

Mexico City, January 6, 2017

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V INFORMS: IPC/IRT & INMEX/INMEX RT Indices Consultation

S&P Dow Jones Indices (S&P DJI) and the Mexico Stock Exchange (BMV) are reviewing the methodology of the Índice de Precios y Cotizaciones, (IPC, IRT) and BMV Mexico Index (INMEX, INMEX RT) and are seeking your feedback. Please note that the consultation is being extended and will close on **February 28, 2017**. Details on how to respond are provided at the end of this document.

In this review, the index is reviewed to determine if the index is still meeting its objective, if it complies with local and international indexing standards, and if the methodology can be more efficient while still meeting the index objective.

All proposed changes to the IPC, apply directly to the IRT index, which is the total return version of the IPC.

According to the methodology, the objective of the index is to “measure the performance of the largest and most liquid stocks listed exclusively on the Bolsa Mexicana de Valores. The index provides investors with a broad, representative, yet easily replicable index covering the Mexican equities market.”

- The index employs a fixed-count methodology, where the criteria for size and/or liquidity may be lowered to comply with the required count. This can result in smaller, less liquid stocks being added to the index. Should the number of constituents be allowed to float in order to represent only those stocks that are the largest and most liquid? If no, why should it remain a fixed count index?

If the index has a floating count methodology, a minimum number of 20 components would be established in order to satisfy regulatory constraints.

- If the index remains at a fixed-count, should the index continue to include replacement stocks when a current component is removed or should replacement stocks only be included at rebalancing when the weights of all components change?
- Currently, the IPC is composed of 35 stocks that meet minimum liquidity, size, and turnover criteria. Is 35 stocks the appropriate number of companies to be represented in this index?

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Eligibility Criteria. Concerning ease of replicability, below is a proposed set of eligibility rules and streamlined selection criteria:

Current Constituent Selection	Proposed Constituent Selection
<p>Stocks meeting the eligibility criteria described in the methodology are ranked by the Turnover Factor, calculated as follows:</p> <p>The underlying universe includes all stocks in the equity market (excluding FIBRAS and Mortgage Trusts) listed exclusively on the Bolsa Mexicana de Valores.</p> <ol style="list-style-type: none"> Calculate the median share volume (Subtracting from the daily volume of each issuer, the volume of Cross Trades that exceeds the average of the market's Cross Trades activity of the last 12 months plus 1.5 standard deviations) for each month, for the trailing 12 months leading up to the rebalance reference date. Divide each of the monthly median share volume figures by the float-adjusted shares outstanding. The float-adjusted shares outstanding are as of the same date that is used for the median share volume. For example, if the median share volume for a given stock is from the 15th of the month, the float-adjusted shares outstanding are also as of the 15th of that same month. This is the monthly turnover ratio. Determine the median of the available monthly turnover ratios from Step 2. Stocks with less than three months of trading history are ineligible. Calculate the 12 month value traded by taking each stock's daily price multiplied by its share volume, and aggregated over a 12 month period (Subtracting from the daily volume of each issuer, the volume of Cross Trades that exceeds the average of the market's Cross Trades activity of the last 12 months plus 1.5 standard deviations). If a stock has less than 12 months of trading history, its aggregate value traded is annualized. Multiply the median monthly turnover ratio from Step 3 by the aggregate 12 month value traded from Step 4. Divide by the aggregate 12 month value traded for all stocks that fulfill the eligibility criteria described in the <i>Eligibility Factors</i> section above. This is the stock's turnover factor. <p>The 55 stocks with the largest turnover factors are eligible. The stocks are then ranked by each of the following factors:</p> <ol style="list-style-type: none"> Turnover Factor VWAP Float-Adjusted Market Capitalization for the last 12 months. Value Traded, represented as the median of the monthly medians of value traded for the last 12 months. The monthly median value traded is defined as the median of all the daily value traded (Subtracting from the daily volume of each issuer, the volume of Cross Trades that exceeds the average of the market's Cross Trades activity of the last 12 months plus 1.5 standard deviations) for a given stock in a given month. The value traded is calculated by multiplying the number of shares traded by each stock's price. 	<p>Universe – The underlying universe includes all stocks in the equity market (excluding FIBRAS and Mortgage Trusts) that are listed exclusively on the Bolsa Mexicana de Valores.</p> <p>Market Cap – Each eligible share class must have a minimum of MXN 10,000 million float adjusted market cap.</p> <p>Investable Weight Factor (IWF)- Minimum IWF of 0.10.</p> <p>Trading History. Stocks must have traded for at least three months prior to the rebalancing reference date.</p> <p>Liquidity (see calculation below)*–</p> <ul style="list-style-type: none"> 25% minimum annualized median traded value ratio (MTVR) for 3 and 6 months as of the reference rebalancing date. 3 and 6 months median daily traded volume (MDTV): MXN 50 million <p>Days traded – 95% of days traded</p> <p>Selection – All companies meeting minimum size and liquidity criteria form the index.</p> <p>Multiple Classes – If a company has multiple share classes all meeting the eligibility criteria, the share class with the highest liquidity as of the rebalancing reference date in September based on monthly 6-month MTVR is selected.</p> <p>Buffer for existing index constituents - index stocks are removed if they fall below the thresholds listed below during rebalancing:</p> <ul style="list-style-type: none"> Float market cap minimum of MXN 8 billion MTVR of 15% annualized MDTV of MXN 30 million <p>* Monthly MTVR Calculation (3-month and 6 month)</p> <ol style="list-style-type: none"> Calculate daily traded value = volume * price Calculate median daily traded value (MDTV) for every month

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<p>After ranking has been assigned for all the eligible stocks for each of the above factors, a joint rating is calculated for each stock by adding up the three rankings.</p> <p>The 35 stocks with the smallest joint ratings are selected for inclusion in the S&P/BMV IPC.</p> <p>In cases where two or more stocks have the same joint rating, the stock with the highest VWAP Float-Adjusted Market Capitalization is selected.</p>	<ol style="list-style-type: none">3. Calculate days traded for every month4. Calculate month-end float adjusted market cap5. Monthly MTVR = (Result from Step 2 * Result from Step 3) / Result from Step 46. Sum most recent three months and annualize to get the three-month MTVR. Follow the same step for the six-months MTVR
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Applying the proposed rules listed above the new IPC index results in 34 stocks with an estimated turnover of 0.49%. Data used in the analysis is as of the end of July 2016. *Please click [here](#) for additional data.*

Questions:

- Do you agree with the proposed changes to minimum market cap (MXN 10 billion), liquidity, IWF, days traded, and buffers? If you do not agree with any of these criteria, what do you propose?
- Do we need a Volume Weighted Average Price (VWAP)* Float-Adjusted Market Capitalization? Can the standard definition of Float adjusted market capitalization (FMC) as of the rebalancing reference date be used instead?
- The index currently rebalances once a year effective the first business day of September. Should the index be rebalanced more frequently? If so, is semi-annually more appropriate?

**Refer to appendix for more details on VWAP Market Capitalization.*

INMEX Stock Selection

If the proposed new eligibility criteria are approved, the INMEX would be represented by the top 20 largest most liquid stocks.

Using the IPC as the universe, selection would be based on a combined ranking of float market cap and 6-month MDTV (median daily traded value). The top 20 stocks with the smallest ranking would form the index. In order to reduce turnover, the selection is subject to a 5 stock buffer, whereby index constituents would remain in the index if they rank among the top 25 stocks.

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Using this proposal, the current index would have 1 add and 1 drop. The estimated turnover would be 2.98%, using end of July 2016 data.

The number of securities will remain fixed with 20 stocks during rebalancing. In order to reduce turnover, the vacant spots left by stocks exiting the index between rebalancings are replaced at the next rebalancing.

The maximum 10% weight per security criteria in the index remains unchanged.

- Do you agree with the new criteria for the INMEX?
- Do you agree with the policy to only replace stocks during the quarterly rebalancing and not immediately?

Investable Weight Factors (IWFs)

- Should float factors continue to be rounded up to the next 5% (e.g. ≥ 15 and $\leq 20\%$ is rounded to 20%) or should a more accurate float of each company be used in order to better represent the float adjusted market cap of each company? In most cases, S&P DJI's IWFs are reported to the nearest one percentage point.

Cross Trades

Given the new proposal to use MTRV and MDTV, and to foster a more transparent methodology, S&P DJI would like to remove the exclusion of cross trades from all methodologies.

Cross trades information is internal to the BMV, used to exclude daily volume and value traded from the total daily figures for those securities exceeding 1.5 standard deviation of volume and value traded samples (12 months for IPC and 6 months for IPC CompMx) in order to calculate liquidity and value traded parameters for the index selection.

A recent comparison of the latest IPC rebalancing including cross-trades against the actual rebalancing which excluded them resulted in no change.

- Do you agree with the proposal to include cross-trades? If not, why?

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Corporate Actions

S&P Dow Jones Indices' policy for removing suspended stocks is to remove them at a zero price instead of last traded price. This is done in order for the index to better replicate the situation of the stock. Since it is not trading, it is not possible for investors to dispose of the stock at any price.

- Do you agree that suspended stocks should be removed at a zero price or should they be removed at the last traded price? Are there any regulatory restrictions if a stock is dropped at a zero price?

Your participation in this consultation is important as we gather information on your views and preferences. Your responses will be kept confidential. Please respond to this survey by **Tuesday, February 28, 2017**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P Dow Jones Indices will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline would require that the consultation be re-opened to the public.

To participate in this consultation, you may either respond online using the link below or via email.

Online: https://www.surveymonkey.com/r/IPC_IRT_INMEX

Email: index_services@spglobal.com
indices@grupobmv.com.mx

Please be advised that all comments will be reviewed and considered before a final decision is made, however the BMV 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.

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Appendix

Definition of VWAP Market Cap - The VWAP float-adjusted market capitalization is calculated by multiplying the number of shares outstanding by the company's IWF and by the VWAP (Volume Weighted Average Price) of the three-month period prior to the rebalancing reference date. In order to be eligible for the index, the VWAP float-adjusted market capitalization must be at least 0.1% of the aggregate of the VWAP float-adjusted market capitalization of the IPC.

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FOR MORE INFORMATION:

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index_services@spglobal.com

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