

S&P Dow Jones Indices Announces the Reopening of the S&P/BMV IPC Consultation with Revised Implementation Timeline and Buffer Rule – Updated

MEXICO CITY, AUGUST 2, 2023: While feedback received was generally positive regarding the proposal, S&P Dow Jones Indices (“S&P DJI”) is reopening the S&P/BMV IPC [consultation](#) that closed on June 30, 2023 in order to solicit additional feedback on the revised buffer rule proposal and implementation process based on comments provided by market participants. The new closing date for the consultation is August 25, 2023.

In order to limit constituent turnover, S&P DJI is proposing to include a three-stock selection buffer in the constituent selection process. For illustrative purposes, an additional scenario without a selection buffer has been added in the “Impact Analysis” section below.

Furthermore, to reduce market impact and provide enough lead time for market participants to respond to the changes, S&P DJI is proposing to implement the weight 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 changes in full without any factor.

The revised buffer rule proposal is detailed in the table below. The other proposed changes in the initial consultation remain the same.

Proposed Changes	Current Methodology	Proposed Methodology
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 MTRV (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 MTRV of at least 15% over the prior three-month and six-month periods. The monthly MTRV 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. $MTRV = (\text{Result from Step 1} * \text{Result from Step 2}) / \text{Result from Step 3}$. Aggregate the most recent three months and annualize to obtain the three-month MTRV. Aggregate the most recent six months and annualize to obtain the six-month MTRV. <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 rebalancing, the index seeks to select 35 constituents. Evaluate all stocks in the Selection Universe based on the following liquidity criteria using the data as of the rebalancing reference date:</p> <ul style="list-style-type: none"> Rank all eligible stocks based on six-month MDVT and three-month VWAP FMC. Calculate the VWAP FMC by multiplying 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 ranks. <p>Buffer Rule. Apply a three-stock selection buffer to stocks already in the index as follows:</p> <ol style="list-style-type: none"> Automatically select the highest ranked 32 stocks. Select current constituents ranked 33-38 next, until the target count of 35 is met. If at this point there are still fewer than 35, select the highest ranked non-constituents, in descending order, until the target count is met. <p>If two or more stocks share the same final ranking, rank the company with the largest 6M MDVT higher.</p>

IMPACT ANALYSIS

Please refer to the table below for further background on the proposed buffer rule using data from the March 2018 rebalancing to the March 2023 rebalancing.

Stock Name	(No buffer)		Current Proposal (3 stocks buffer)		(5 stocks buffer)	
	Adds	Drops	Adds	Drops	Adds	Drops
Sep-2018	3	3	2	2	1	1
Bolsa Mexicana de Valores SA de CV		1		1		
Grupo Cementos de Chihuahua SAB de CV	1		1			
Alpek S.A.B. de C.V.	1					
Grupo Lala S.A.B. de C.V.		1				
Controladora Vuela Compania de Aviacion S.A.B. de C.V.		1		1		1
Banco del Bajio, S.A.	1		1		1	
Mar-2019	2	2	1	1	1	1
Bolsa Mexicana de Valores SA de CV	1		1			
Genomma Lab Internacional SA de CV		1				
Corporacion Inmobiliaria Vesta, S.A.B. DE C.V.	1					
GMexico Transportes S.A.B. de C.V.		1		1		1
Grupo Cementos de Chihuahua SAB de CV					1	
Sep-2019	1	1	-	-	-	-
Genomma Lab Internacional SA de CV	1					
Alpek S.A.B. de C.V.		1				
Mar-2020	1	1	1	1	1	1
Qualitas Controladora S.A.B de C.V.	1		1		1	
Grupo Cementos de Chihuahua SAB de CV		1				
Grupo Lala S.A.B. de C.V.				1		1
GMexico Transportes S.A.B. de C.V.						
Sep-2020	1	1	1	1	1	1
Grupo Cementos de Chihuahua SAB de CV	1					
Banco Santander Mexico B		1		1		1
Corporacion Inmobiliaria Vesta, SAB DE C.V.			1		1	
Grupo Lala S.A.B. de C.V.						
Mar-2021	1	1	1	1	-	-
Genera SAB de CV		1		1		
Telesites S.A.B. de C.V.	1		1			
Sep-2021	1	-	1	-	1	-
Controladora Vuela Compania de Aviacion SAB de C.V.	1		1		1	
Grupo Cementos de Chihuahua SAB de CV						
Banco Santander Mexico B						
Sep-2022	1	1	-	-	1	1
Genera SAB de CV	1					
Genomma Lab Internacional SA de CV		1				1
Telesites S.A.B. de C.V.					1	
Mar-2023	1	1	1	1	-	-
Genomma Lab Internacional SA de CV	1					
Controladora Vuela Compania de Aviacion S.A.B. de C.V.		1		1		
Genera SAB de CV			1			
Total	12	11	8	7	6	5

For more information on the S&P/BMV Indices, please refer to the S&P/BMV Indices Methodology available [here](#).

IMPLEMENTATION TIMING

S&P DJI is proposing to implement all the previously described methodology changes in two phases, with the first phase at the March 2024 semi-annual rebalancing (effective prior to the market open on **Monday, March 18, 2024**), and the second phase at the June 2024 rebalancing with two weeks advance notice (effective prior to the market open on **Monday, June 24, 2024**). If adopted, the changes

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will first be visible to clients in pro-forma files beginning on **Friday, March 1, 2024**, and beginning on **Friday, June 7, 2024**.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Do you agree with the proposed three stock buffer in the constituent selection criteria?**
2. **If any of the proposed changes are adopted, do you agree with the updated proposed implementation process and timeline?**
3. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **August 25, 2023**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees nor is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

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

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FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com

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