

Bolsas y Mercados Argentinos Indices Maintenance Consultation

BUENOS AIRES, JULY 26, 2018: In March 2018, Bolsas y Mercados Argentinos (“BYMA”) and S&P Dow Jones Indices (“S&P DJI”) signed an Index Operation and License Agreement. The partnership between BYMA and S&P DJI, the world’s leading provider of index-based concepts, data and research, includes the adoption of international index methodology standards and the integration of operational processes and business strategies and enhances the visibility, governance, and transparency of the existing indices. The agreement also enables the development, licensing, distribution and management of current and future indices which will be designed to serve as innovative and practical tools for local and global investors. The new and existing BYMA indices will be co-branded under the “S&P/MERVAL” and “S&P/BYMA” names (the “Indices”) that can be used to underlie liquid financial products, expanding the breadth and depth of the Argentine capital market.

As part of this transition, S&P DJI and BYMA are conducting a consultation with members of the investment community on potential operational changes to the BYMA indices so that they conform to S&P DJI’s standard policies and practices. In addition to this consultation, a consultation covering specific methodology changes to each of the BYMA indices will be issued for public comment at a later date.

S&P DJI SUPPORTING DOCUMENTS

This consultation is meant to be read in conjunction with supporting documents providing greater detail with respect to the S&P DJI policies, procedures and calculations described herein. References throughout the consultation direct the reader to the relevant S&P DJI supporting document for further information on a specific topic. The list of the main S&P DJI supplemental documents for this consultation and the hyperlinks to those documents is as follows:

Supporting Documents	URL
S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology	Equity Indices Policies & Practices
S&P Dow Jones Indices’ Index Mathematics Methodology	Index Mathematics Methodology

PROPOSED CHANGES

The proposed changes, applicable to all BYMA indices except where noted, are summarized on the following pages.

Rebalancing Effective Dates	
Current	Quarterly rebalancings take effect at the open on the first business day of January, April, July and October. The rebalancing reference dates are the last business day of March, June, September and December, respectively.
Proposed	S&P DJI and BYMA are proposing to change the quarterly rebalancing effective dates to the open on the Monday following the third Friday of March, June, September and December to align with S&P DJI's standard quarterly rebalancing schedule. The rebalancing reference dates (date of the data used to determine the rebalancing changes) would be the third Friday of February, May, August and November, respectively. Index shares would be calculated using closing prices seven business days prior to the rebalancing effective date.

Rebalancing Announcement Schedule	
Current	Rebalancing announcements are sent after the market close one day prior to the rebalancing effective date.
Proposed	S&P DJI and BYMA are proposing to revise the rebalancing announcement schedule so that rebalancing changes would be announced five business days prior to the rebalancing effective date. Constituent pro-forma files would be provided each time the indices rebalance. The pro-forma files would be provided daily, in advance of the rebalancing date and would contain all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

Treatment of Spin-Offs	
Current	Spun-off entities are not added to the indices and are not reviewed for inclusion until the next rebalancing.
Proposed	S&P DJI and BYMA are proposing to modify the treatment of spin-offs so that spun-off entities would be added to all indices of which the parent is a constituent. Spin-offs would then be re-evaluated for continued index eligibility at the next rebalancing. For more information on spin-offs, please refer to S&P DJI's Equity Indices Policies & Practices Methodology.

Treatment of Suspended Stocks	
Current	Suspended stocks are removed after five days of consecutive suspension.
Proposed	S&P DJI and BYMA are proposing to modify the treatment of suspended stocks so that the date to review suspended stocks and determine a potential index deletion would be the last business day of February, May, August and November. Stocks that reach a suspension period of 60 days or more, as of the evaluation date, would be subject to index deletion at the quarterly review effective at the open on the Monday following the third Friday in March, June, September and December. Suspended stocks would use the last available official closing price prior to the suspension for index calculation during the suspension period. Suspended stocks would be removed from the indices at a zero price. For more information on suspensions, please refer to S&P DJI's Equity Indices Policies & Practices Methodology.

Treatment of Mergers and Acquisitions	
Current	<p>If an index constituent is the target of an acquisition and 100% of the stock's listed shares are tendered, the stock is removed and is replaced by the acquirer if the acquirer is listed. If the acquirer is not listed, the target stock is removed from the index and not replaced.</p> <p>If an index constituent is the target of an acquisition and less than 100% of listed shares are tendered, the acquirer is included in the index and the number of shares is determined based on the percentage of total listed shares acquired.</p>
Proposed	S&P DJI and BYMA are proposing to modify the treatment of mandatory deletions that result from mergers and acquisitions so that the target stock would be removed from the index and not replaced until the subsequent rebalancing. For more information on mergers and acquisitions, please refer to S&P DJI's Equity Indices Policies & Practices Methodology.

Corporate Actions – Merval, Merval 25 and M.AR Indices																									
Current	<p>As a general policy, there are six corporate action types that modify the index shares of the constituents:</p> <ul style="list-style-type: none"> • Payment of cash dividends • Payment of stock dividends • Special cash payment • Stock revaluations • Stock subscriptions (follow-on) • Stock splits <p>These actions imply a technical price drop at the opening of the trading session 48 business hours prior to the effective date of the event. Therefore, the index level is adjusted to make it comparable with its previous closing value.</p>																								
Proposed	<p>S&P DJI and BYMA are proposing that the indices follow S&P DJI's standard corporate actions policies and practices for Non-Market Capitalization Weighted Indices since the indices are weighted based on liquidity:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Index Action</th> <th style="text-align: center;">Adjustment Made to Index</th> <th style="text-align: center;">Divisor Adjustment?</th> </tr> </thead> <tbody> <tr> <td>Spin-off</td> <td>If the parent company is an index constituent, the spun-off company is added to the index on the ex-date at a price of zero. Spin-offs are then re-evaluated for continued index eligibility at the next rebalancing.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Rights offering</td> <td>The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Stock split</td> <td>Index shares are multiplied by and the price is divided by the split factor.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Change in shares</td> <td>None. The adjustment factor is changed to keep the same index weights.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Ordinary dividend</td> <td>When a company pays an ordinary cash dividend, the index does not make any adjustments to the price or shares of the stock. Ordinary dividends are only accounted for in the Total Return index level.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Special dividends</td> <td>Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Constituent change</td> <td>Except for spinoffs, there are no intra-rebalancing additions. Deletions due to delisting, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to proportionately change.</td> <td style="text-align: center;">Yes</td> </tr> </tbody> </table> <p>For more information, please refer to the Non-Market Capitalization Weighted Indices section in S&P DJI's Index Mathematics and Equity Indices Policies & Practices Methodologies.</p>	Index Action	Adjustment Made to Index	Divisor Adjustment?	Spin-off	If the parent company is an index constituent, the spun-off company is added to the index on the ex-date at a price of zero. Spin-offs are then re-evaluated for continued index eligibility at the next rebalancing.	No	Rights offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No	Stock split	Index shares are multiplied by and the price is divided by the split factor.	No	Change in shares	None. The adjustment factor is changed to keep the same index weights.	No	Ordinary dividend	When a company pays an ordinary cash dividend, the index does not make any adjustments to the price or shares of the stock. Ordinary dividends are only accounted for in the Total Return index level.	No	Special dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes	Constituent change	Except for spinoffs, there are no intra-rebalancing additions. Deletions due to delisting, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to proportionately change.	Yes
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Corporate Actions – BURCAP and IGB Indices

Current	<p>As a general policy, there are six corporate action types that modify the index shares of the constituents:</p> <ul style="list-style-type: none"> • Payment of cash dividends • Payment of stock dividends • Special cash payment • Stock revaluations • Stock subscriptions (follow-on) • Stock splits <p>These actions imply a technical price drop at the opening of the trading session 48 business hours prior to the effective date of the event. Therefore, the index level is adjusted to make it comparable with its previous closing value.</p>
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Proposed	<p>S&P DJI and BYMA are proposing that the indices follow S&P DJI’s standard corporate actions policies and practices for Capitalization Weighted Indices since the indices are weighted based on market capitalization:</p>
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Index Action	Adjustment Made to Index	Divisor Adjustment?
Spin-off	If the parent company is an index constituent, the spun-off company is added to the index on the ex-date at a price of zero. Spin-offs are then re-evaluated for continued index eligibility at the next rebalancing.	No
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set price. The calculation assumes that the offering is fully subscribed. The divisor adjustment reflects the increase in market cap measured as the shares issued multiplied by the price paid.	Yes
Stock split	The share count is revised to reflect the additional shares. A divisor adjustment is not required since the share count and price changes are offsetting.	No
Change in shares	Any combination of secondary issuance, share repurchase or buy back – share counts are revised to reflect the change.	Yes
Ordinary dividend	When a company pays an ordinary cash dividend, the index does not make any adjustments to the price or shares of the stock. Ordinary dividends are only accounted for in the Total Return index level.	No
Special dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent change	Except for spinoffs, there are no intra-rebalancing additions. Deletions due to delisting, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to proportionately change.	Yes

For more information, please refer to the Market Capitalization Weighted Indices section in S&P DJI’s Index Mathematics and Equity Indices Policies & Practices Methodologies.

Rebalancing Price Reference Date for Index Share Calculation

Current	<p>Index shares are calculated using closing prices from the day before the rebalancing effective date.</p>
Proposed	<p>S&P DJI and BYMA are proposing to calculate index shares using closing prices from seven business days prior to the rebalancing effective date. Since index shares are assigned based on reference prices prior to the rebalancing, the actual weight of each stock at the rebalancing would differ from these weights due to market movements. For more information, please refer to the Non-Market Capitalization Weighted Indices section of S&P DJI’s Index Mathematics Methodology.</p>

Shares Outstanding – BURCAP and IGB Indices	
Current	Share changes are updated only at the quarterly rebalancings.
Proposed	S&P DJI and BYMA are proposing to change the application of index constituent share changes so that the indices conform to S&P DJI's standard methodology for all global indices. Confirmed share changes that are at least 5% of the total shares outstanding would be implemented weekly. Total shares outstanding (not float-adjusted shares) would be used to determine whether the share change meets this 5% threshold. For more information on share changes, please refer to the Share and Investable Weight Factor (IWF) Updates section of S&P DJI's Equity Indices Policies & Practices Methodology.

Foreign Exchange Rate used for Dividend Conversions	
Current	The Banco de la Nación Argentina's "Ask" Rate from the day before the ex-date is used for dividend conversions in the event that a constituent pays a dividend in an alternate currency or the issuer does not provide a conversion rate.
Proposed	S&P DJI and BYMA are proposing to change the foreign exchange rates used for dividend conversions so that the rates used for conversions of dividend payments in an alternate currency are sourced from S&P DJI's standard FX rate provider and conform to global industry standards. Under this proposal, the rates used would be same day WM/Reuters foreign exchange rates taken daily at 4:00 PM New York Time.

Treatment of Bankruptcies	
Current	If a company enters into bankruptcy protection, its stock is not removed from the index until it has been delisted or suspended for more than five consecutive days.
Proposed	S&P DJI and BYMA are proposing to change the eligibility of bankrupt securities so that BYMA's indices conform to S&P DJI's standard methodology used for all global indices. Under this proposal, bankrupt securities would be ineligible for index inclusion. The removal of a bankrupt security would occur simultaneously using the same closing price for all S&P- and Dow Jones-branded indices. If the security is trading on its primary exchange at the close of the day it is removed, the last closing price would be used. If the security is halted on or delisted from its primary exchange, a price of zero would be used. For more information on the announcement process and the timing of index actions for bankrupt securities, please refer to the Bankruptcies section of S&P DJI's Equity Indices Policies & Practices Methodology.

Total Return Calculations	
Current	BYMA total return indices employ a total return ("TR") calculation where cash dividends are reinvested at the open of trading on the ex-date. The dividend amount is reinvested into the company paying it rather than across all of the index constituents.
Proposed	S&P DJI and BYMA are proposing to change the TR calculation methodology so that BYMA's total return indices conform to S&P DJI's standard methodology used for all global total return indices. For more information on the proposed TR calculation methodology, please refer to the Total Return Calculations section of S&P DJI's Index Mathematics Methodology. The proposed TR index calculation change will have no impact on the price return index calculation and will not have a material impact on the TR index returns. Appendix I shows a comparison of end-of-day total return calculations for the Merval Index using the current methodology versus the proposed S&P DJI methodology.

ADDITIONAL CHANGES

In addition to the above proposed changes that are being consulted on, S&P DJI and BYMA will implement the changes described below at the first rebalancing after the cutover date.

Shares Outstanding used in Index Calculations	
Previous	Listed shares, as determined by BYMA, are used for BYMA indices that are calculated based on shares outstanding and market capitalization.
Updated	Listed shares, as determined by S&P DJI, will be used for BYMA indices that are calculated based on shares outstanding and market capitalization.

Real-time Index Values	
Previous	Real-time values are calculated and published every 60 seconds.
Updated	Real-time values will be calculated and published every 15 seconds.

IMPLEMENTATION TIMING

Once closed, S&P DJI and BYMA will review the results of this consultation and determine which changes, if any, will be adopted. At that time, S&P DJI and BYMA will provide the details of the changes and provide sufficient lead time prior to implementation.

QUESTIONS

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

1. Do you agree with the proposed change to the rebalancing effective dates?
2. Do you agree with the proposed change to the rebalancing announcement schedule?
3. Do you agree with the proposed change to the treatment of spin-offs?
4. Do you agree with the proposed change to the treatment of suspended stocks?
5. Do you agree with the proposed change to the treatment of mergers and acquisitions?
6. Do you agree with the proposed change to corporate actions for the Merval, Merval 25, and M.AR Indices?
7. Do you agree with the proposed change to corporate actions for the BURCAP and IGB Indices?
8. Do you agree with the proposed change to the rebalancing price reference date for index share calculation?
9. Do you agree with the proposed change to shares outstanding for the BURCAP and IGB Indices?
10. Do you agree with the proposed change to the foreign exchange rate used for dividend conversions?
11. Do you agree with the proposed change to the treatment of bankruptcies?
12. Do you agree with the proposed change to the total return calculation methodology?
13. Do you have any other comments or feedback regarding the proposed changes outlined above?

CONSULTATION

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI and BYMA will make responses to this consultation available upon request.¹ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **August 24, 2018**. After this date, S&P DJI and BYMA will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI and BYMA 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 or Bolsas y Mercados Argentinos at indices@byma.com.ar.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI and BYMA make no guarantees and are under no obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI and BYMA decide to change the index methodology, an announcement will be posted on our websites.

Thank you for taking the time to complete this survey.

¹ Individual and company names as well as contact details will be redacted.

APPENDIX I – TOTAL RETURN CALCULATIONS

The table below shows a comparison of end-of-day total return calculations for the Merval Index using the current BYMA indices total return methodology and the proposed S&P DJI methodology.

Index Name: Merval Index					
Index Date	Current Methodology		Proposed Methodology		Daily Index Return Difference
	TR Calculation	Index Return	TR Calculation	Index Return	
28-Mar-18	31114.93000		31114.93000		
3-Apr-18	31341.05900	0.726754%	31341.05900	0.726754%	0.00000000%
4-Apr-18	31318.46900	-0.072078%	31318.47686	-0.072053%	0.00002507%
5-Apr-18	31866.62900	1.750277%	31866.61618	1.750211%	-0.00006647%
6-Apr-18	31738.77000	-0.401232%	31738.76231	-0.401216%	0.00001596%
9-Apr-18 ²	31844.43000	0.332905%	31844.74198	0.333912%	0.00100727%
10-Apr-18 ²	32222.39800	1.186920%	32223.39699	1.189066%	0.00214572%
11-Apr-18	32030.85000	-0.594456%	32030.80500	-0.597677%	-0.00322141%
12-Apr-18 ²	32038.78900	0.024785%	32039.18671	0.026168%	0.00138218%
13-Apr-18	31593.10900	-1.391064%	31593.50501	-1.391052%	0.00001194%
16-Apr-18	31007.79900	-1.852651%	31009.04667	-1.849932%	0.00271891%
17-Apr-18	31402.77000	1.273780%	31404.91562	1.276624%	0.00284452%
18-Apr-18	31531.89800	0.411199%	31534.37784	0.412236%	0.00103612%
19-Apr-18	31281.31800	-0.794687%	31284.18991	-0.793382%	0.00130583%
20-Apr-18	31161.69900	-0.382398%	31163.35758	-0.386241%	-0.00384330%

² Days when dividends were applied.

ABOUT S&P DOW JONES INDICES

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 become home to over 1,000,000 indices across the spectrum of asset classes that have helped 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.spdji.com.

ABOUT BOLSAS Y MERCADOS ARGENTINOS

BYMA is the evolution of the Argentine capital market, combining liquidity, knowledge and professionalism, to face the challenges and demands of today's world, transforming investment in work and development for the country.

BYMA offers institutions, companies, and the general public secure and transparent access to the investment world. It integrates all the stages in the cycle of a security's transaction in Argentina, including listing, trading, clearing and settlement services, as well as custody through its controlled company, Caja de Valores. BYMA's equity indices have a long history and are undisputed benchmarks for market participants, providing an entry point for international investors. For more information, visit www.byma.com.ar.

FOR MORE INFORMATION:

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