>(2)</sup></b>
Henry A. Fernandez	12/17/2008	12/04/2008	130,388	2,065,346
Michael K. Neborak	12/17/2008	12/04/2008	29,198	462,496
David C. Brierwood	12/17/2008	12/04/2008	106,179	1,681,875
C.D. Baer Pettit	12/17/2008	12/04/2008	26,422	418,524
Gary Retelny	12/17/2008	12/04/2008	21,953	347,736

<sup>(1)</sup> Represents RSU awards granted during fiscal year 2009 for services rendered during fiscal 2008. The RSU awards vest ratably in three annual installments beginning in December 2009, except for 63,131 RSU awards granted to Mr. Brierwood that vest ratably in four annual installments beginning in December 2009.

<sup>(2)</sup> Represents the grant date fair value of stock awards granted in fiscal 2009, as computed in accordance with FASB ASC Topic 718 (formerly FAS No. 123R). The grant date fair value for these stock awards of \$15.840 per share was based on the weighted average trading price of our common shares on the day preceding the grant date.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End Table**

The following tables show the number of shares covered by exercisable and unexercisable stock options and outstanding restricted stock units held by our named executive officers on November 30, 2009 that remain subject to forfeiture and cancellation provisions. Separate tables are presented below for awards outstanding under our equity plans and for those outstanding under Morgan Stanley equity plans.

**Awards Outstanding Under MSCI Equity Plan**

Name	Option Awards <sup>(1)</sup>				Stock Awards <sup>(2)</sup>	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(3)</sup>	Market Value of shares or Units of Stock That Have Not Vested (\$) <sup>(4)</sup>
Henry A. Fernandez	284,860	284,860	18.0000	11/14/2017	484,555	14,764,391
Michael K. Neborak	41,891	41,891	18.0000	11/14/2017	81,281	2,476,632
David C. Brierwood	88,809	88,809	18.0000	11/14/2017	216,596	6,599,680
C.D. Baer Pettit	80,431	80,431	18.0000	11/14/2017	126,422	3,852,078
Gary Retelny	72,052	72,053	18.0000	11/14/2017	111,536	3,398,502

- (1) All unexercisable options represent a portion of the founders stock option award, granted on November 14, 2007. One-half of the founders stock option award vested and became exercisable on November 14, 2009; 25% of the award vests and becomes exercisable on November 14, 2010 and the remaining 25% of the award vests and becomes exercisable on November 14, 2011.
- (2) This table does not include RSU awards granted in December 2009 in respect of services in fiscal 2009. For the grant date fair value of such awards, see the table in the Compensation Discussion and Analysis on page 21.
- (3) Represents outstanding RSUs held on November 30, 2009 that remain subject to forfeiture and cancellation provisions. This column does not give effect to Full Career Retirement provisions for Messrs. Fernandez and Brierwood. The number of RSUs included in this table vest on the following dates for each named executive officer:

Name	Number of RSUs Vesting by Date					
	1/8/2010	11/14/2010	1/10/2011	11/14/2011	1/9/2012	1/7/2013
Henry A. Fernandez	43,462	177,084	43,463	177,083	43,463	0
Michael K. Neborak	9,732	26,042	9,733	26,041	9,733	0
David C. Brierwood	30,133	55,209	30,132	55,208	30,132	15,782
C.D. Baer Pettit	8,808	50,000	8,807	50,000	8,807	0
Gary Retelny	7,317	44,792	7,318	44,791	7,318	0

- (4) The market value of outstanding RSUs is based on a share price of \$30.47, the closing price of our class A common stock on November 30, 2009, rounded to the nearest whole number.

**Table of Contents****Awards Outstanding Under Morgan Stanley Equity Plans**

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date <sup>(2)</sup>	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(3)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(4)</sup>
Henry A. Fernandez	12,416		51.1836	01/02/2010	11,388	359,633
	14,464		55.6085	01/02/2011		
	22,174		48.5345	01/02/2012		
	32,612		36.2209	01/02/2013		
	25,031		47.1909	01/02/2014		
	8,825		66.7260	12/12/2016		
<b>Total</b>	<b>115,522</b>					
Michael K. Neborak	1,935		66.7260	04/02/2010	1,942	61,328
David C. Brierwood	16,160		51.1836	12/02/2009	4,537	143,278
	20,356		55.6085	12/02/2010		
	21,686		48.5345	12/02/2011		
	18,064		36.2209	12/02/2012		
	21,408		47.1909	12/02/2013		
	12,660		66.7260	12/12/2016		
<b>Total</b>	<b>110,334</b>				<b>4,537</b>	<b>143,278</b>
C.D. Baer Pettit	1,414		66.7260	04/02/2010	1,825	57,634
Gary Retelny	2,279		66.7260	04/02/2010	1,169	36,917

- (1) Stock option awards were granted with exercise prices equal to the fair market value of Morgan Stanley's common stock on the date of grant and were subsequently equitably adjusted to reflect the spin-off of Discover Financial from Morgan Stanley.
- (2) The expiration dates for all outstanding stock option awards held by Messrs. Neborak, Pettit and Retelny on the separation date of May 22, 2009 comply with the terms and conditions outlined in the underlying award agreements regarding termination of employment as a result of the separation with Morgan Stanley. Pursuant to the terms of the award agreements, the outstanding stock options awards which were scheduled to expire on December 12, 2016, if the individuals were employed by Morgan Stanley or its affiliates on such date, will expire on April 2, 2010. MSCI made cash payments to Messrs. Neborak, Pettit and Retelny reflecting the impact of this early expiration of outstanding stock option resulting from the separation with Morgan Stanley (reported in the "All Other Compensation" column of the Summary Compensation Table above). All other outstanding stock option awards granted prior to fiscal 2007 terminated on August 22, 2009. The expiration dates for outstanding Morgan Stanley stock option awards held by Messrs. Fernandez and Brierwood were not affected by the separation since they qualified for Full Career Retirement.
- (3) As of November 30, 2009, outstanding RSUs were vested but remained subject to forfeiture and cancellation provisions until the scheduled conversion to Morgan Stanley shares in January 2010.
- (4) The market value of Morgan Stanley RSUs is based on \$31.5800, the closing price of Morgan Stanley common stock on November 30, 2009, rounded to the nearest whole number.

**Table of Contents****Option Exercises and Stock Vested Table**

The following tables contain information about exercises of stock options by the executive officers and vesting and conversion of RSUs held by the executive officers during fiscal 2009 under the MSCI and Morgan Stanley equity plans.

**Options Exercised and Stock Vested under MSCI Equity Plan**

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) <sup>(1)</sup>	Value Realized on Vesting (\$) <sup>(2)</sup>
Henry A. Fernandez			354,167	11,414,802
Michael K. Neborak			52,083	1,678,635
David C. Brierwood			110,417	3,558,740
C.D. Baer Pettit			100,000	3,223,000
Gary Retelny			89,583	2,887,260

<sup>(1)</sup> Represents 50% of the fiscal 2007 RSU founders award vested on 11/14/2009.

<sup>(2)</sup> The value realized is based on the closing price of our class A common stock on the date of vesting (\$32.23).

**Options Exercised and Stock Vested under Morgan Stanley Equity Plans**

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
Henry A. Fernandez				
Michael K. Neborak				
David C. Brierwood				
C.D. Baer Pettit				
Gary Retelny			579	16,507

<sup>(1)</sup> The value realized is based on the average of the high and low price of Morgan Stanley's common stock on the date of vesting (\$28.51).

**Table of Contents****Pension Benefits under Morgan Stanley Plans Table**

The tables below show the present value of accumulated benefits payable to each of the executive officers and the years of service credited to each executive officer under the specified Morgan Stanley retirement plans. As described in the Compensation Discussion and Analysis, the Company does not operate any defined benefit pension plans and our executive officers ceased accruing benefits under all pension and retirement plans sponsored by Morgan Stanley on August 31, 2008. As we have ceased to have any affiliation with Morgan Stanley, this will be the final year in which we include disclosures with respect to Morgan Stanley pension and retirement plans.

Name	Plan Name	Number of Years Credited Service (#)	Retirement Age for Full Benefits	Present Value of Accumulated Benefit (\$) <sup>(1)</sup>	Payments During Last Fiscal Year (\$)
Henry A. Fernandez	Morgan Stanley Employees Retirement Plan	21.17	65	238,310	
	Morgan Stanley & Co. Incorporated Excess Benefit Plan	21.17	65	126,279	
Michael K. Neborak <sup>(2)</sup>					
David C. Brierwood <sup>(3)</sup>	Morgan Stanley U.K. Group Pension Plan	10.00	65	53,952	
C.D. Baer Pettit <sup>(2)</sup>					
Gary Retelny	Morgan Stanley Employees Retirement Plan	6.75	65	65,292	

<sup>(1)</sup> The present value at November 30, 2009 is based on a 6.00% discount rate and the RP-2000 White Collar Combined Mortality Table projected to 2015 with Scale AA, for males and females. Present values are determined using an interest-only discount before retirement. Post-retirement discounts are based on interest and mortality. For each plan, assumed benefit commencement date is the earliest age at which the executive can receive unreduced benefits under that plan.

<sup>(2)</sup> Messrs. Neborak and Pettit do not have accrued benefits under any of the Morgan Stanley defined benefit pension plans.

<sup>(3)</sup> Mr. Brierwood participated in the U.K. Pension Plan, a defined contribution plan that provided defined benefit pension accruals until October 1, 1996. As of October 1, 1996, Mr. Brierwood's accrued benefit under the U.K. Pension Plan was converted to an account balance, the value of which was \$304,584 (£196,017) as of November 30, 2009. If the value of the account balance relating to the pre-October 1996 portion of Mr. Brierwood's U.K. Pension Plan benefit, adjusted for investment experience until the payment date, is greater than the value of the guaranteed minimum pension under the U.K. Pension Plan, no defined benefit pension is payable. If the value of the guaranteed minimum pension, determined in accordance with U.K. laws, is greater than the value of the adjusted account balance, the guaranteed minimum pension is payable, in addition to any defined contribution amount payable for the period after September 30, 1996. Mr. Brierwood had 10 years of credited service in the U.K. Pension Plan at the time his accrued benefit was converted to an account balance. The amount shown in the table for Mr. Brierwood does not include defined contribution benefits that were accrued after September 30, 1996. The amount of British pounds sterling was converted to U.S. dollars using the fiscal year average of daily spot rates of £1 to \$1.5539. Mr. Brierwood ceased accruing benefits in this plan as of August 31, 2008.

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**Table of Contents*****Morgan Stanley Employees Retirement Plan***

Prior to September 1, 2008, substantially all of the U.S. MSCI employees hired before July 1, 2007 were covered after one year of service by the Morgan Stanley Employees Retirement Plan (ERP), a non-contributory, defined benefit pension plan that is qualified under Section 401(a) of the Internal Revenue Code. Benefits are equal to 1% of eligible earnings for each year of service plus 0.5% of eligible earnings in excess of Social Security covered compensation. Eligible earnings generally include all taxable compensation, other than certain equity-based and nonrecurring amounts, up to \$170,000 per year. ERP participants who, as of January 1, 2004, had age plus service equal to at least 65 and who had been credited with five years of service receive benefits determined under the ERP's pre-2004 benefit formula, if greater. Pre-2004 benefits equal 1.15% of final average salary, plus 0.35% of final average salary in excess of Social Security covered compensation, in each case multiplied by credited service of up to 35 years, where final average salary is base salary for the highest paid 60 consecutive months of the last 120 months of service. Benefits are payable at age 65 (or earlier subject to certain reductions in the amounts payable). Early retirement reductions under the pre-2004 provisions of the ERP are payable in full at age 60 and reduced 4% per year for retirements between ages 55 and 60 for employees who retire after age 55 with 10 years of service. The ERP was closed to new participants effective July 1, 2007 and was replaced by a retirement contribution to Morgan Stanley's 401(k) Plan. Messrs. Fernandez and Retelny participated in the ERP through August 31, 2008 when all MSCI employees ceased to participate in future accrual of benefits in the plans operated by Morgan Stanley. Mr. Fernandez was eligible for early retirement under the ERP.

***Morgan Stanley Excess Benefit Plan***

Mr. Fernandez participated in the Morgan Stanley & Co. Incorporated Excess Benefit Plan (EB). The EB Plan is unfunded and nonqualified. Credited service under the EB Plan begins after one year of service. The EB Plan provides benefits not otherwise provided in the ERP because of limits in the ERP or Internal Revenue Service limits on eligible pay and benefits and certain grandfathered benefits not otherwise payable under the ERP. The EB Plan was closed to new entrants in 2002 and was further restricted effective January 1, 2004 to allow only grandfathered employees, who as of that date met certain eligibility criteria, to benefit from the plans. Grandfathering in these plans was provided to all similarly situated eligible employees close to retirement.

***Morgan Stanley U.K. Group Pension Plan***

Mr. Brierwood participated in the U.K. defined contribution plan. He also has a deferred U.K. defined benefit pension in the defined benefit section of the Morgan Stanley U.K. Group Pension Plan. Following the closure of the defined benefit section of the Morgan Stanley U.K. Group Pension Plan in 1996, members were given the option to transfer their benefits to the defined contribution section. Due to U.K. legislation regarding the interaction of benefits from occupational pension schemes and the State Earnings Related Pension, a minimum pension must be provided from the pre-1996 benefits in the plan. For those members who transferred their benefits from the defined benefit section to the defined contribution section, the pension provided from the pre-1996 fund at retirement must be at least equal to the minimum pension underpin. The minimum pension increases each year as set out in U.K. legislation.

The defined benefit portion of the U.K. Plan was frozen on October 1, 1996. Prior to that date, substantially all U.K. employees of Morgan Stanley U.K. Ltd. and Morgan Stanley International, Inc. participated. Benefits accrued at the rate of  $1/60^{\text{th}}$  of final pensionable salary for each year of service as a member of the U.K. Plan, where pensionable salary was base salary less a fixed offset, and final pensionable salary was computed as the highest three consecutive years of pensionable salary in the last 10 years.

**Table of Contents****Nonqualified Deferred Compensation under Morgan Stanley Plans Table**

The following table contains information with respect to the participation of the executive officers in Morgan Stanley's unfunded deferred compensation plans that provide for the deferral of compensation on a basis that is not tax-qualified. MSCI currently does not have its own nonqualified deferred compensation plan. Similar to our pension and retirement plans disclosure, as we have ceased to have any affiliation with Morgan Stanley, this will be the final year in which we include disclosures with respect to Morgan Stanley nonqualified deferred compensation plans.

Each executive officer participated in one or more of four Morgan Stanley nonqualified deferred compensation plans: the Pre-Tax Incentive Program (PTIP), the Capital Accumulation Plan (CAP), the Select Employees' Capital Accumulation Program (SECAP) and the Notional Leveraged Co-Investment Plan (LCIP). The executive officers participated in the plans on similar terms and conditions as similarly situated employees of Morgan Stanley based on title, service and compensation. These terms and conditions are described below following the footnotes to the table. No contributions were made by the named executive officers or the Company to any Morgan Stanley non-qualified deferred compensation plans with respect to services for fiscal 2009. Balances in SECAP and LCIP were distributed to our named executive officers (and all other participating MSCI employees) in early 2009.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY <sup>(1)(2)</sup> (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE <sup>(1)(3)</sup> (\$)
Henry A. Fernandez					
CAP			0	0	10,789
PTIP			(3,819)		438,269
Total			(3,819)		449,058
Michael K. Neborak					
LCIP			47	15,257	0
David C. Brierwood					
CAP			0	0	14,588
LCIP			230	74,829	0
Total			230	74,829	14,588
C.D. Baer Pettit					
SECAP			(14)	40,603	0
Gary Retelny					
SECAP			(9,140)	78,999	0
LCIP			55	17,972	0
Total			(9,085)	96,971	0

(1) Earnings and balances are valued as of November 30, 2009.

(2) These amounts represent the aggregate change in the balance of each executive officer's account at November 30, 2009 over the balance of his accounts at December 1, 2008, without giving effect to any withdrawals or distributions.

(3) Includes distributions between December 1, 2008 and November 30, 2009.

The following is a description of the material terms with respect to contributions, earnings and distributions applicable to each of the four nonqualified deferred compensation plans referenced in the table above.

***Morgan Stanley Capital Accumulation Plan (CAP)***

Under CAP, participants were granted a number of units based on their level of compensation in excess of base salary. The plan has been closed to new contributions since 1998. Earnings on units are based on notional





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interests in investment earnings and interest on risk capital investments selected by Morgan Stanley. Participants generally receive plan distributions after dividends, distributions of capital, liquidation proceeds or other distributions are paid from the underlying investments.

***Morgan Stanley Pre-Tax Incentive Program (PTIP)***

Under PTIP, participants were permitted to defer a portion of their cash bonus or commissions for one or more fiscal years. The plan has been closed to new contributions since 2003. Earnings on PTIP contributions are based on the performance of notional investments available under the plan and selected by the participants. Participants could generally elect the commencement date for distributions of their contributions and earnings and the number of annual installments over which to receive distributions (generally, 5, 10, 15 or 20 years). Subject to earlier distribution on death or termination of employment due to disability, no distributions may begin prior to the later of the fifth anniversary of the deferral or attainment of age 55, and no distribution may begin prior to termination of employment.

***Morgan Stanley Select Employees Capital Accumulation Program (SECAP)***

Under SECAP, participants are permitted to defer a portion of their cash bonus or commissions for one or more fiscal years. Earnings on SECAP are based on the performance of notional investments available under the plan and selected by the participants. Participants elect the commencement date for distributions of their contributions and earnings and the number of annual installments over which to receive distributions (lump sum or two through ten annual installments) subject to earlier distribution on death or termination of employment.

***Morgan Stanley Notional Leveraged Co-Investment Plan (LCIP)***

LCIP permits each participant to allocate up to 40% of the participant's long-term incentive compensation to the plan. Morgan Stanley may make a notional investment in an amount equal to a multiple of each participant's contribution. Contributions are notionally invested by Morgan Stanley in reference investments, which may include Morgan Stanley's proprietary investment funds, funds of funds of Morgan Stanley that include third-party investment funds, and other third-party investment funds. All amounts contributed by a participant plus any earnings on participant contributions and Morgan Stanley notional investment are subject to cancellation under specified circumstances until three years after deferral. Participants generally are entitled to receive distributions in respect of their contributions plus any earnings on their contributions and on the Morgan Stanley notional investment beginning three years after deferral, based on the valuation of the notional investments and any realizations of those investments prior to the scheduled distribution date. Participant distributions under the LCIP are offset by the Morgan Stanley notional investment, excluding any earnings thereon.

**Potential Payments upon Termination or Change in Control**

Our executive officers are not entitled to cash severance payments upon any termination of employment nor do they receive any post-retirement health and welfare benefits. As discussed below, outstanding MSCI equity awards will vest following certain terminations.

**Equity Awards Outstanding under MSCI Plans**

A detailed list of each executive officer's stock option and RSU awards that were outstanding and unvested as of November 30, 2009 is set forth in the Awards Outstanding under MSCI Equity Plan section of the Outstanding Equity Awards at Fiscal Year-End Table above.

***Terminations Other than Death, Disability, Involuntary Termination without Cause, Governmental Service or Specified Terminations following a Change in Control.*** Upon termination of an executive officer's employment for any reason other than death, disability, involuntary termination without cause, governmental

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service or specified terminations following a change in control, his unvested RSUs and stock options will be canceled immediately. Equity awards granted to employees who are eligible for Full Career Retirement are cancelled following an involuntary termination for cause.

**Death or Disability.** Upon termination of an executive officer's employment due to death or disability, the RSUs will convert to shares and unvested stock options will become exercisable.

**Involuntary Termination.** If the Company terminates an executive officer's employment under circumstances not involving cause and he signs an agreement and release satisfactory to the Company, his unvested RSUs will convert to shares and his unvested stock options will become exercisable.

**Governmental Service.** Upon termination of an executive officer's employment as a result of commencing employment with a governmental employer (or his subsequent employment with a governmental employer following termination of employment), the RSUs will convert to shares, and unvested stock options will become exercisable, provided that the executive officer demonstrates that the divestiture of his continued interest in the equity awards is reasonably necessary to avoid the violation of U.S. federal, state or local or foreign ethics law or conflicts of interest law.

**Change in Control.** In the event that a change in control of the Company occurs and, within 18 months following the change in control, an executive officer's employment is terminated by the successor corporation without cause or by the executive officer voluntarily for good reason, all stock options held by such executive officer will automatically vest, and all RSUs held by such participant will automatically be converted into shares. Change in Control is defined in the applicable award certificates. Pursuant to the SEC's rules relating to executive compensation disclosure, the preceding discussion addresses a change in control of the Company and does not address a change in control of Morgan Stanley.

**Quantification of Payments in the Event of Termination of Employment**

The following table represents the amounts to which our executive officers or their estates would have been entitled had their employment been terminated on November 30, 2009

Name	Termination Due to Death, Disability, Involuntary Termination without Cause, Government Service or Certain Terminations Following a Change	Other Terminations
	in Control (\$) <sup>(1)</sup>	(\$)
Henry A. Fernandez <sup>(2)</sup>	14,343,673	0
Michael K. Neborak	2,999,013	0
David C. Brierwood <sup>(2)</sup>	4,471,854	0
C.D. Baer Pettit	4,855,053	0
Gary Retelny	4,297,003	0

<sup>(1)</sup> These amounts are comprised of the value associated with the acceleration of unvested MSCI RSUs and stock options and are based on a closing stock price of \$30.47 per share as of November 30, 2009. All outstanding MS awards were fully vested on November 30, 2009 and were therefore excluded from the table.

<sup>(2)</sup> Excludes Messrs. Fernandez and Brierwood's unvested but outstanding 2008 RSUs due to the awards' Full Career Retirement provision. As of November 30, 2009, the values of these awards were \$3,972,922 and \$3,235,274 for Messrs. Fernandez and Brierwood, respectively. These awards would be cancelled following an involuntary termination for cause (as defined in the award agreement).

**Table of Contents****Director Compensation Table**

The following table contains information with respect to the annual compensation of our non-employee directors with respect to their Board service for fiscal 2009. Only non-employee directors are entitled to receive compensation with respect to their Board service under the terms of the MSCI Inc. Independent Directors Equity Compensation Plan (IDECP). Under the IDECP, a non-employee director is a director who is not an employee of the Company or Morgan Stanley or any of their affiliates. For additional information on equity grants made to directors under the IDECP, see the discussion immediately following this table and the footnotes thereto.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Benjamin F. duPont	99,964	46,702					146,666
Alice W. Handy <sup>(3)</sup>							
Catherine R. Kinney <sup>(3)</sup>	47,997	11,360					59,357
George W. Siguler <sup>(3)</sup>							
Scott M. Sippelle <sup>(3)</sup>	103,745	46,702					150,447
Rodolphe M. Vallee <sup>(3)</sup>	105,745	46,702					152,447

<sup>(1)</sup> The IDECP provides for cash retainers, as established and approved by the Board, to be paid to non-employee directors. The annual Board retainer for each non-employee director is \$75,000. The retainers were paid at the time of the 2009 annual meeting or paid at the time of the director's appointment, if after the 2009 annual meeting, in a pro-rated amount. In addition, each non-employee director who served on a Committee receives an additional retainer as follows:

	Retainer
<b>Committee Chair</b>	
Audit Committee	\$ 25,000
Compensation Committee	\$ 15,000
Nominating and Corporate Governance Committee	\$ 15,000
<b>Committee Non-Chair Member</b>	
Audit Committee	\$ 10,000
Compensation Committee	\$ 10,000
Nominating and Corporate Governance Committee	\$ 10,000

Retainers are prorated when a director joins the Board or a Committee at any time other than at the annual meeting of shareholders. Directors do not receive meeting fees. Under the terms of the IDECP, a director may make an election to receive all or any portion of such director's retainer fees in shares of our class A common stock by following the proper election procedures.

On April 9, 2009, Mr. duPont received \$85,000 (100% of which he elected to receive in the form of our class A common stock, or 4,061 shares, under the IDECP) as a retainer fee for his service on the Board and as a member of the Audit Committee. On May 17, 2009, Mr. duPont received \$8,767.12 as a pro-rated retainer fee for his appointment to the Compensation Committee and on August 19, 2009, he received \$6,191.78 as a pro-rated retainer fee for his appointment to the Nominating and Corporate Governance Committee.

On January 8, 2009, Mr. Sippelle was appointed chair of the Audit Committee and received the pro-rated portion of the Audit Committee retainer equal to \$3,740 (100% of which he elected to receive in the form of our class A common stock, which totaled 213 shares under the IDECP). On April 9, 2009, Mr. Sippelle received \$100,000 (100% of which he elected to receive in the form of our class A common stock, or 4,777 shares, under the IDECP) as a retainer fee for his service on the Board and as chair of the Audit Committee.



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On January 27, 2009, Mr. Vallee was appointed as a member of the Compensation Committee and received the pro-rated portion of the Compensation Committee retainer fee equal to \$1,973 (100% of which he elected to receive in the form of our class A common stock, or 114 shares, under the IDECP). On April 9, 2009, Mr. Vallee received \$95,000 (100% of which he elected to receive in the form of our class A common stock, or 4,538 shares, under the IDECP) as a retainer fee for his service on the Board, Audit Committee and Compensation Committee. On May 17, 2009, Mr. Vallee received \$8,767.12 as a pro-rated retainer fee for his appointment to the Nominating and Corporate Governance Committee.

On September 9, 2009, Ms. Kinney received \$47,972.60 in cash as a pro-rated retainer fee for her appointment to the Board and Nominating and Corporate Governance Committee.

(2) The IDECP provides for the grant to each non-employee director of RSUs having an aggregate fair market value of \$50,000 based on the closing price of our common stock as reported by the New York Stock Exchange on the date of grant. RSU awards are prorated when a director joins the Board or a Committee at any time other than the annual meeting of shareholders. RSUs granted on the date of an annual meeting of shareholders vest one year from the date of grant. RSUs not granted on the date of an annual meeting of shareholders vest on the one year anniversary of the most recent annual meeting of shareholders held prior to the date of grant. This column represents the amounts recognized as expense in the Company's financial statements for financial reporting purposes with respect to fiscal 2009 in accordance with ASC Subtopic 718-10, *Compensation-Stock Compensation* (FASB ASC Topic 718).

On April 9, 2008, Messrs. duPont, Siprelle and Vallee each received 1,786 RSUs (determined by dividing \$50,000 by \$27.98, which was the closing price per share of our class A common stock on the grant date) under the IDECP. The RSUs vested on April 9, 2009. A portion of the value of the 2008 RSUs was expensed in fiscal 2009.

On April 2, 2009, Messrs. duPont, Siprelle and Vallee each received 2,608 RSUs (determined by dividing \$50,000 by \$19.17, which was the closing price per share of our class A common stock on the grant date and a fractional amount of \$4.64 was paid in cash) under the IDECP. The full grant date fair value of these RSUs was calculated in accordance with FASB ASC Topic 718 and was \$49,995 for each director. The RSUs will vest on April 2, 2010. The 2,608 RSUs reflect the aggregate number of stock awards for each of Messrs. duPont, Siprelle and Vallee outstanding at fiscal year end.

On September 8, 2009, Ms. Kinney received 949 RSUs (determined by dividing the pro-rated amount of \$28,219.17 by \$29.71, which was the closing price per share of our class A common stock on the grant date and a fractional amount of \$24.38 was paid in cash) under the IDECP. The full grant date value of these RSUs was calculated in accordance with FASB ASC Topic 718 and was \$28,194.79. The RSUs will vest on April 2, 2010. The 949 RSUs reflect the aggregate number of stock awards for Ms. Kinney outstanding at fiscal year end.

The values in this column do not correspond to the actual value that will be realized by the non-employee directors at the time the RSUs vest.

(3) On December 14, 2009, Ms. Handy and Mr. Siguler each received \$22,397.26 as a pro-rated retainer fee for her/his appointment to the Board.

On December 14, 2009, Ms. Handy and Mr. Siguler each received 444 RSUs (determined by dividing the pro-rated amount of \$14,931.51 by \$33.61, which was the closing price per share of our class A common stock on the grant date and a fractional amount of \$8.67 was paid in cash). The RSUs will vest on April 2, 2010. The full grant date value of each of these awards was calculated in accordance with FASB ASC Topic 718 and was \$14,922.84 for each director. Because these awards were granted after the fiscal year end, they will be expensed in fiscal 2010.

On January 26, 2010, Mr. Vallee received \$904.11 as a pro-rated retainer fee for his appointment to chair of the Compensation Committee, Ms. Kinney received \$2,712.33 as a pro-rated retainer fee for her appointment to chair of the Nominating and Corporate Governance Committee and as a member of the

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Compensation Committee, each of Ms. Handy and Mr. Siguler received \$1,808.22 as a pro-rated retainer fee for her/his appointment as a member of the Nominating and Corporate Governance Committee. Because these amounts were paid after the fiscal year end, they are not reflected in this column and will be expensed in fiscal 2010.

**Certain Terms of Director Compensation Awards Granted in Fiscal 2009**

Under the IDECP, non-employee directors are granted, on the date of each annual shareholders meeting, a number of restricted stock units equal to \$50,000 divided by the fair market value of a share of our Class A common stock on the grant date, rounded down. Fractional amounts are paid in cash. Such awards will vest and convert on the first anniversary of the grant date. If a non-employee director joins the Board at any time other than the annual shareholder meeting, the equity grant will be pro-rated and made at the time of such director joining the Board.

Holders of these restricted stock units are entitled to participate in dividend equivalent payments and such payments may be settled in cash, shares of our class A common stock, or a combination thereof, to be decided by the Company in our sole discretion. Prior to the conversion, restricted stock unit holders will not have any rights as an MSCI stockholder, including the right to vote the underlying shares. The restricted stock units are generally non-transferable; however, our Board may, in its discretion, specify circumstances under which an award may become immediately transferable and nonforfeitable or under which the award will be forfeited. The restricted stock units will vest and convert immediately upon termination of employment for reasons of death, disability or a change in control. If service as a director terminates for any other reason, all unvested restricted stock units will be canceled and forfeited.

**Item 2 Ratification of the Appointment of MSCI Inc.'s Independent Auditor**

The Audit Committee appointed Deloitte & Touche LLP (Deloitte & Touche) as independent auditors for the fiscal year ending November 30, 2010 and presents this selection to the shareholders for ratification. Deloitte & Touche will audit our consolidated financial statements for the fiscal year ending November 30, 2010 and perform other permissible, pre-approved services.

A Deloitte & Touche representative will attend the annual meeting to respond to your questions and will have the opportunity to make a statement. If shareholders do not ratify the appointment, the Audit Committee will reconsider it.

**Our Board unanimously recommends a vote FOR the ratification of Deloitte & Touche's appointment as our independent auditor. Proxies solicited by the Board will be voted FOR this ratification unless otherwise instructed.**

**Independent Auditor's Fees.** The following table summarizes the aggregate fees (including related expenses; \$ in thousands) billed and accrued in fiscal 2009 and 2008 for professional services provided by Deloitte & Touche.

	2009	2008
Audit fees <sup>(1)</sup>	\$ 1,115	\$ 1,281
Audit-related fees <sup>(2)</sup>	\$ 49	\$
Tax fees	\$	\$
All other fees	\$	\$
<b>Total</b>	<b>\$ 1,164</b>	<b>\$ 1,281</b>

<sup>(1)</sup> Audit fees consisted of fees billed and accrued for (i) audits of our consolidated financial statements included in our Annual Reports on Form 10-K and related services, (ii) reviews of the interim condensed consolidated financial statements included in our quarterly financial statements, (iii) comfort letters, consents and other services related to SEC and other regulatory filings, (iv) audits of our internal control over financial reporting (as required by Section 404 of the Sarbanes-Oxley Act of 2002) and (v) accounting

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consultations. Audit fees for fiscal 2009 also included auditing services in connection with one primary equity offering.

<sup>(2)</sup> In fiscal 2009, audit-related fees consisted of fees billed for tax consultations related to the audit.

**Pre-approval Policy of the Audit Committee of Services Performed by Independent Auditors.** The Audit Committee has implemented pre-approval policies and procedures related to the provision of audit and non-audit services by the independent auditors to ensure that the services do not impair the auditor's independence. Under these procedures, the Audit Committee pre-approves both the type of services to be provided by the independent auditors and the estimated fees related to those services. During the pre-approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditor. Even if a service has received general pre-approval, if it involves a fee in excess of \$75,000 or relates to tax planning and advice, it requires a separate pre-approval, which has been delegated to our Chair. The services and fees must be deemed compatible with the maintenance of the auditor's independence, including compliance with SEC and NYSE rules and regulations.

### **Audit Committee Report**

The Audit Committee operates under a written charter adopted by the Board. The charter is available under the Corporate Governance link under the Investor Relations link at [www.msicbarra.com](http://www.msicbarra.com). Information contained on our website is not incorporated by reference into this Proxy Statement or any other report filed with the SEC. The Audit Committee is responsible for the oversight of the integrity of the Company's consolidated financial statements, the Company's system of internal control over financial reporting, the Company's risk management, the qualifications and independence of the Company's independent registered public accounting firm (independent auditor), the performance of the Company's internal auditor and independent auditor and the Company's compliance with legal and regulatory requirements. The Audit Committee has the sole authority and responsibility to appoint, compensate, evaluate and, when appropriate, replace the Company's independent auditor. The Board has determined that all of the Audit Committee's members are independent under the applicable independence standards of the NYSE and the Exchange Act.

The Audit Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States and for the report on the Company's internal control over financial reporting. The Company's independent auditor, Deloitte & Touche, is responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States and expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Our responsibility is to oversee the financial reporting process and to review and discuss management's report on the Company's internal control over financial reporting. We rely, without independent verification, on the information provided to us and on the representations made by management, the internal auditor and the independent auditor.

The Audit Committee held six meetings during the fiscal year ended November 30, 2009. With respect to the fiscal year ended November 30, 2009, the Audit Committee, among other things:

reviewed and discussed the Company's quarterly and annual earnings releases;

reviewed and discussed the (i) quarterly unaudited consolidated financial statements and related notes and the (ii) audited consolidated financial statements and related footnotes for the fiscal year ended November 30, 2009 with management and Deloitte & Touche;

reviewed and discussed the annual plan and scope of work of the independent auditor;

reviewed and discussed the annual plan and scope of work of the internal auditor and summaries of significant reports to management by the internal auditor;

met with Deloitte & Touche, the internal auditor and Company management in executive sessions;



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reviewed and discussed the critical accounting policies set forth in the Company's Annual Report on Form 10-K; and

reviewed business and financial market conditions, including an assessment of risks posed to MSCI's operations and financial condition.

We discussed with Deloitte & Touche matters that independent registered public accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board, including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance). This review included a discussion with management and the independent auditor of the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's consolidated financial statements, including the disclosures relating to critical accounting policies.

Deloitte & Touche also provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding its communications with us concerning independence, and represented that it is independent from the Company. We discussed with Deloitte & Touche their independence from the Company, and considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence.

During fiscal 2009, we also received regular updates on the amount of fees and scope of audit and audit-related services provided. Pursuant to the pre-approval policies and procedures related to the provision of audit and non-audit services by the independent auditors as described above under Pre-approval Policy of the Audit Committee of Services Performed by Independent Auditors, we pre-approved the hiring of Deloitte Tax LLP to review the Company's tax processes.

Based on our review and these meetings, discussions and reports discussed above, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee charter, we recommended to the Board that the Company's audited consolidated financial statements for the fiscal year ended November 30, 2009 be included in the Company's Annual Report on Form 10-K. We also selected Deloitte & Touche as the Company's independent auditor for the fiscal year ended November 30, 2010 and are presenting the selection to the shareholders for ratification.

Respectfully submitted,

Scott M. Sipprelle, (Chair)

Benjamin F. duPont

Rodolphe M. Vallee

### **Other Matters**

**Section 16(a) Beneficial Ownership Reporting Compliance.** We believe that all required reports have been timely filed under the SEC's rules for reporting transactions by executive officers and directors in our common stock.

**Certain Transactions.** Immediately prior to May 22, 2009, Morgan Stanley held 100.0% of our outstanding class B common stock, which represented approximately 65.7% of the combined voting power of all classes of

voting stock and approximately 27.7% of the economic interest in our outstanding common stock, and had been providing certain services to us under agreements we entered into at the time of and following our IPO. During

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fiscal 2009, we paid \$35.9 million to Morgan Stanley under certain of these agreements, the majority of which was related to amounts due under the tax sharing agreement. Please see Item 1. Business The Separation of MSCI from Morgan Stanley in our Annual Report on Form 10-K, as filed with the SEC on January 29, 2010. On May 22, 2009, Morgan Stanley divested the remainder of its equity interests in MSCI. However, as indicated under Beneficial Ownership of Common Stock Table Principal Shareholders above, Morgan Stanley filed a Schedule 13G/A on February 12, 2010 (amending the Schedule 13G filed on December 10, 2009) that publicly reported that it and its affiliate, MSIM, had acquired more than 5% of our class A common stock, but certified that such acquisition was made in the ordinary course of business and not for the purpose of effecting or influencing a change of control.

On January 20, 2009, we entered into an investment management agreement with MSIM pursuant to which we appointed MSIM to manage our excess cash. The agreement is subject to termination upon 180 days written notice from MSIM or at any time by MSCI. In fiscal 2009, we incurred fees of \$0.125 million under this agreement.

In November 2009, Morgan Stanley was the sole underwriter for our offering of 3,795,000 shares of our class A common stock and was paid customary underwriting fees.

From time to time, shareholders that own more than 5% of our class A common stock subscribe to, in the normal course of business, certain of our products. These transactions are negotiated on an arm's-length basis and contain customary terms and conditions. These transactions are subject to our related Person Transactions Policy described below, but under that policy they do not require Board approval if they are negotiated on an arm's-length basis and contain customary terms and conditions.

Morgan Stanley subscribes to, in the normal course of business, certain of our products. For purposes of full disclosure, revenues recognized by us from subscriptions to our products by Morgan Stanley for the fiscal year ended November 30, 2009 were approximately \$10.5 million.

**Related Person Transactions Policy.** Our Board has adopted a written Related Person Transactions Policy (Policy) governing the approval of related person transactions. For purposes of the Policy: (i) a Related Person Transaction means (1) a Transaction involving the Company in which the amount involved exceeds \$120,000 in any fiscal year and a Related Person has a direct or indirect material interest and (2) any material amendment or modification to the foregoing, regardless of whether such Transaction previously has been approved in accordance with the Policy; (ii) a Related Person means any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of MSCI or a nominee to become a director of MSCI, a person or entity that is known to be the beneficial owner of more than five percent of MSCI voting securities, excluding any beneficial owner that reports its ownership on Schedule 13G pursuant to Rule 13d-1(b) under the Exchange Act (5% Stockholder under the Policy) and the Immediate Family Members (as defined in the Policy) of any of the foregoing; and (iii) a Transaction means any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships, including indebtedness, guarantees of indebtedness and transactions involving employment and similar relationships. Under the Policy, the Legal and Compliance Department, in consultation with the General Counsel and outside counsel to the extent appropriate, reviews potential Related Person Transactions to determine if they are subject to review under the Policy and/or disclosure as a Related Person Transaction under rules of the Securities and Exchange Commission. If the Legal and Compliance Department and the General Counsel determine that (1) the proposed Transaction constitutes a Related Person Transaction or (ii) it would be beneficial to further review the Transaction under the Policy, then, in either case, the Transaction is referred to the CEO and the General Counsel or the Nominating and Corporate Governance Committee. Any such Transaction will be referred for approval or ratification to: (i) the CEO and the General Counsel, in the case of a Transaction involving an executive officer (and/or their Immediate Family Members) other than the CEO or the General Counsel; (ii) to the CEO, in the case of a Transaction involving the General Counsel; or (iii) to the Nominating and Corporate Governance Committee, in the case of a Transaction involving a 5% Stockholder, a director, director nominee or

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the CEO (and/or their Immediate Family Members). In determining whether to approve a Related Person Transaction, the applicable reviewer, as set forth in the preceding sentence, considers all relevant facts and circumstances, including, among other things, the commercial reasonableness of the terms of the proposed Transaction, the benefit to the Company, the availability and/or opportunity costs of alternative Transactions, the materiality and character of the Related Person's direct or indirect interest, whether the Transaction would impair the independence of a director, if the Related Person is a director, and whether the Transaction would, or would be perceived to, present an improper conflict of interest for the Related Person. All determinations by the CEO and the General Counsel are reported to the Nominating and Corporate Governance Committee at its next meeting. Certain categories of Transaction set forth in the Policy have been determined not to be Related Person Transactions and are not subject to the Policy. These categories of Transactions include, among other things, (i) Transactions between MSCI and any entity in which a Related Person has a relationship solely as a director, a less than 5% equity holder of any entity whose equity securities are publicly traded, a less than 10% holder of an entity whose equity securities are not publicly traded, or an employee (other than an executive officer), (ii) certain compensation agreements approved by the Compensation Committee or Board, as applicable, (iii) Transactions involving terms established on a competitive basis, in the ordinary course of business or comparable to similar terms with unaffiliated third parties; (iv) investments in financial products based on or created with the use of MSCI products and (v) certain indemnification payments. The Nominating and Corporate Governance Committee has authority to oversee the Policy and to amend it from time to time.

**Other Business.** We do not know of any other matters that may be presented for action at the meeting other than those described in this Proxy Statement. If any other matter is properly brought before the meeting, the proxy holders will vote on such matter in their discretion.

**Shareholder Nominations for Director Candidates.** The Nominating and Corporate Governance Committee oversees searches for and identifies qualified individuals for membership on MSCI's Board. The Nominating and Corporate Governance Committee's written charter requires the Committee to review candidates' qualifications for membership on the Board or a committee of the Board, including making a specific determination as to the independence of each candidate, based on the criteria approved by the Board (and taking into account the enhanced independence, financial literacy and financial expertise standards that may be required under law or NYSE rules for Audit Committee membership purposes). The Nominating and Corporate Governance Committee is also required to review the composition of the Board and its committees in light of the current challenges and needs of the Board, the Company and each committee, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

Shareholders of record complying with the notice procedures set forth below may make director recommendations for consideration by the Nominating and Corporate Governance Committee. Shareholders may make recommendations at any time, but recommendations for consideration as nominees at the annual meeting of shareholders must be received not less than 120 days before the first anniversary of the date that the proxy statement was released to shareholders in connection with the previous year's annual meeting. Therefore, to submit a candidate for consideration for nomination at the 2011 annual meeting of shareholders, shareholders must submit the recommendation, in writing, by October 26, 2010. The written notice must demonstrate that it is being submitted by a shareholder of record of MSCI and include information about each proposed director candidate, including name, age, business address, principal occupation, principal qualifications and other relevant biographical information. In addition, the shareholder must confirm his or her candidate's consent to serve as a director. Shareholders must send recommendations to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Gary Retelny, MSCI Inc., Wall Street Plaza, 88 Pine Street, 2nd Floor, New York, New York 10005.

**Shareholder Proposals for the 2011 Annual Meeting.** Shareholders intending to present a proposal at the 2011 annual meeting and have it included in our proxy statement for that meeting must submit the proposal in writing to Corporate Secretary, Gary Retelny, Wall Street Plaza, 88 Pine Street, 2nd Floor, New York, New York 10005. We must receive the proposal no later than October 26, 2010.

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Shareholders intending to present a proposal at the 2011 annual meeting, but not to include the proposal in our proxy statement, or to nominate a person for election as a director, must comply with the requirements set forth in our Bylaws. The Bylaws require, among other things, that our Secretary receive written notice from the record shareholder of intent to present such proposal or nomination no more than 120 days and no less than 90 days prior to the anniversary of the preceding year's annual meeting. Therefore, the Company must receive notice of such a proposal or nomination for the 2011 annual meeting no earlier than December 9, 2010 and no later than January 10, 2011. The notice must contain the information required by the Bylaws, a copy of which is available upon request to our Secretary.

**Cost of Soliciting Your Proxy.** We will pay the expenses for the preparation and mailing of the proxy materials and the solicitation by the Board of your proxy. Our directors, officers and employees, who will receive no additional compensation for soliciting, and Morrow & Co. LLC, may solicit your proxy, in person or by telephone, mail, facsimile or other means of communication. We will pay Morrow & Co. LLC fees not exceeding \$7,500, plus expenses and disbursements.

**Shareholders Sharing an Address.** Consistent with notices sent to record shareholders sharing a single address, we are sending only one Notice, Annual Report and Proxy Statement to that address unless we received contrary instructions from any shareholder at that address. This householding practice reduces our printing and postage costs. Shareholders may request or discontinue householding, or may request a separate copy of the Notice, Annual Report or Proxy Statement as follows:

Record shareholders wishing to discontinue or begin householding, should contact our Corporate Secretary, MSCI Inc., Gary Retelny, Wall Street Plaza, 88 Pine Street, 2nd Floor, New York, New York 10005.

Shareholders owning their shares through a bank, broker or other holder of record who wish to either discontinue or begin householding should contact their record holder.

Any householded shareholder may request prompt delivery of a copy of the Annual Report or Proxy Statement by contacting us at (866) 447-7874 or may write to us at Investor Relations, MSCI Inc., Wall Street Plaza, 88 Pine Street, 2nd Floor, New York, NY 10005. Instructions for requesting such materials are also included in the Notice.

**Consent to Electronic Delivery of Annual Meeting Materials.** Shareholders can access this Proxy Statement and our Annual Report on Form 10-K via the Internet at [www.proxyvote.com](http://www.proxyvote.com) by following the instructions outlined on the secure web site. For future annual meetings of shareholders, shareholders can consent to accessing their proxy materials, including the Notice of Internet Availability of Proxy Materials, the proxy statement and the annual report, electronically in lieu of receiving them by email. To receive materials electronically you will need access to a computer and an email account. To sign up for electronic delivery, when voting using the Internet at [www.proxyvote.com](http://www.proxyvote.com), when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

Registered shareholders that wish to revoke their request for electronic delivery at any time without charge, should contact our Corporate Secretary, MSCI Inc., Gary Retelny, Wall Street Plaza, 88 Pine Street, 2nd Floor, New York, New York 10005 or contact us at (866) 447-7874.

If you hold your shares through a bank, brokerage firm or other nominee and you have not already done so, you can choose this electronic delivery option by contacting your nominee. You may update your electronic address by contacting your nominee.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on April 8, 2010: Our Proxy Statement and our Annual Report for the fiscal year ended November 30, 2009 are available free of charge at [www.proxyvote.com](http://www.proxyvote.com).**

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