

June 18, 2026

Morningstar Equity Indexes Corporate Actions Consultation

Morningstar Indexes is considering a few enhancements to the Morningstar [standard equity indexes corporate actions methodology](#) to improve replicability and provide more clarity and alignment across our index families.

Mandatory Exchange Offers & Share Conversions

Currently, Morningstar retains converted/exchanged securities only if an existing index constituent delists and converts into a newly created security trading on an eligible exchange, and the new listing is considered 'fungible' with the old listing.

Morningstar Indexes is considering providing more clarity in the treatment of mandatory share class conversion/security exchange events across several scenarios:

1. Where an existing constituent security mandatorily converts into another existing constituent security, the shares of the security received would be increased in accordance with the announced conversion ratio, while the converted security would be dropped at either its last traded price, or at a synthetic price derived from the conversion terms if trading has halted/suspended.
2. Where an existing constituent security converts into a non-constituent security of the same company, the resulting security would replace the existing constituent in the index provided it satisfies the relevant eligibility requirements, with share adjustments applied in line with the conversion ratio. Any additional shares associated with the previously non-constituent security would be reviewed for inclusion at the next quarterly review
3. If a security that is not part of any Morningstar-maintained index converts into shares of an existing constituent security, no immediate index change would be implemented on the ex-date. Any resulting increase in shares for the constituent would be evaluated at the next quarterly review.

For all the scenarios above, if the security received has its primary listing in a different region than the converted security, the security received would drop from all indexes with no replacement and would be evaluated at the next quarterly review, as per the current treatment.

In-Species Spinoffs

Morningstar currently uses placeholder securities to represent shares of an existing, publicly traded company distributed by a Morningstar Index constituent. We are considering discontinuing the use of placeholder securities and instead directly reflecting the distributed entity within the index.

Under the proposed approach, if the distributed security is already in the index, its reference data, shares outstanding and float would be updated through the CPACT corporate action file. If the distributed security is not in the index, the actual listed security would be added with the relevant reference data, shares outstanding shares and float as the distributed security.

Rights Offerings

Currently, rights offerings are generally implemented at the ex-date (T) open, if the rights are determined to be in-the-money on T-1. The stock price is adjusted using the theoretical ex-rights price (TERP) methodology, while the shares outstanding are increased simultaneously to reflect the entitlement ratio.

Morningstar is proposing to change both the timing of implementation and how the price adjustment factor is calculated.

Under the proposed approach, the rights value would be reflected after at T end-of-day instead of at T open, through a price adjustment based on the greater of:

1. Rights' fair market value: $(\text{Rights Ratio} * \text{Subscription Ratio} * \text{Max}(0, (\text{Ex-date Close Price of underlying security} - (\text{Subscription Price} + \text{Dividend}))) / (1 + \text{RightsRatio} * \text{Subscription Ratio})$ or
2. Observed market value if the rights are trading: $(\text{Rights Ratio} * \text{Ex-date Close Price of Rights})$

If the rights are in-the-money, shares outstanding of the underlying security would be increased after the close of T, assuming full exercise. This is intended to improve replicability, as rights can shift between in- and out-of-the-money between T-1 and T.

Special Dividends

Non-ordinary cash distributions greater than or equal to 5% of the underlying security's market price at the time of the final announcement are currently classified as special dividends and are implemented by reinvesting the dividend at the open of the ex-date (T).

Morningstar is considering changing this treatment to remove the 5% threshold and implementing the adjustment at T close. This is intended to ensure consistency in reinvestment timing between special and ordinary dividends. Special dividend determinations would be based on company and vendor classifications rather than frequency or amount.

Special Dividends with Elections

Special dividends with cash/stock elections are currently treated as cash dividends. Morningstar is considering revising this treatment. Under the proposal, the maximum cash election amount would be processed as a special dividend, while the stock election component would be reflected as a temporary placeholder security line added on the ex-date in the indexes in which the parent is a constituent. The placeholder would use the parent's free float and shares outstanding. Once the final allocation of shares elected is determined, the placeholder security would be removed from the indexes with two trading days' notice. At the same time, the distributed shares would be added back to the parent security. This change is intended to improve replicability.

We are soliciting client feedback on these proposals.

Submit your response 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 responses from June 18, 2026, to July 31, 2026.
- **Decision announcement:** Final decisions will be announced by September 30, 2026.

Questions

1. Should Morningstar Indexes change the treatment of mandatory exchange offers and share conversions as described in the scenarios outlined?

- a. Yes
 - b. No.
 - c. Other, please explain.
2. Should Morningstar Indexes discontinue the use of placeholder securities for in-species spinoffs and directly reflect the distributed entity instead?
 - a. Yes
 - b. No
 - c. Other, please explain.
3. Should Morningstar Indexes reflect the value of rights offerings at the close instead of the open, applying the greater of either the traded value of the rights or theoretical ex-rights price (TERP)?
 - a. Yes
 - b. No.
 - c. Other, please explain.
4. Should Morningstar Indexes remove the 5% threshold to classify non-ordinary dividends as special?
 - a. Yes
 - b. No
 - c. Other, please explain.
5. If Morningstar Indexes removes the 5% threshold for special dividends, should the historical pattern of such distributions be considered along with the company classification?
 - a. Consider the pattern, and after the third occurrence, reclassify as ordinary
 - b. Do not consider previous occurrences
 - c. Other, please explain.
6. Should Morningstar Indexes classify variable annual dividends as special?
 - a. Yes
 - b. No

- c. Other, please explain.
7. Should Morningstar Indexes reinvest special dividends at the close of the ex-date?
- a. Yes
 - b. No, continue to reinvest special dividends at open of the ex-date
 - c. Other, please explain.
8. Should Morningstar Indexes reflect the maximum potential market value of the share election in special dividends with elections through the addition of a temporary placeholder security?
- a. Yes
 - b. No.
 - c. Other, please explain.
9. 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.

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Contact Us

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