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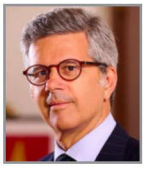
What Other Countries Can Learn from Italy's New IPO Corporate Governance Regime

By Giovanni Strampelli and Andrea Zoppini January 30, 2026

Comment

In advanced economies, the regulation of corporate governance during initial public offerings (IPOs) is used increasingly as a capital markets policy instrument. As public listings declined, private-equity financing grew, and regulatory competition intensified, lawmakers reconsidered the role of mandatory governance rules. Rather than uniformly strengthening or relaxing shareholder protection, many jurisdictions now treat corporate governance as a set of configurable arrangements. This allows issuers to customize their governance when listing and enables investors to evaluate these choices through market mechanisms.

This evolution is not an attempt to dismantle protections for minority shareholders. Rather, it reflects a deeper, structural transformation in the organization of capitalist production and the economic nature of firms. Traditionally, rigid governance has been associated with a particular type of enterprise: mature, capital-intensive firms operating in stable markets with modest growth prospects and limited entrepreneurial risk. In such settings, the primary function of corporate governance is to preserve firm value and prevent opportunistic behavior by implementing robust procedural safeguards for minority shareholders.

By contrast, capitalism is increasingly driven by growth-oriented firms operating in highly uncertain environments, where the capacity to sustain significant risk exposure, act quickly, and demonstrate strategic coherence are key to value creation. In this context, governance that is rigid and characterized by fragmented decision-making, complex procedural constraints, and extensive shareholder veto rights may be dysfunctional. This is not because protecting shareholders is undesirable, but because such arrangements align poorly with the firm's economic reality.

Comparative experience shows that different jurisdictions have responded to this structural transformation in various ways. In the United States, for instance, governance reform has primarily involved recalibrating the relationship between shareholders and boards, as demonstrated by an increased tolerance for control-enhancing mechanisms. Meanwhile, in the United Kingdom, amendments to the Listing Rules have expanded board discretion, explicitly aiming to make the London market more competitive as a listing venue. Similarly, the worldwide diffusion of dual-class structures signals a growing acceptance of governance diversity at the IPO stage, based on transparency and informed investor choice rather than rigid prohibitions. By contrast, South Korea has adopted a different regulatory strategy that seeks to improve market valuations by strengthening the protection of minority shareholders and addressing long-standing concerns about the extraction of private benefits of control within family-controlled corporate groups.

Taken together, these experiences show that contemporary reforms are not just about balancing protection and flexibility. Instead, they reflect different approaches to allocating responsibility for selecting governance safeguards: either to regulators or to the market.

The New Italian Rules for Boosting IPOs

Against this backdrop, the recent Italian corporate governance review – which is part of a broader review of Italian securities law as set out in the consolidated law on finance – introduces a special regulatory regime for IPOs. This regime aims to transfer governance decisions to the market, in line with the structural requirements of modern capitalism. The reform does not dismantle the investor safeguards system applicable to listed companies. Instead, when listing, issuers can opt into a specific regime concerning key aspects of their governance arrangements via the articles of association. This option is subject to enhanced transparency requirements and a set of unalterable protections. The underlying policy assumption is that investors are best placed to evaluate and accept different configurations of rights and safeguards at the IPO stage, particularly when firms adopt high-risk, high-growth strategies.

This market-oriented approach first emerges in the rules governing the appointment of corporate bodies. Companies that opt into the new regime can abandon the distinctive slate voting system of the Italian corporate governance framework and adopt alternative voting mechanisms, including voting on individual candidates. While this option does not eliminate minority protection, it enables issuers and investors to select governance structures that align managerial authority more closely with strategic responsibility. The approach relies on market scrutiny to address issues with governance designs that are inefficient or opportunistic.

Similar logic underpins the reform of the rules on amendments to the articles of association. Companies that opt into the new IPO regime may benefit from a reduced quorum for extraordinary shareholders' meetings and, in certain cases, from the exclusion of statutory withdrawal rights under the Italian Civil Code. This flexibility acknowledges that market pricing and exit mechanisms can effectively protect minority shareholders in listed companies. The same rationale underlies the flexibility introduced with regard to related-party transactions. At the IPO stage or once listed, companies can adapt or partially waive existing procedural requirements within predefined limits, provided they fulfil enhanced disclosure obligations. Once again, protection is not abandoned, but transformed, shifting from rigid ex ante constraints to a combination of transparency, reputational discipline, and board accountability.

While allowing enhanced flexibility, the Italian corporate governance reform maintains safeguards to prevent the extraction of private benefits through the arbitrary exercise of governance flexibility. Companies that adopt multiple-vote shares or loyalty voting mechanisms, controlled by the state, or that do not have a majority of independent directors, must still ensure minority representation on boards and supervisory bodies. Furthermore, the quorum required for extraordinary shareholders' meetings cannot be reduced in the presence of control-enhancing mechanisms. Additionally, shareholders who dissent from the resolution to opt into the new IPO regime are granted a right of withdrawal. This ensures that investors are not compelled to accept a governance framework that they did not anticipate at the time of investment. Conversely, no withdrawal right applies to subsequent amendments permitted by the IPO regime adopted after listing. This reflects the assumption that investors in the secondary market acquire shares with full knowledge of the company's governance structure.

The rationale behind the Italian corporate governance review, which aimed to boost IPOs, becomes clearer when viewed as "capitalism without capital," which is increasingly prevalent in advanced economies. Many contemporary firms now rely predominantly on intangible assets, platforms, data, and intellectual property while outsourcing large parts of their production processes through global value chains. Consequently, some of the most significant risks associated with corporate activity, particularly those relating to the environment, society, and human rights, arise outside the corporation.

Traditional corporate governance mechanisms, which are primarily designed to monitor financial risk and internal decision-making, are not well suited to governing external and network-based processes. Attempting to internalize all such risks within company law would result in excessive rigidity and constrain firms' capacity to operate effectively in complex and rapidly evolving environments. Risks generated along the value chain are addressed through specialized regulatory instruments, such as the European Corporate Sustainability Due Diligence Directive, which operate through continuous monitoring and obligations imposed on firms in relation to their external partners rather than through shareholder decision-making within the company. Conversely, internal corporate governance is increasingly focused on strategic coordination, risk allocation, and rapid decision-making in uncertain conditions. Accordingly, control systems must also adapt, as the information available to firms is often incomplete and insufficient for effective risk monitoring. In this context, articulating the firm's risk appetite emerges as a central governance function. Rather than merely defining quantitative limits, it operates as a strategic management tool that shapes decision-making under uncertainty and guides the allocation of entrepreneurial risk.

Increasing IPO Corporate Governance Flexibility

Within a comparative framework, the new Italian IPO regime does not indicate a decrease in the protection of minority shareholders. Instead, it shows a change in how this protection is provided. This is part of a wider capital markets policy. Similar to the United States and the United Kingdom, Italy has broadened the scope for private ordering and streamlined internal decision-making to make public listings more appealing. However, unlike these jurisdictions, Italy retains specific, unalterable safeguards in areas where the risk of private benefits of control is greatest, in line with the wider European Union approach. Unlike South Korea, the Italian model does not use mandatory reinforcement of minority rights as a mechanism for market revaluation; instead, it uses the IPO stage as a policy lever, entrusting the market to determine the appropriate balance between control, risk, and growth.

The new Italian IPO regime can be understood as a capital markets policy instrument aimed at recalibrating corporate governance in response to a transformed capitalist environment. Rather than relying on rigid, one-size-fits-all governance rules, the Italian framework reflects a deliberate shift towards adaptive, disclosure-based, context-sensitive mechanisms of corporate control. These mechanisms are designed to facilitate public listings while preserving core investor protections.

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