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Italy

Venture Capital

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This country-specific Q&A provides an overview of venture capital laws and regulations applicable in Italy.

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Italy: Venture Capital

1. Are there specific legal requirements or preferences regarding the choice of entity and/or equity structure for early-stage businesses that are seeking venture capital funding in the jurisdiction?

In Italy, there are no mandatory legal requirements prescribing a specific legal entity or equity structure for early-stage companies seeking VC funding. However, market practice shows clear preferences driven by flexibility, transaction efficiency and investor protection.

At the early stage, Italian start-ups are most commonly incorporated as limited liability companies (Società a Responsabilità Limitata or, in short, S.r.l.).

In particular, Italian law allows limited liability companies to either issue quotas with special rights or create different classes of quotas with customised rights, in both cases including preferred economic rights, veto rights on reserved matters and tailored governance arrangements, which can be embedded both in the Articles of Association and in shareholders' agreements. This makes the limited liability company structure well suited for seed and early-stage VC investments.

This preference is also reinforced by the Italian Startup and Innovative Small and Medium-Sized Enterprises (SME) Regulation (also called the Startup Act) (Decree Law No. 179/2012, as converted into Law No. 221/2012, as subsequently amended), which grants qualifying innovative start-ups and innovative SMEs a more flexible corporate regime and access to tax breaks. The Startup Act and the recent Scaleup Act (Law No. 193/2024), which reinforces a favourable environment for innovative startups, further allow for deviations from certain traditional corporate law constraints, including simplified procedures for capital increases, enhanced flexibility in governance arrangements and favourable treatment of equity-based incentive plans for founders and employees.

As companies grow and attract larger or international VC investors, there is often a transition to a joint stock company (Società per Azioni or, in short, S.p.A.). The joint stock company is frequently perceived as more familiar to foreign investors and better suited for more complex capital structures, multiple share classes and eventual IPO scenarios. The joint stock company structure also facilitates the issuance of equity-based incentive plans and the entry of institutional investors.

From an equity structuring perspective, VC investments in Italy typically involve preferred equity (or preferred quotas in limited liability companies (S.r.l.)) carrying liquidation preferences, anti-dilution protections and enhanced governance rights. In very early-stage financings, quasi-equity instruments such as convertible loans, SAFEs and KISSs are increasingly used.

In summary, while Italian law does not impose rigid constraints on entity choice or equity structure, market practice strongly favours limited liability companies (S.r.l.) which, thanks to their flexible structures, allow investors to replicate international VC standards within the Italian legal framework.

2. What are the principal legal documents for a venture capital equity investment in the jurisdiction and are any of them publicly filed or otherwise available to the public?

In Italy, a VC equity investment is typically structured through a set of contractual and corporate documents, some of which remain private and confidential between the parties, while others must be filed with public authorities for validity and transparency.

Based on standard Italian market practice, the primary documents include:

- Term Sheet (or Letter of Intent): A non-binding document that outlines the preliminary terms of the investment, such as valuation, investment size, and key investor rights. It serves as the foundation for negotiating the final agreements
- Due Diligence Report: Usually prepared by the investor's advisors, this report assesses the legal, financial, and technical risks and opportunities of the target company.
- Investment Agreement: A binding document that finalizes the specific terms and conditions of the investment, including investor commitments and liabilities and other specific conditions to the investment.
- Shareholders' Agreement (Patti Parasociali):

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This is the core document governing the relationship between shareholders. It details governance, voting rights, board representation, and exit mechanisms.

- Articles of Association (Statuto): The constitutional document of the company that governs its operations and shareholder rights. It must align with the negotiated terms of the investment and comply with the Italian Civil Code. It must also reflect any share classes, special rights or governance mechanisms that need to be enforceable erga omnes (vis-à-vis third parties).

Aside from the Articles of Association, which must be filed with the relevant Companies' Register (Registro delle Imprese), the aforementioned documents are strictly private and confidential. An exception applies to Shareholders' Agreements involving listed companies or certain regulated entities, which are subject to specific disclosure obligations under the Italian Consolidated Law on Finance (TUF).

Moreover, it should be noted that any amendment to the Articles of Association – including capital increases, the creation of preferred shares or special quotas, or changes to governance rules – must be executed before a Public Notary. The Public Notary then files the updated Articles of Association with the Companies' Register, making them publicly accessible.

Similarly, certain shareholders' resolutions, such as the ones approving the capital increase or the issuance of new shares or quotas, are notarized and filed. While these filings disclose the identity of new shareholders and the basic structure of the capital increase, they do not typically reveal the more sensitive commercial and governance terms contained in the private Shareholders' Agreement.

In conclusion, the Italian legal framework strikes a balance between public transparency of corporate structures and the protection of contractual confidentiality, allowing parties to tailor complex governance arrangements while ensuring their formal enforceability through public filings.

3. Is there a venture capital industry body in the jurisdiction and, if so, does it provide template investment documents? If so, how common is it to deviate from such templates and does this evolve as companies move from seed to larger rounds?

In the Italian jurisdiction, the primary industry body is AIFI (Associazione Italiana del Private Equity, Venture Capital e Private Debt). It plays a crucial role in standardizing practices and providing a framework for the domestic VC ecosystem.

AIFI provides model documentation and best practice guidelines for VC transactions, primarily aimed at seed and early-stage investments. These templates typically cover core documents such as term sheets and shareholders' agreements and are designed to promote standardisation, reduce transaction costs and facilitate negotiations, particularly in the early phases of a company's development.

However, it is important to note that leading law firms usually utilize their own proprietary models, which are more closely aligned with international standards (such as those from the NVCA or BVCA) or tailored to the specific commercial nuances of the transaction.

As companies move from seed rounds to larger, more complex rounds (Series A, B, and beyond), the reliance on industry-standard templates typically decreases.

When investments become increasingly bespoke, sophisticated investors (often international) demand more intricate terms such as complex liquidation preferences, tailored anti-dilution protections, and specific governance or veto rights that go beyond the basic AIFI frameworks.

Overall, while AIFI plays an important role in shaping market practice and providing a baseline for early-stage transactions, deviation from standard templates is common and increases as companies mature and financing rounds become larger and more sophisticated.

4. Are there any general merger control, anti-trust/competition and/or foreign direct investment regimes applicable to venture capital investments in the jurisdiction?

In Italy, VC investments may be subject to two primary regulatory frameworks that can trigger mandatory notification requirements and potentially affect the transaction timeline: merger control (antitrust) rules and the so-called Golden Power regime governing foreign direct investment (FDI).

From a merger control perspective, Italian and EU competition rules apply where a transaction qualifies as a

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concentration and the relevant turnover thresholds are exceeded. In Italy, the authority responsible for monitoring and reviewing such transactions is the Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato or AGCM), which oversees mergers and acquisitions that may result in a concentration of market power.

Most early-stage VC investments typically fall below the applicable turnover thresholds and therefore do not trigger mandatory filing obligations. However, merger control considerations may become relevant in later-stage rounds. In the VC context, a filing requirement may arise where the investment confers control. Control is not limited to the acquisition of a majority shareholding exceeding 50% of the share capital, but may also arise through de facto control or through the granting of veto rights over strategic commercial decisions, such as the approval of the business plan, budget or appointment of senior management.

Even where no notification is required, general EU and Italian competition law principles continue to apply, including the prohibition of anti-competitive agreements and abuse of a dominant position. Furthermore, following recent legislative developments, the AGCM has been granted the power to review transactions that fall below the turnover thresholds if there is a risk of significant distortion of competition in the national market, provided that the transaction was completed within the previous six months.

In addition to merger control, VC investments may fall within the scope of Italy's foreign direct investment regime, commonly referred to as the Golden Power framework. Under this regime, the Italian Government may exercise special powers, including the imposition of conditions or, in exceptional cases, the veto of a transaction, where the investment concerns companies operating in sectors deemed strategic for national security or public order. These sectors include, among others, defense, energy, telecommunications, data infrastructure, financial infrastructure, healthcare, artificial intelligence, semiconductors and other advanced technologies.

Certain transactions involving non-EU investors, and in some cases EU investors, must be notified to the Italian Government even where they do not result in a change of control. This is particularly relevant in the context of minority investments that grant governance rights, veto rights over strategic matters or access to sensitive information. Failure to comply can result in fines or even the nullification of the transaction.

In recent years, the Golden Power regime has become increasingly relevant for VC transactions, as many early-stage companies operate in technology-driven or data-intensive sectors that fall within its scope. As a result, FDI screening has become a standard consideration in transaction planning and due diligence, even in relatively small funding rounds.

5. What is the process, and internal approvals needed, for a company issuing shares to investors in the jurisdiction and are there any related taxes or notary (or other fees) payable?

The process for issuing shares (or quotas, in the case of a limited liability company (S.r.l.)) to investors in Italy is strictly regulated by the Italian Civil Code and involves several formal corporate and notary-led steps.

The process typically begins with the capital increase (aumento di capitale) that must be approved by an extraordinary shareholders' meeting which, therefore, must be held in the presence of a Public Notary, who records the minutes in a public deed which must be then filed with the Italian Companies Register within 30 days. The capital increase is formally effective only upon this registration.

In addition to the aforementioned capital increase, the other steps include the subscription of the newly issued shares or quotas by the investors and the payment of the subscription price.

From a cost perspective, notary fees and registration fees are payable and depend on the size and complexity of the transaction. These costs are generally limited and predictable in VC transactions, but they represent a fixed component.

The Registration Tax (Imposta di Registro) – applicable to all the deeds that need to be filed with the Companies Register – is a fixed tax of EUR 200.00 and no VAT applies.

The Stamp Duty (Imposta di Bollo) – approximately EUR 156.00 – and Secretariat Fees are also due for any standard filing. However, Innovative Startups and Innovative SMEs are notably exempt from paying stamp duty and Chamber of Commerce secretariat fees for all acts related to the Companies' Register.

Notary fees also apply as the capital increase requires a public deed. These are typically calculated based on a sliding scale relative to the amount of the capital increase and the complexity of the Articles of Association's

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amendments.

Overall, while the Italian process for issuing shares is more formal and notary-driven than in some other jurisdictions, it is well established and rarely represents a material obstacle to VC investments, provided that timing and documentation are properly planned.

6. How prevalent is participation from investors that are not venture capital funds, including angel investors, family offices, high net worth individuals, and corporate venture capital?

In Italy, participation by investors that are not traditional VC funds is both common and structurally important, particularly in the early stages of a company's development.

Angel investors and high net worth individuals play a significant role at seed and pre-seed stage, often providing the first external capital to start-ups. Their involvement is frequently driven by personal networks, sector expertise and local ecosystems, and is sometimes coordinated through angel networks or syndicates. These investors tend to invest smaller ticket sizes and may accept simpler investment structures, including convertible instruments or standardised documentation.

Family offices are increasingly active in the Italian VC landscape, both directly and through co-investments alongside institutional VC funds. They are often attracted by long-term growth opportunities and may adopt a more flexible investment horizon. From a legal perspective, family offices typically negotiate bespoke governance and information rights, particularly where they act as cornerstone investors or lead early rounds.

Corporate venture capital (CVC) has also grown in relevance in recent years, especially in sectors such as fintech, energy, life sciences, mobility and digital infrastructure. CVC investors often combine financial objectives with strategic interests, which can influence deal structuring, governance rights and exit provisions. Their participation may introduce additional considerations, including confidentiality, non-compete arrangements and potential conflicts of interest.

In later-stage rounds, institutional VC funds tend to play a more dominant role, but non-VC investors frequently continue to participate as co-investors or follow-on investors. Public or quasi-public investors, including state-backed entities, are also present in the Italian market and often act as catalysts for private capital.

Overall, the Italian VC ecosystem is characterised by a mixed investor base, where non-VC investors play a crucial role in bridging early-stage funding gaps and supporting company growth alongside traditional VC funds.

7. What is the typical investment period for a venture capital fund in the jurisdiction?

In Italy, the typical investment period of a VC fund is generally aligned with broader European market practice and depends on the structure of the fund, which is most commonly a closed-end alternative investment fund (AIF) managed by an authorised asset management company (SGR – Società di Gestione del Risparmio), authorized by the Bank of Italy and supervised by both the Bank of Italy and CONSOB. The fund itself is not a legal entity, but a separate pool of assets held by the SGR in the exclusive interest of investors.

Italian VC funds usually have an overall term of approximately eight to ten years, with a possible extension period of one to three additional years. Within this lifecycle, the investment period typically lasts four to five years from the first closing. During this phase, the fund is authorised to make new portfolio investments and follow-on investments.

After the end of the investment period, the fund generally enters its harvesting or divestment phase, during which no new investments (other than limited follow-ons, if permitted under the fund rules) are made, and the focus shifts to value creation and exits.

The precise duration of the investment period is set out in the fund rules (Regolamento del Fondo) and disclosed to investors at fundraising stage. In recent years, some Italian VC funds have incorporated greater flexibility, allowing for extensions of the investment period subject to investor advisory committee approval, particularly in response to longer holding periods and more challenging exit environments.

Overall, while there is no statutory rule mandating a specific investment period, a four- to five-year investment window within an eight- to ten-year fund term represents current market standard in Italy.

8. What are the key investment terms which a venture investor looks for in the jurisdiction including representations and warranties, class of share, board representation (and observers),

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voting and other control rights, redemption rights, anti-dilution protection and information rights?

In Italy, the key investment terms sought by VC investors are broadly aligned with international market standards, although they must be implemented within the framework of Italian corporate law. These terms are typically reflected in a combination of the Investment Agreement, Shareholders' Agreement and the Articles of Association.

Representations and warranties are a central component of the investment documentation. Founders and, to a more limited extent, the company usually provide representations relating to title to shares, corporate authority, financial statements, intellectual property, material contracts, litigation, regulatory compliance and tax matters. In early-stage transactions, warranty protection is often subject to caps, time limitations and, increasingly, materiality qualifiers, reflecting the higher risk profile of start-ups.

As to the class of shares, venture investors typically subscribe for preferred shares (or preferred quotas in the case of a limited liability company (S.r.l.)) carrying enhanced economic and governance rights. These commonly include liquidation preferences (usually non-participating, although structures may vary), priority in distributions and, in some cases, enhanced dividend rights.

Board representation is standard in institutional rounds. Lead investors commonly appoint one director, while minority investors may seek observer rights. In a limited liability company (S.r.l.), governance flexibility allows tailored board structures and reserved matters at shareholders' level. In larger rounds or joint stock company (S.p.A.) structures, formal board representation becomes more structured and aligned with international practice.

Voting and control rights are typically implemented through reserved matters requiring the consent of the investor-appointed director and/or a qualified majority of shareholders. These matters often include amendments to the by-laws, issuance of new shares, changes to the business plan, extraordinary transactions, related-party transactions and changes in senior management. Certain rights may also be embedded directly in the articles of association to ensure enforceability vis-à-vis third parties.

Redemption rights are less common in pure VC transactions compared to private equity, but they may be negotiated in specific circumstances, subject to Italian corporate law constraints on share buy-backs and capital protection rules.

Anti-dilution protection is standard and typically structured as either full ratchet or weighted average protection, with weighted average being more common in balanced transactions. These mechanisms must be carefully structured to comply with Italian capital maintenance principles and are often implemented through adjustment mechanisms in subsequent capital increases.

Finally, information rights are routinely granted to investors and include periodic financial reporting, annual budgets, business plans and access to management. Enhanced information rights are typically granted to lead investors or investors above certain ownership thresholds.

Overall, while Italian law imposes certain formalities and capital maintenance rules, the key economic and governance protections sought by venture investors are substantially consistent with international VC standards and are routinely implemented in the Italian market.

9. What are the key features of the liability regime (e.g. monetary damages vs. compensatory capital increase) that apply to venture capital investments in the jurisdiction?

In Italy, the liability regime applicable to VC investments is primarily contractual in nature and is typically structured through representations, warranties and indemnification mechanisms set out in the investment agreement.

In market practice, it is more common for representations and warranties to be given by the founders – rather than exclusively by the company – particularly in early-stage transactions. This reflects both the limited asset base of start-ups and the investors' expectation that founders remain directly accountable for key matters such as title to shares, intellectual property ownership, corporate authority and absence of undisclosed liabilities. The company may also provide warranties, especially in more mature rounds, but founder-backed liability remains a frequent feature of Italian VC transactions.

It is also common for two indemnification sources to coexist: one at founder level and one at company level. In some transactions, the investment agreement provides for a dual mechanism under which, up to a specified threshold, founders may decide whether indemnification is satisfied directly by them or through the company (for

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example, via a compensatory mechanism or set-off against future entitlements). Above that agreed threshold, the investor is typically entitled to elect the preferred form of indemnification. This structure is designed to balance investor protection with the financial sustainability of the company.

Overall, however, monetary damages remain the most common remedy for breach of representations and warranties.

10. How common are arrangement/ monitoring fees for investors in the jurisdiction?

Arrangement fees and monitoring fees are still relatively uncommon in the Italian VC market.

The prevailing approach is that venture investors are primarily remunerated through capital gains rather than cash flows from the portfolio company, and market practice is generally reluctant to impose financial burdens on early-stage companies.

Where such fees exist – typically in early-stage transactions, club deals or investments involving operational or corporate investors – they are usually structured under a separate advisory or services agreement rather than in the main investment documentation. The investment agreement may at most include a post-closing obligation to enter into such agreement.

As a result, they remain the exception rather than the rule in Italian VC transactions.

11. Are founders and senior management typically subject to restrictive covenants following ceasing to be an employee and/or shareholder and, if so, what is their general scope and duration?

In Italy, founders and senior management are typically subject to restrictive covenants following the termination of their employment and/or upon ceasing to be shareholders, although the scope and enforceability of such covenants are subject to specific statutory requirements.

From an employment law perspective, post-termination non-compete obligations are valid only if they comply with Article 2125 of the Italian Civil Code. In particular, the covenant must: (i) be agreed in writing; (ii) provide for adequate financial consideration; (iii) be limited in time and in scope (geographically and by business activity). The maximum statutory duration is generally three years for employees and five years for executives. In venture-backed companies, it is common for senior managers to enter into such non-compete agreements, with compensation calibrated to market practice.

From a corporate and shareholders' agreement perspective, restrictive covenants are also frequently imposed on founders as shareholders, especially in connection with good/bad leaver provisions and exit arrangements. These covenants typically include non-compete, non-solicitation (of employees, customers and suppliers) and confidentiality undertakings. While shareholder-level non-competes are not subject to the same strict statutory framework as employment non-competes, they must still comply with general principles of reasonableness and proportionality under Italian law in order to be enforceable.

In practice, non-compete obligations in VC transactions commonly last between twelve and thirty-six months following termination or exit, depending on the seniority of the individual and the nature of the business. Non-solicitation and confidentiality obligations may extend for longer periods, particularly with respect to trade secrets.

Overall, restrictive covenants are standard in Italian VC transactions, particularly for founders and key executives, but they must be carefully structured to ensure compliance with mandatory employment law provisions and general enforceability principles.

12. How are employees typically incentivised in venture capital backed companies (e.g. share options or other equity-based incentives)?

In Italy, employees of VC-backed companies are typically incentivised through equity-based incentive plans, although the structure and tax efficiency of such plans depend on whether the company qualifies as an innovative start-up or innovative SME under the Italian Startup Act framework.

The most common instruments include stock option plans, restricted shares or quotas, and, less frequently, phantom stock or cash-based incentive plans. In joint stock companies (S.p.A.) structures, share option plans are more straightforward to implement, while in limited liability companies (S.r.l.) companies' incentive schemes are often structured through the issuance of quotas with specific rights or through capital increases reserved to beneficiaries.

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A key feature of the Italian regime is the favourable tax treatment available to innovative start-ups and innovative SMEs pursuant to the Startup Act. Under this framework, certain equity-based compensation granted to employees, directors and consultants is exempt from taxation at grant and exercise stage, with taxation generally deferred to the time of disposal of the shares. This regime has significantly increased the use of equity incentives in early-stage companies.

In practice, founders are also typically subject to vesting mechanisms, under which their equity is earned over time and may be partially forfeited in case of early departure (good leaver/bad leaver scenarios). Similar vesting structures are increasingly applied to key managers.

While equity-based incentives are standard in VC-backed companies, practical implementation in Italy requires careful coordination between corporate law formalities (including notarial involvement for capital increases) and tax structuring. As companies grow and convert into joint stock companies (S.p.A.) structures, incentive plans tend to become more aligned with international market standards, including more sophisticated option and performance-based arrangements.

Overall, equity participation is now a central component of employee incentivisation in Italian VC-backed companies, particularly where the company benefits from the special regime applicable to innovative start-ups and SMEs.

13. What are the most commonly used vesting/good and bad leaver provisions that apply to founders/ senior management in venture capital backed companies?

In Italy, vesting and good/bad leaver provisions are standard features of VC transactions involving founders and senior management. These mechanisms are typically structured contractually in the shareholders' agreement and, where necessary, reflected in the Articles of Association to enhance enforceability.

The most common structure is a form of reverse vesting, under which founders initially hold their full equity stake, but agree that a portion of their shares or quotas will be subject to repurchase or transfer obligations if they cease to be involved with the company before a defined vesting period has elapsed. A four-year vesting period with a one-year cliff is broadly consistent with international market practice and increasingly common in Italy.

Good leaver and bad leaver provisions are used to differentiate the economic treatment of founders depending on the circumstances of their departure. A good leaver scenario typically includes events such as death, permanent disability or termination without cause. In such cases, the founder may retain vested shares and transfer unvested shares at fair market value or at cost, depending on the agreed structure.

By contrast, a bad leaver scenario usually includes resignation without cause, dismissal for cause or breach of restrictive covenants. In these circumstances, unvested shares are typically transferred back to the company or the other shareholders at nominal value or at cost, and even vested shares may be subject to transfer at a discounted price, subject to compliance with Italian corporate law principles.

Under Italian law, these mechanisms must be carefully structured to avoid violating mandatory rules, including capital maintenance principles and the prohibition of patto leonino (i.e., clauses that entirely exclude a shareholder from participation in profits or losses). As a result, leaver provisions are generally implemented through call options, put options or conditional transfer undertakings rather than automatic forfeiture mechanisms.

In practice, vesting and leaver provisions are considered essential tools to ensure alignment between founders and investors, and they are now a well-established component of VC documentation in Italy, closely mirroring international standards while remaining compliant with domestic corporate law constraints.

14. What have been the main areas of negotiation between investors, founders, and the company in the investment documentation, over the last 24 months?

Over the last 24 months, the main areas of negotiation in Italian VC transactions have reflected a more selective investment environment, increased focus on downside protection and greater scrutiny of governance and performance metrics.

One of the most heavily negotiated areas has been valuation and anti-dilution protection, particularly in the context of bridge financings and down rounds. Investors have sought stronger weighted average (and, in some cases, full ratchet) anti-dilution mechanisms, while founders have pushed for more balanced formulas and carve-outs for incentive plans and strategic issuances. Liquidation preferences have also been a central point of discussion. While non-participating preferences remain

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the most common structure, investors have increasingly negotiated for seniority over previous rounds and clearer waterfall provisions, especially in later-stage or more capital-intensive businesses.

Another key area has been governance and control rights. Investors have requested broader reserved matters, enhanced information rights and, in some cases, stronger veto powers over budget approvals, additional indebtedness and follow-on fundraising. In parallel, founders have sought to preserve operational flexibility and avoid overly restrictive consent mechanisms that could hinder business development.

Founder alignment mechanisms, including vesting, good/bad leaver provisions and restrictive covenants, have also been subject to closer scrutiny. In a more challenging fundraising environment, investors have placed greater emphasis on performance-based vesting, milestone-linked tranches and clawback mechanisms in the event of early departure.

In addition, there has been increased negotiation around exit provisions, including drag-along thresholds, tag-along rights and exit timing expectations. Given longer holding periods and a slower IPO market, parties have focused more carefully on exit governance and liquidity scenarios.

Finally, in technology-driven sectors, specific attention has been given to intellectual property ownership, data protection compliance and regulatory risk allocation, particularly in areas such as fintech, healthtech and AI.

Overall, the past 24 months have been characterised by more investor-driven terms, tighter documentation and heightened attention to downside protection, while still preserving the collaborative framework typical of VC transactions.

15. How prevalent is the use of convertible debt (e.g. convertible loan notes) and advance subscription agreement/ SAFEs in the jurisdiction?

In Italy, the use of convertible instruments – including convertible loan notes and instruments inspired by advance subscription agreements or SAFEs – has become increasingly common, particularly in seed and bridge financings. However, their structure must be carefully adapted to Italian corporate and civil law principles.

Convertible loan notes are widely used in early-stage transactions, especially where speed and cost efficiency are priorities or where valuation discussions are deferred to a future equity round. In practice, these instruments are typically structured as loans providing for automatic or optional conversion into equity upon the occurrence of a qualified financing round, often at a discount and/or subject to a valuation cap.

From a legal perspective, the structure depends on the company's legal form. In a joint stock company (S.p.A.), formal convertible bonds (obbligazioni convertibili) may be issued in compliance with statutory requirements. In limited liability companies (S.r.l.) structures – which are more common at early stage – the instrument is generally structured as a loan with a contractual conversion mechanism to be implemented through a future capital increase. The conversion therefore requires a valid corporate resolution at the time of conversion.

SAFE-type instruments (Simple Agreements for Future Equity), inspired by US practice, are increasingly seen in the Italian market, particularly in smaller seed rounds and accelerator-driven investments. However, since Italian law does not recognise SAFEs as a distinct legal category, they are typically adapted as contractual commitments to subscribe for future capital increases upon the occurrence of specified triggering events. Care must be taken to ensure compliance with capital maintenance rules and to avoid recharacterization risks.

While convertible instruments are common in early-stage and bridge rounds, traditional priced equity rounds remain the dominant structure for Series A and later-stage financings, particularly where institutional or international investors are involved.

Overall, convertible debt and SAFE-inspired instruments are now well established in the Italian VC ecosystem, but their implementation requires careful structuring to align international market practice with mandatory Italian corporate law principles.

16. What are the customary terms of convertible debt (e.g. convertible loan notes) and advance subscription agreement/ SAFEs in the jurisdiction and are there standard from documents?

In Italy, the customary terms of convertible debt instruments and SAFE-type agreements broadly reflect international VC practice, although they must be tailored to comply with domestic corporate and civil law requirements.

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With respect to convertible loan notes, the most common features include:

- automatic conversion upon the completion of a qualified equity financing round, typically defined by a minimum fundraising threshold;
- a conversion discount, usually ranging between 10% and 30% to the price per share of the next round;
- a valuation cap, particularly in seed transactions, providing investors with downside protection if the next round is priced at a higher valuation;
- a defined maturity date, after which the investor may either request repayment (subject to the company's financial position) or convert at a pre-agreed formula;
- in some cases, accrued interest, which may convert together with the principal;
- subordination to senior debt, especially where the company has bank financing.

In limited liability companies (S.r.l.) structures, conversion is typically implemented through a future capital increase approved at the time of conversion, meaning that appropriate corporate mechanisms must be in place to ensure the effectiveness of the conversion right.

As to SAFE-type or advance subscription agreements, customary terms usually include:

- conversion upon a qualified financing round;
- conversion in the event of a liquidity event (often at a discount or at a price implied by a valuation cap);
- a valuation cap and/or discount, similar to convertible loan notes;
- no maturity date and generally no interest component (which distinguishes them from traditional loans).

Unlike in some common law jurisdictions, there is no officially recognised statutory model for SAFEs under Italian law. As a result, SAFE-type instruments are contractually adapted and structured as binding commitments to subscribe for a future capital increase upon the occurrence of defined triggering events.

In terms of standardisation, there is no universally adopted national standard form for convertible instruments in Italy. While certain industry bodies and early-stage investors use internal templates, documentation is often bespoke and negotiated on a case-by-case basis. As a consequence, market practice is relatively consistent in economic terms but less standardised from a documentary standpoint compared to more mature VC jurisdictions.

Overall, convertible instruments are commonly used in early-stage and bridge financings, with customary economic terms largely aligned with international practice, albeit implemented within the constraints of Italian corporate law.

17. How prevalent is the use of venture or growth debt as an alternative or supplement to equity fundraisings or other debt financing in the last 24 months?

Over the last twenty-four months, the use of venture debt and growth debt in Italy has continued its upward trajectory, confirming the growth trend that had already characterised previous years.

In a more selective fundraising environment, many venture-backed companies have used venture debt as a complement to equity rounds, particularly to extend runway between financings, reduce dilution or bridge to a larger institutional round. This trend has been especially visible in capital-intensive sectors such as fintech, life sciences, deep tech and climate-tech.

Venture debt providers in Italy include specialised private debt funds, certain banks with innovation-focused lending platforms and, in some cases, public or quasi-public financial institutions supporting innovation. Transactions are typically structured as medium-term loans combined with equity kickers, such as warrants or conversion rights, aligning lender returns with company growth.

That said, the Italian venture debt market remains relatively concentrated and selective. Access to venture debt is generally limited to companies that have already completed one or more institutional equity rounds and can demonstrate revenue visibility, strong investor backing and a credible path to growth. Pure pre-revenue start-ups rarely access this form of financing.

In comparison to equity financings, venture and growth debt transactions tend to involve more conservative covenants, including financial reporting obligations, negative covenants and, in some cases, security packages. As a result, founders and investors typically evaluate carefully the trade-off between dilution and increased financial risk.

Overall, while venture and growth debt have become more

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visible and strategically relevant in Italy over the past two years, they remain a supplementary financing tool rather than a primary alternative to venture capital equity.

18. What are the customary terms of venture or growth debt in the jurisdiction and are there standard form documents?

There is no official or widely adopted standard template specifically for venture debt in Italy. However, particularly in cross-border transactions or those involving institutional investors, financing agreements are often drafted on the basis of Loan Market Association (LMA) templates, typically prepared by the lender (lender-based documentation) and adapted to Italian law, especially with respect to security packages and insolvency-related aspects.

In practice, and more frequently, the documentation tends to derive from Anglo-Saxon market practice (venture debt term sheets), subsequently recalibrated to reflect Italian legal formalities and security structures.

Venture or growth debt in Italy is therefore generally structured as a medium-term senior loan (typically 1–3 years, occasionally up to 4–5 years), often including an initial interest-only period followed by amortisation. Pricing typically consists of a fixed or floating interest rate (Euribor/€STR plus margin), upfront fees and, frequently, an exit fee or end-of-term fee.

An equity kicker is also common and may be structured in several forms, including:

(i) warrants over the borrower's shares or quotas;

(ii) convertible instruments (e.g., convertible loans or strumenti finanziari partecipativi with equity-like features); or

(iii) a success fee linked to a liquidity event (such as an M&A transaction or IPO) where a pure equity kicker is less feasible.

The security package may vary but often includes:

(i) a pledge over bank accounts (cash dominion, either hard or soft depending on the risk profile);

(ii) a pledge over intellectual property rights (trademarks, patents) where relevant; and

(iii) a pledge over shares or quotas of the borrower or relevant subsidiaries.

Personal guarantees from founders are less common in venture debt transactions, although they may arise in smaller deals or in transactions involving higher risk profiles.

It is also common to include equity linkage mechanisms connected to future equity rounds, such as:

(i) an obligation or target to complete an equity raise within a specified timeframe;

(ii) subordination or standstill arrangements with respect to shareholder loans; and

(iii) limitations relating to redemption or liquidation preferences.

Finally, covenants and monitoring mechanisms are often more stringent than those typically found in traditional bank lending. In particular, transactions almost invariably include:

(i) information undertakings, such as periodic reporting on cash flow, budgets, cap table updates and compliance matters;

(ii) negative covenants, including restrictions on additional indebtedness, granting of security, new M&A transactions, disposals of IP, distributions and affiliate transactions; and

(iii) a material adverse change (MAC) clause, with carefully negotiated definitions and carve-outs.

19. What are the current market trends for venture capital in the jurisdiction (including the exits of venture backed companies) and do you see this changing in the next year?

Currently, the Italian VC market has experienced a period of consolidation following the record investment levels seen in the immediate post-pandemic years. While overall deal volume has remained relatively resilient at early stage, average ticket sizes and later-stage valuations have been more selective, reflecting a broader European and global recalibration.

A key trend has been a stronger focus on capital efficiency, profitability pathways and governance discipline. Investors have prioritised companies with clearer revenue visibility and more sustainable growth models, leading to longer fundraising cycles and, in some cases, bridge or insider-led rounds.

From a sector perspective, fintech, life sciences, deep

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tech, AI-driven solutions, energy transition and climate-tech continue to attract significant interest, particularly where supported by public incentives or European funding programmes.

With respect to exits, trade sales remain the predominant exit route in Italy, especially through acquisitions by industrial players or international strategic buyers. Secondary transactions – including sales to private equity or growth funds – are also increasingly visible, particularly for scale-ups with established revenue streams. By contrast, IPOs remain relatively limited, both due to market volatility and the structural characteristics of the Italian capital markets, although listing remains a medium-term objective for certain growth-stage companies.

Public and quasi-public investors continue to play an important catalytic role in the ecosystem, often co-investing alongside private funds and supporting first-time fund managers. This public-private dynamic remains a distinctive feature of the Italian market.

Looking ahead to the next twelve months, the overall expectation is for a gradual stabilisation of valuations and a more selective but disciplined investment environment. While a rapid return to peak investment levels appears unlikely in the short term, the structural foundations of the Italian ecosystem – including increased professionalisation, greater international investor participation and stronger founder sophistication – suggest continued maturation rather than contraction.

Overall, the Italian VC market appears to be transitioning from a high-growth expansion phase to a more structurally robust and quality-driven stage of development.

20. Are any developments anticipated in the next 12 months, including any proposed legislative reforms that are relevant for venture capital investor in the jurisdiction?

Over the next twelve months, no radical overhaul of the Italian VC framework is currently anticipated. However, incremental regulatory and policy developments are expected, particularly in areas aimed at strengthening innovation financing and improving the competitiveness of the Italian ecosystem.

One area of continued attention is the refinement of the regulatory regime applicable to innovative start-ups and innovative SMEs, including potential adjustments to tax incentives for investors and equity-based compensation schemes. Italian policymakers have consistently used fiscal measures to stimulate early-stage investment, and further fine-tuning of these incentives remains likely.

In parallel, developments may arise in the field of capital markets access and scale-up support, with ongoing discussions around simplifying listing procedures for growth companies and enhancing the attractiveness of Italian regulated markets for technology-driven businesses. While IPO activity remains limited, regulatory initiatives aimed at reducing administrative burdens and increasing flexibility for smaller issuers may indirectly benefit venture-backed companies approaching maturity.

Finally, further development of the venture and private debt market is expected, supported by regulatory stability and the growing role of alternative investment funds. Although no major legislative reform is currently pending specifically for VC, the broader policy direction remains supportive of innovation, digitalisation and technology-driven growth.

Overall, the next twelve months are more likely to bring incremental adjustments and market-driven evolution rather than structural legislative reform, within a framework that has become progressively more aligned with European VC standards.

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