

S&P/BMV IPC Consultation on Selection Universe, Constituent Selection and Weighting Criteria – Results

MEXICO CITY, SEPTEMBER 27, 2023: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) on potential changes to the S&P/BMV IPC.

In order to ensure an adequately broad selection universe while simplifying the methodology and reducing stock concentration, S&P DJI is changing the selection universe rules, constituent selection and constituent weightings criteria.

The table below and on the following page summarizes the changes:

		Methodology	
Changes	Previous	Updated	
Selection Universe	VWAP Float-Adjusted Market Capitalization The VWAP (Volume Weighted Average Price) FMC must be at least MXN 10 billion (MXN 8 billion for current constituents).	--	
Constituent Selection	<p>Constituent Selection. All stocks in the Selection Universe are evaluated based on the following liquidity criteria using the data as of the rebalancing reference date:</p> <ul style="list-style-type: none"> Stocks must have a MDVT (Median Daily Value Traded) of at least MXN 50 million (MXN 30 million for current constituents) over the prior three-month and six-month periods. Stocks must have an annualized MTVR (Median Traded Value Ratio) of at least 25% over the prior three-month and six-month periods. Current index constituents remain eligible if they have an annualized MTVR of at least 15% over the prior three-month and six-month periods. The monthly MTVR is determined as follows: <ol style="list-style-type: none"> Calculate the MDVT for every month. Calculate the number of days traded for every month. Calculate the month-end FMC. $MTVR = (\text{Result from Step 1} * \text{Result from Step 2}) / \text{Result from Step 3}$. Aggregate the most recent three months and annualize to obtain the three-month MTVR. Aggregate the most recent six months and annualize to obtain the six-month MTVR. <p>If there are more than 35 eligible stocks, then the eligible stocks are ranked, in descending order, based on a combined ranking of VWAP FMC and six-month MDVT. The stocks with the greatest rankings are excluded until the constituent count reaches 35.</p> <p>If there are less than 35 eligible stocks, then stocks in the Selection Universe not meeting the constituent selection liquidity criteria are ranked, in descending order, based on a combined ranking of VWAP FMC and six-month MDVT. The stocks with the lowest rankings are added to the index until the constituent count reaches 35.</p> <p>In cases where two or more stocks have the same combined ranking, the most liquid stock based on MDVT is selected.</p>	<p>Constituent Selection. At each reconstitution, evaluate all eligible stocks in the index universe according to the following process:</p> <ul style="list-style-type: none"> Rank all eligible stocks based on six-month MDVT and three-month VWAP FMC, using data as of the rebalancing reference date. To calculate the VWAP FMC, multiply the number of shares outstanding by the assigned company's IWF as of the rebalancing effective date and by the VWAP price (weighted average of the last three-month period prior to the reference date). For each stock, determine a final ranking by averaging the six-month MDVT and three-month VWAP FMC rankings. If two or more stocks share the same final ranking, rank the stock with the largest six-month MDVT higher. Select the highest-ranking 35 stocks to form the index. 	

Methodology		
Changes	Previous	Updated
Constituent Weightings	<p>The index is weighted based on FMC, subject to the following constraints:</p> <ul style="list-style-type: none"> No single stock's weight can exceed 25%. The aggregate weight of the five largest stocks cannot exceed 60%. 	<p>The index is FMC weighted, subject to the following constraints:</p> <ul style="list-style-type: none"> No single stock's weight can exceed 15%. The aggregate weight of the five largest stocks cannot exceed 45%. Each stock is capped at twice the minimum of FMC weight and liquidity weight (as measured by 6M MDVT).

IMPLEMENTATION TIMING

With the exception of the change to the Constituent Weightings, S&P DJI will implement these changes in conjunction with the March 2024 rebalancing, which takes effect prior to the market open on **Monday, March 18, 2024**. These changes will first be visible to clients in pro-forma files beginning on **Friday, March 1, 2024**.

S&P DJI will implement the Constituent Weightings changes in two phases beginning with the March 2024 rebalancing. More specifically, the first phase applies a 0.5 factor to the weight reduction of the capped stocks at the March 2024 semi-annual rebalancing with the intent of incorporating approximately half of the weight changes. S&P DJI will then conduct the June 2024 reweighting to implement the Constituent Weightings changes in full without any factor, which takes effect prior to the market open on **Monday, June 24, 2024**. Clients will first observe the full weight changes in pro-forma files beginning on **Friday, June 7, 2024**.

For more information about S&P Dow Jones Indices, please visit www.spglobal.com/spdji.

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