

A low-angle, upward-looking photograph of several tall skyscrapers with glass facades, reaching towards a cloudy sky. The perspective creates a sense of height and scale. The image is dark, with the buildings appearing in shades of blue and grey against a lighter, overcast sky.

Blog Series: Governance as a Market Advantage  
Blog Post no.1

# **Why public markets need trust, not a race to the bottom.**

**Written by Jen Sisson (ICGN CEO) and Jakub Brejdak (Senior Policy Executive) on 13 May 2026**

## ***Why public markets need trust, not a race to the bottom.***

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Governance as a Market Advantage is a new ICGN blog series exploring how strong governance supports investor confidence, attracts long-term capital and strengthens well-functioning capital markets. Across the series, we will look at the role of governance in rebuilding confidence in public markets, supporting effective investor participation, and helping companies navigate a more complex geopolitical environment. At a time when policymakers are seeking to revive listings, deepen liquidity and mobilise capital, our message is clear: governance should not be viewed as a regulatory burden, but as a core part of market competitiveness.

### **Hard times for public markets**

The global IPO pipeline has looked pretty dire in recent years. In 2024, there were 1,133 initial public offerings globally, compared with 1,459 in 2020, a decline of around 22% over five years.<sup>1</sup> Industry leaders, policymakers and commentators have increasingly warned that the fundamental role of public markets in supporting innovation, job creation and broader wealth creation is under pressure.

The growth of private markets and alternative assets over the past decade is undeniable. But does that mean public markets have nothing more to offer? Far from it. Public markets have always offered something distinctive: trust built on transparency; liquidity supported by broad investor participation; and long-term value creation driven by high-quality companies subject to market discipline and public accountability. Public markets also remain an important engine of capital formation, giving companies access to deep pools of capital and helping them build a long-term, stable investor base that can support growth over time.

### **A grim outlook for public markets? Not everywhere**

The outlook is not equally bad across all regions. OECD data points to a clear challenge in the US and Europe, where delistings have outpaced new listings and the overall number of

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<sup>1</sup> Public markets 'under threat' from listings slump, exchange bosses warn, Financial Times, 17.07.2025. [https://www.ft.com/content/a802cb30-abc8-4d1f-8ade-471e6bc2d0d0?utm\\_source=chatgpt.com&syn-25a6b1a6=1](https://www.ft.com/content/a802cb30-abc8-4d1f-8ade-471e6bc2d0d0?utm_source=chatgpt.com&syn-25a6b1a6=1) (27.04.2026)

listed companies has declined. Since 2005, more than 12,000 companies in Europe and 5,000 in the US have delisted from public markets.<sup>2</sup>

In response, many regulators have sought to reform listing regimes and capital markets frameworks. But the direction of some reforms should be questioned. Too often, the response has been to lower standards in the hope of attracting more companies to list. Yet this risks misunderstanding the bedrock of public markets: trust and confidence. These are what distinguish stock exchanges from other trading venues. Public markets are not merely places where shares are bought and sold; they are institutional frameworks built on transparency, accountability, shareholder rights and investor protection.

The UK's recent Listing Rules reforms illustrate this tension. By allowing broader use of dual-class share structures and removing mandatory shareholder votes for many significant transactions, the UK has sought to make London more attractive as a listing venue. Yet weakening the rights of the very investors who provide capital has not, so far, transformed market liquidity or delivered a meaningful revival in IPO activity. The GGIC and Opinium survey found that 61% of scheme investment decision-makers prioritise shareholder rights and protections, while 55% believe recent UK listing reforms have made UK companies appear riskier.<sup>3</sup>

Italy has also taken steps intended to discourage delistings from the Milan Stock Exchange, but some reforms risk weakening minority shareholder protections in controlled companies, including by reducing shareholder access to AGMs and introducing complex opt-out mechanisms for newly listed companies and SMEs.

In the US, several recent developments raise similar concerns. Changes affecting Rule 14a-8 risk weakening the shareholder proposal process, which has long provided investors with a constructive mechanism to raise governance concerns and signal expectations to boards. Recent interpretations around Regulation 13D/G have also created uncertainty around investor-company dialogue, making some investors more cautious about discussing voting intentions or explaining previous voting decisions. Broader concerns around Reg S-K also matter: while streamlining disclosure can be helpful where it reduces duplication, it should not remove decision-useful information that investors need to assess governance, risk, performance and long-term value. Alongside this, auto-voting programmes that default in favour of board recommendations risk weakening thoughtful investor stewardship by reducing

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<sup>2</sup> OECD Corporate Governance Factbook 2025, p.19.

<sup>3</sup> Going For Governance, Going For Growth. How to create innovative, thriving capital markets that serve everyday savers and support UK economic growth. GGIC. 02.12.2025.  
<https://www.railpen.com/media/sjm770ic/december-going-for-growth.pdf> (11.05.2026)

voting to a standing instruction rather than a case-by-case assessment. Taken together, these developments risk weakening the careful balance that supports US market confidence.

Brazil's IPO landscape also looks challenging. After a strong IPO window in 2020–2021, the market has faced a prolonged drought, with no new IPOs on B3 for several years and several companies choosing to delist. The problem was not only macroeconomic volatility, but also weak preparation for life as a public company. Many companies came to market before they had properly built the governance structures, internal controls, board maturity and transparency expected of listed companies. One analysis of the 2019–2021 IPO found that 79 companies went public, but only nine outperformed the Ibovespa, while the group as a whole underperformed the index by more than 50%.<sup>4</sup> The key takeaway is that public markets cannot rely on short windows of optimism or governance arrangements assembled at the last minute simply to complete a transaction. A company's board, internal controls, disclosure processes, investor relations function and approach to shareholder engagement cannot be treated as an "IPO kit" pulled off the shelf only when market conditions improve. These foundations need to be built well before listing if companies are to earn and maintain investor confidence.<sup>5</sup>

Asia offers an important counterpoint. By 2025, 58% of the world's listed companies were listed on Asian stock exchanges.<sup>6</sup> This growth is not simply a story of lighter regulation. In several Asian markets, public market development has been supported by governance reforms designed to strengthen investor confidence, improve capital allocation and support long-term value creation.

Korea is a powerful example. Long held back by the so-called "Korea discount", its equity market became one of the world's strongest performers in 2025, with the Kospi rising almost 80% and described as the best-performing major stock market globally, governance reform central to the re-rating story<sup>7</sup>. Korea's aimed at strengthening shareholder rights sent a clear message to investors: better capital allocation, stronger accountability and fairer treatment of minority shareholders were becoming national market priorities.

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<sup>4</sup> Cunha M, Monforte J. (2026), Opinião. Como evitar IPOs desastrosos? Comece levando a governança a sério. Brazil Journal. <https://braziljournal.com/opinio-como-evitar-ipos-desastrosos-comece-levando-a-governanca-a-serio/> (11.05.2026).

<sup>5</sup> Martha L. (2026), O ingrediente fundamental para o êxito de um novo ciclo de IPOs no Brasil: A boa governança corporativa será decisiva na nova onda de ofertas públicas que pode estar se formando no horizonte, Valor Econômico, <https://valor.globo.com/empresas/governanca-de-valor/post/2026/04/o-ingrediente-fundamental-para-o-exito-de-um-novo-ciclo-de-ipos-no-brasil.ghtml> (11.05.2026).

<sup>6</sup> OECD Corporate Governance Factbook 2025, p. 20.

<sup>7</sup> South Korea's astounding market ride, Financial Times. 05.03.2026 <https://www.ft.com/content/7529506e-a47e-40a0-b158-355f9845da49> (27.04.2026).

Japan's "Value-up" reforms tell a similar story. The Tokyo Stock Exchange has pushed listed companies to improve capital efficiency, explain their cost-of-capital strategies and strengthen dialogue with investors. The lesson is clear: governance reform is not a brake on competitiveness. It can be the catalyst that turns undervaluation into renewed investor confidence.

## **Why corporate governance matters for robust public markets?**

### **1. Governance prevents underpricing by reducing information asymmetry**

Academic research has shown that IPO underpricing is shaped not only by market conditions and company fundamentals, but also by the quality of a company's corporate governance. One of the most established explanations for underpricing is information asymmetry: investors know less about the company than its founders, managers or controlling shareholders, and therefore demand a discount to compensate for that uncertainty.<sup>8</sup>

Corporate governance plays directly into this dynamic. Governance structures influence how much confidence investors can have in the relationship between managers and shareholders, and between controlling and minority investors. Clear rights, effective boards, transparent decision-making and credible protections for minority shareholders can reduce the information gap facing outside investors.

In that sense, governance itself becomes a signal. A company coming to market with robust governance arrangements may need to rely less heavily on underpricing to attract investor confidence, because its governance framework already helps reassure potential buyers about the quality, accountability and long-term credibility of the business.

### **2. Governance improves market liquidity**

Corporate governance also affects how efficiently a company's shares trade after listing. Research by Chung, Elder and Kim finds that companies with stronger corporate governance tend to have narrower quoted and effective spreads, a higher market quality index, smaller price impact of trades and a lower probability of information-based trading. In simple terms, better-governed companies appear easier and cheaper to trade.<sup>9</sup>

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<sup>8</sup> Grinblatt, M., & Hwang, C. Y. (1989). Signaling and the pricing of new issues. *Journal of Finance*, 44, 393–420.

<sup>9</sup> Chung, K. H., Elder, J., & Kim, J.-C. (2010). Corporate governance and liquidity. *Journal of Financial and Quantitative Analysis*, 45, 265–291.

When investors have greater confidence in the quality of oversight, disclosure and shareholder protections, there is less uncertainty about what insiders know and how the company is being run. That reduces information asymmetry between insiders and outside investors.

Liquidity is not created by trading infrastructure alone. It is also supported by confidence in the companies being traded. Governance mechanisms that improve transparency, strengthen board oversight and protect shareholder rights can make investors more willing to participate, reduce adverse selection risks for liquidity providers and help companies benefit from a lower cost of capital.

### **3. Protecting people's savings requires strong stewardship**

It is often argued, particularly in Europe, that domestic pension funds do not invest enough in local public markets, and that this contributes to weak liquidity.<sup>10</sup> But there is a paradox in this argument. It is often made by the same voices calling for weaker investor protections.

Pension funds have fiduciary duties to manage people's savings with care, discipline and strong stewardship. Long-term institutional capital depends not only on expected market returns, but also on confidence that investors can exercise their rights effectively. Where shareholder rights, voting mechanisms, reliable disclosure or board accountability are weakened, it becomes harder for institutional investors to justify concentrated long-term exposure.

If policymakers want more pension fund investment in public markets, they should strengthen the conditions that allow long-term investors to act as responsible stewards of capital. That means preserving meaningful shareholder rights, reliable disclosure, effective voting mechanisms and credible board accountability. Pension funds will not invest people's money in markets where their ability to protect that money is jeopardised.

#### **The bottom line: competitive public markets need quality, not just quantity**

Capital markets need both private and public markets. Each has a role to play. But the distinction between them matters. Public markets have long provided something unique: transparency, liquidity, accountability and trust at scale. Public markets also play a systemic role in price discovery, domestic capital formation and broad-based wealth creation, which is particularly important as policymakers seek to increase retail participation and deepen local pools of capital.

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<sup>10</sup> UK confirms powers to force pension funds to back British assets. Financial Times. 28.05.2025. <https://www.ft.com/content/a637b186-1194-4a77-9f01-8dac5391446c?syn-25a6b1a6=1> (28.04.2026)

The public interest is not served simply by increasing the number of listings at any cost. The goal should be more quality listings: companies that can attract long-term capital because investors trust their governance, understand their strategy and have confidence that their rights will be respected.

Reforms are needed. Policymakers are responding to real concerns about market competitiveness, including the regulatory complexity, weaker IPO pipelines and declining retail participation. But reform should mean improving the quality and attractiveness of public markets, not weakening the investor protections that underpin them. The goal should be high-quality reform that preserves trust and accountability while supporting capital formation.

A race to the bottom on governance may appear attractive in the short term. But it risks weakening the very foundations that make public markets valuable. If policymakers want deeper, more liquid and more competitive public markets, the answer is not to dilute investor protection. The answer is to make public markets worthy of investor confidence.

## **CASE STUDIES**

### **Deliveroo: When governance concerns undermine IPO confidence<sup>11</sup>**

**Background:** Deliveroo's 2021 IPO was intended to be a flagship technology listing for London. Instead, it became a cautionary tale about the limits of weakening shareholder rights to attract high-growth companies. The company listed with a dual-class share structure that gave founder Will Shu enhanced voting rights, with Class B shares carrying 20 votes per share. It also chose a standard listing rather than a premium listing, which meant the company would not be eligible for inclusion in FTSE indices. Several UK institutional investors raised concerns about the governance structure, alongside questions about valuation and the company's employment model.

**Outcome:** Deliveroo's shares fell sharply on their first day of trading, dropping by as much as 30% and wiping more than £2 billion from the company's valuation. Reuters described the debut as a blow to the UK's ambitions to attract fast-growing technology companies, while Dealogic data cited by Reuters described it as the worst first-day performance on record for a London IPO worth more than £1 billion.

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<sup>11</sup> Deliveroo dives 30% as London debut of the decade turns sour, Reuters. 31.03.2021. [https://www.reuters.com/business/deliveroo-shares-plunge-30-london-debut-2021-03-31/?utm\\_source=chatgpt.com](https://www.reuters.com/business/deliveroo-shares-plunge-30-london-debut-2021-03-31/?utm_source=chatgpt.com) (28.04. 2026).

## **WeWork: When governance concerns stop an IPO altogether<sup>12</sup>**

**Background:** WeWork's planned 2019 IPO was initially expected to be one of the most high-profile US listings of the year. Instead, its prospectus exposed a series of governance concerns that public market investors were unwilling to accept, including extensive founder control, conflicts of interest, related-party issues and questions about board oversight.

**Outcome:** WeWork withdrew its IPO, Adam Neumann stepped down as CEO and gave up majority voting control following investor pressure, and the company's valuation fell sharply from the \$47 billion level reached in a private funding round. The case is a clear reminder that private-market enthusiasm does not automatically translate into public-market confidence. Once companies seek capital from public investors, governance becomes part of the investment case. Weak accountability, excessive founder control and unclear oversight can turn a high-profile listing into a public-market rejection

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<sup>12</sup> WeWork's Neumann surrenders control, CEO role following investor revolt, Reuters, 25.09.2019. [https://www.reuters.com/article/world/uk/weworks-neumann-surrenders-control-ceo-role-following-investor-revolt-idUSKBN1W92EB/?utm\\_source=chatgpt.com](https://www.reuters.com/article/world/uk/weworks-neumann-surrenders-control-ceo-role-following-investor-revolt-idUSKBN1W92EB/?utm_source=chatgpt.com) (27.04.2026).