After 25 Years, Can the Novo Mercado Stay "New"?

30.06.2025 2 min read

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At the turn of the millennium, Brazil was emerging from a decade of economic instability and low investor confidence in its stock market. It was in this context that the Novo Mercado was launched by Brazil's stock exchange, BM&FBOVESPA (now B3), with the goal of restoring trust and credibility. As a voluntary listing segment, the Novo Mercado ("New Market") introduced governance standards that went beyond those required by the Brazilian Corporations Law: common shares only, a minimum free float, enhanced transparency, and mandatory arbitration for corporate disputes.

Over time, the segment grew and became associated with greater liquidity, lower cost of capital, and stronger reputational value – attributes that attracted companies seeking to raise funds in the equity market. In 2017, a major regulatory update reflected shifts in investor profiles and the broader economic landscape. The changes included requirements for a minimum number of independent board members, detailed disclosure of executive compensation and related-party transactions, and protections for minority shareholders in corporate reorganizations.

This reform marked a shift from a structural approach to governance toward a more functional and behavioral model. It also aligned with the growing prominence of ESG (environmental, social, and governance) considerations – an agenda that had already been present in the background of Brazilian corporate law since the early drafts of the Brazilian Corporations Law (Law 6.404/1976).

Now, at 25 years old, the Novo Mercado finds itself at a crossroads. A new proposal to revise its regulatory framework is under discussion at B3. The challenge is to modernize the rules in a way that accommodates the diversity of listed companies – ranging from companies with defined control to those with highly dispersed ownership – without increasing compliance costs or stifling market dynamism. This calls for a broader dialogue among market participants to shape a more flexible and responsive governance model, one that balances innovation, integrity, growth, and social responsibility.

After all, the Novo Mercado is more than a set of rules. It represents, on one hand, a contract between listed companies and B3, and on the other, a pact between investors and society in favor of a more ethical, inclusive, transparent, and sustainable form of capitalism.

One of the key advantages of private contractual frameworks is their adaptability: they can be renegotiated more quickly to keep pace with evolving market realities. The challenge ahead is to consolidate past progress while remaining relevant in a world of constant innovation, social transformation, and sustainability pressures.

Governance will continue to be a living process – and the Novo Mercado, more than ever, must remain a space of trust, adaptability, and leadership, not only for investors but also for the companies that make up the highest governance tier of Brazil's capital markets.

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