

S&P/BMV China SX20 Index Consultation on Constituent Selection – Updated

MEXICO CITY, JANUARY 30, 2023: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P/BMV China SX20 Index. The purpose of this change is to reduce index turnover and to increase the Universe that considers the liquidity of the local US listings instead of the Global Marketability Scores that only consider the liquidity in Mexico since these companies also trade in the U.S.

S&P DJI is proposing to use the six-month median daily value traded (“MDVT”) instead of the Marketability Factor. This proposal aims to apply a more effective liquidity screening as well as align the methodology with other S&P DJI Indices. Additionally, this proposal also adopts buffer rules that may improve the index turnover. The tables below summarize the potential changes on the Constituent Selection section:

Liquidity Criteria	
Current	Marketability Factor. All stocks in the Selection Universe are ranked in descending order based on their average Global Marketability Scores ¹ over the six-month period prior to the rebalancing reference date.
Proposed	Liquidity. All stocks in the Selection Universe are ranked in descending order based on their local U.S. listing monthly median daily value traded (MDVT) ² over the prior six-month period prior to the rebalancing reference date.

Constituent Selection	
Current	<ul style="list-style-type: none"> After rankings for Marketability Factor and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 20 stocks with the lowest joint ratings are selected and form the index. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.
Proposed Liquidity Change + Buffer 10%	<ul style="list-style-type: none"> After rankings for six-month MDVT and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 18 companies with the lowest joint ratings are selected for the index, regardless of whether they are current constituents or not. Current constituents ranked 19-22 are selected top-down until the constituent count reaches 20. If the number of selected companies is still less than 20, non-constituents are selected top-down until the target constituent count is reached. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.
Proposed Liquidity Change + Buffer 25%	<ul style="list-style-type: none"> After rankings for each of six-month MDVT and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 15 companies with the lowest joint ratings are selected for the index, regardless of whether they are current constituents or not. Current constituents ranked 16-25 are selected top-down until the constituent count reaches 20. If the number of selected companies is still less than 20, non-constituents are selected top-down until the target constituent count is reached. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.

¹ Global Marketability Scores are calculated with the stock trading on the BMV. For more information on Marketability Scores, please refer to the BMV Marketability Index Methodology available at www.bmv.com.mx/docs-pub/INDICES/CTEN_INOT/BMV_MARKETABILITY_INDEX_METHODODOLOGY.PDF

² Local monthly median daily value traded (MDVT) is calculated with the stock trading of the local U.S. listing, i.e., using global liquidity.

IMPACT ANALYSIS

Using data from the previous rebalancings, an impact analysis has been created to reflect the number of proposed adds and drops, and turnover that would have occurred had the proposed changes been in effect. Please refer to the file available [here](#).

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described changes, if adopted, in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, March 20, 2023**. If adopted, the changes will first be visible to clients in pro-forma files beginning on **Friday, March 10, 2023**.

QUESTIONS

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

- 1. Do you agree with the proposal to replace the Marketability Factor with the six-month MDVT liquidity criteria?**
- 2. Do you agree with the proposal to add a buffer rule for current constituents?**
 - **Yes, change to Liquidity Change + Buffer 10%**
 - **Yes, change to Liquidity Change + Buffer 25%**
 - **Yes, change to a different scenario (please specify in Question 4 below)**
 - **No, keep the current methodology**
- 3. Should the proposed changes be adopted, do you agree with the proposed implementation date?**
- 4. 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 **February 13, 2023**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI 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 or 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.

ABOUT S&P DOW JONES INDICES

CONSULTATION

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.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spglobal.com/spdji.

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