

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

MEXICO CITY, MAY 26, 2023: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P/BMV IPC.

In order to ensure an adequately broad selection universe while simplifying the methodology and limiting constituent turnover, S&P DJI is proposing changes to the selection universe and constituent selection process.

Additionally, in order to reduce single stock concentration while addressing liquidity concerns, S&P DJI is proposing changes to the constituent weightings criteria.

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

Proposed Changes	Current	Methodology
Selection Universe	<p>VWAP Float-Adjusted Market Capitalization</p> <p>The VWAP (Volume Weighted Average Price) FMC must be at least MXN 10 billion (MXN 8 billion for current constituents). The VWAP FMC is calculated 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).</p>	<p>There is no minimum FMC requirement to be eligible for inclusion.</p>
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"> 1. Calculate the MDVT for every month. 2. Calculate the number of days traded for every month. 3. Calculate the month-end FMC. 4. $MTVR = (\text{Result from Step 1} * \text{Result from Step 2}) / \text{Result from Step 3}$. 5. 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. 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>Select the top 30 stocks for the index. Select constituents ranked 31-40 next, until reaching 35. If there are still less than 35, select non-constituents top-down until reaching 35.</p> <p>If two or more stocks have the same final ranking, rank the company with the largest 6M MDVT higher.</p>

Proposed Changes	Methodology	
	Current	Proposed
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 weighted based on FMC, 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).

IMPACT ANALYSIS

Please refer to the presentation available [here](#) for further background on the proposed changes including information on the hypothetical impact of the proposed changes using data from the March 2018 rebalancing to the March 2023 rebalancing.

You may find additional data and analysis in our Client Resource Center www.spglobal.com/spdji/en/client-services/ which may be updated from time to time throughout the consultation. Additional data and analysis may also be made available upon request.

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 the previously described methodology changes, if adopted, prior to the market open on **Monday, September 18, 2023**, in conjunction with the September annual rebalancing. If adopted, the changes will first be visible to clients in pro-forma files beginning on **Friday, September 1, 2023**.

QUESTIONS

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

1. **Do you agree with the proposed change to the selection universe?**
2. **Do you agree with the proposed MDVT and VWAP FMC changes to the constituent selection criteria?**
3. **Do you agree with the proposed buffer in the constituent selection criteria?**
4. **Do you agree with the proposed changes to the constituent weightings criteria?**
5. **If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
6. **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 **June 30, 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.

CONSULTATION

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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S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com