MORNINGSTAR Indexes

September 24, 2026

1 Day Reminder: Morningstar IPO Float Freeze Policy Consultation

Morningstar Indexes is seeking client feedback on a proposed enhancement to the treatment of free float for newly listed companies across all Morningstar Equity Indexes.

Current Treatment

Morningstar Market Indexes

Under the current methodology, free-float estimates for IPOs are fixed for the first 180 days following listing.

Morningstar TME and GMI Indexes

For Morningstar equity indexes outside the Market Indexes family, free-float updates for newly listed securities are currently considered only during the annual June review or in response to corporate actions affecting shares outstanding or float.

Key Considerations

The existing approach was designed to address uncertainty surrounding post-IPO ownership disclosures, lockup arrangements, and the availability of shares for public trading. While this treatment helps limit turnover resulting from subsequent float adjustments, market participants have noted that particularly for larger IPOs with staggered lockup expirations may experience meaningful increases in investable shares before the expiration of the 180-day freeze period. Delaying recognition of these changes can lead to larger index adjustments than would occur if reliable increases in free float were incorporated incrementally.

However, lockup expirations do not necessarily result in shares becoming part of the public float, and ownership information is often less reliable shortly after listing. As a result, updating float too early or too often may increase the risk of overstating float and creating reversal turnover.

Proposed Treatment of IPO Free Float

To balance the benefits of timely float recognition against the risks associated with incomplete ownership information, Morningstar is considering reviewing free-float estimates for IPOs above the lower mid-cap threshold during the first 180 days following listing as part of its regular quarterly review process. For all other IPOs, free float would be fixed for at least 180 days, reflecting more limited data availability and a heightened risk of overstating the investable opportunity set.

Under the proposal:

- Float changes would be assessed only during scheduled quarterly reviews, effective at ranking/rebalance, or anytime there is a non-cap neutral liquidity event, such as a secondary offering.
- Float updates would be implemented when there is a reasonable basis for concluding that additional shares have become part of the investable opportunity set.
- Where ownership information remains incomplete or uncertain, Morningstar would continue to apply a conservative assessment of free float.

This approach is intended to provide a better balance between reflecting changes in the investable opportunity set and minimizing the risks associated with uncertain ownership data.

We are soliciting client feedback on this proposal, which would apply across Morningstar equity indexes.

Submit your responses and questions

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 September 9, 2026, to September 25, 2026.
- **Decision announcement**: Final decisions will be announced by October 16, 2026.

Questions

1. Do you support the proposed quarterly review cadence for large (mega- and mid-cap) IPOs?
    a. Yes.
    b. No, freeze float for 180 days after listing.
    c. No, review float for large companies immediately after each lockup expiration.
    d. Other, please explain.

2. What standard should Morningstar Indexes apply when determining whether to recognize a free-float increase during the first 180 days following listing?
    a. Update free float to reflect latest ownership information.
    b. Apply a conservative approach and update only when evidence is highly conclusive.
    c. Other, please explain.

3. How should Morningstar Indexes balance timely market representation against the risk of overstated float and reverse turnover?
    a. Prioritize timely market representation.
    b. Prioritize turnover minimization.
    c. Other, please explain.

4. 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 AUM —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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