

April 1, 2026

Consultation on Proposed Enhancements to the Morningstar Liquidity Score for Venture Capital-Backed Companies

Morningstar Indexes is considering three enhancements to the [Morningstar Liquidity Score for Venture Capital-Backed Companies](#). The score is designed to assess the tradability of private companies by evaluating secondary market trading activity and is used to determine whether companies meet liquidity requirements for index eligibility.

The proposed enhancements aim to improve the responsiveness and accuracy of the liquidity score by placing greater emphasis on recent transaction activity, incorporating directional changes in liquidity over time, and more directly capturing observed trading activity in the secondary market.

The changes proposed include:

1. Adding a Liquidity Exponential Decay Factor

The liquidity score would apply an exponential decay factor that reduces the weight of older liquidity data over time while placing greater emphasis on more recent secondary market activity. The decay would be based on the number of days since liquidity information was last reported.

This decay factor is intended to ensure that older liquidity observations have progressively less influence on the score, allowing the measure to better reflect current secondary market conditions.

2. Adding a Liquidity Momentum Adjustment

A liquidity momentum measure would be introduced to account for changes in a company's liquidity profile over time. The momentum adjustment would be applied to the liquidity score based on the rate of change in the company's liquidity score.

- If the rate of change exceeds +0.20, the liquidity score is multiplied by 1.25.
- If the rate of change falls below -0.20, the liquidity score is multiplied by 0.75.

This momentum factor is intended to capture whether a company's liquidity is improving or deteriorating meaningfully, allowing recent trends to influence the final assessment of liquidity.

3. Replacing the Number of Unique Contributors with the Number of Closed Transactions

The liquidity score would incorporate the number of closed transactions as an additional input, replacing the current number of unique contributors metric. The number of closed transactions represents the total number of secondary market transactions completed over the previous 180 days and captures the frequency and depth of trading activity. As a result, it provides a more direct indicator of liquidity than the number of unique contributing data providers.

This enhancement is intended to complement existing measures of observed trading activity by incorporating transaction frequency, allowing the liquidity score to better reflect overall activity in the secondary market.

These changes would be applied prospectively, beginning with the June 2026 reconstitution. We are soliciting client feedback on this proposal.

Submit your responses and questions

Morningstar Indexes welcomes client feedback regarding these proposed changes. Responses to this consultation can be submitted [here](#).

General questions about the consultation may also be sent to indexes@morningstar.com.

Key dates

- **Consultation:** The consultation will be open for response from April 2, 2026, to April 23, 2026.
- **Decision announcement:** Final decisions will be announced by April 27, 2026.
- **Proposed implementation:** Effective with the June 2026 reconstitution.

Questions

1. Should Morningstar Indexes introduce an exponential decay factor in the Morningstar Liquidity Score?
 - a. Yes
 - b. No
 - c. Other, please explain.
2. Should Morningstar Indexes introduce a liquidity momentum adjustment to the Morningstar Liquidity Score?
 - a. Yes
 - b. No
 - c. Other, please explain.

3. Should Morningstar Indexes incorporate the Number of Closed Transactions as an additional input to the Morningstar Liquidity Score, replacing the current Number of Data Providers metric?
 - a. Yes
 - b. No
 - c. Other, please explain.

4. If Morningstar Indexes adopts these changes, should they be implemented beginning with the June 2026 reconstitution?
 - a. Yes
 - b. No
 - c. Other, please explain.

5. What other factors should Morningstar Indexes consider in making these decisions?

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. In February 2026, the acquisition of CRSP brought the CRSP Market Indexes—benchmarks for over \$3 trillion in US equities—into the Morningstar Indexes family. Additionally, CRSP's Research Data Products, renowned for their academic rigor, historical depth and accuracy, will further enhance Morningstar's equity research and data capabilities. This integration unites two trusted sources of market insight, reinforcing a shared commitment to transparency, quality, and investor-focused solutions.

Please visit indexes.morningstar.com for more information.

Contact Us

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