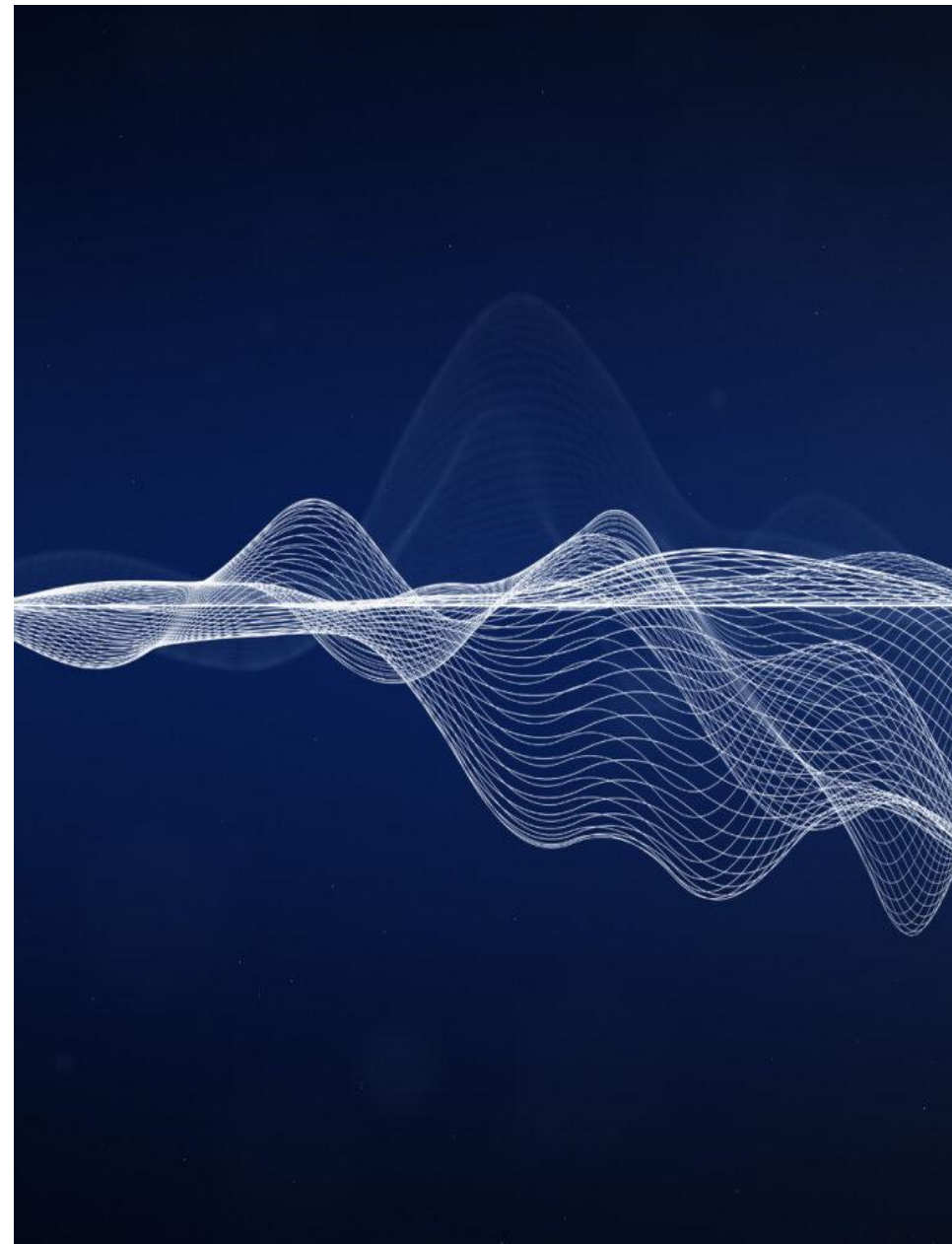


GLOBAL REPORT

# **Looking Beyond Silicon Valley: Global VC Terms Report (2025 Edition)**

October 2025



# Introduction

For over two decades, venture capital has expanded well beyond Silicon Valley, giving rise to new technology and investment hubs across the globe. As these ecosystems mature, local market practices continue to evolve — sometimes mirroring, and at other times diverging from, the US National Venture Capital Association (NVCA) model agreements that have long served as the global benchmark.

Other jurisdictions have since developed their own standardized frameworks, including the UK's British Private Equity & Venture Capital Association (BVCA) model documents, Singapore's Venture Capital Investment Model Agreements (VIMA), and Hong Kong's HKVCA Model Term Sheet.

With a global footprint and deep expertise across emerging companies and venture capital (ECVC), Morrison Foerster has played a key role in applying and adapting these standards across markets. Drawing on extensive deal experience, this 2025 Global VC Terms Report compares eight key venture investment terms across major jurisdictions, including the US, UK, Singapore, Hong Kong, Mainland China, Japan, Israel, Germany, and Latin America.

## Regional Highlights

- **Asia:** VC deals in Asia tend to be **more investor-favorable**, with investors typically negotiating **enhanced redemption rights, greater veto powers, and stronger liquidation preferences**. For Mainland China and Japan markets, they both emphasize downside protection through mechanisms such as >1x liquidation multiples and participation rights.
- **Europe (UK and Germany):** The European markets generally adopt a **balanced approach**. The UK's BVCA forms are considered neutral but are increasingly influenced by US terms, while statutory provisions — such as mandatory pre-emptive rights in Germany — continue to shape regional deal dynamics.
- **Israel:** Investors are often willing to accept **founder-friendly terms** in exchange for access to world-class innovation and technical talent. These dynamics have produced strong exits and sustained interest from global strategic and institutional investors.
- **Latin America:** While heavily influenced by the NVCA model, the region has developed greater emphasis on **protective provisions and downside protection**, reflecting local adaptation and investor caution in a maturing market.
- **The US:** The US market continues to feature comparatively **founder-favorable terms**, reflecting intense competition for high-quality technology and talent. However, recent updates have added more robust provisions on **corporate governance and investor oversight**.

# Table of Contents

In [Section 1](#) of this report, we will explore the following eight key terms in nine different jurisdictions. The jurisdictions are color-coded to indicate where they are positioned on the spectrum.






















The eight key terms which we elaborated in this report include:

1. [Founders' Personal Liability for Representations and Warranties](#)
2. [Redemption Rights](#)
3. [Anti-Dilution Adjustments](#)
4. [Protective Provisions](#)
  - 4.1 [Shareholder Protective Provisions](#)
  - 4.2 [Board Protective Provisions/"Backdoor" Protective Provisions](#)
5. [Restrictions on Transfer](#)
  - 5.1 [Restrictions on Transfers: Founders and Key Management Shareholders](#)
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7. [Liquidation Preference](#)
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- ^ [Other Important/Interesting Observations](#)

In [Section 2](#), we have included some key takeaways for the nine jurisdictions discussed.

Should you have any questions, please reach out to the global co-chairs of our ECVC practice [Peter Fusco](#), [Michael Glaser](#), and [Jim Krenn](#), or key contact for this report [Thomas Chou](#), or any of our [MoFo contributors](#).

# Section 1 – Key Terms Comparison

Section 1 – Key Terms Comparison										
	 Key Terms	 US	 Hong Kong *	 Mainland China¹ *	 Singapore	 Japan	 Latin America	 UK	 Israel	 Germany
										
1.	<b>Founders' Personal Liability for Representations and Warranties</b>	<p><b>NVCA Position:</b> As of October 2025, the updated NVCA does <u>not</u> provide founders' personal liability for representations and warranties.</p> <p><b>Market Position:</b> Consistent with the NVCA position.</p>	<p><b>HKVCA Position:</b> Optional.</p> <p><b>Market Position:</b> Negotiable, with middle ground approaches such as limiting founder liability (e.g., by a monetary cap based on parameters such as the founder's remuneration, or the fair market value (FMV) of the founder's shares with the option to settle in cash or shares), and/or holding the founder liable only after exhausting remedies from the company.</p>	<p>Customary, given the perceived challenges of enforcing warranty claims against an offshore holding company, with the bulk of operations and assets held in onshore subsidiaries or affiliates.</p>	<p><b>VIMA Position:</b> VIMA provides founder liability for representations and warranties, but notes that it is negotiable. VIMA also provides a monetary cap on founder liability, which can be based on a specified dollar amount or the value of the founder's shares.</p> <p><b>Market Position:</b> Common in early-stage financings, but ultimately negotiable. Middle ground approaches include limiting founder liability by a monetary cap based on, e.g., the founder's remuneration or the FMV of the founder's shares, and/or holding the founder liable only after exhausting remedies from the company.</p>	<p>Customary, and without the benefit of limitation mechanisms (e.g., monetary cap or survival period).</p>	<p>Consistent with the US, the market does not typically provide founder liability for representations and warranties.</p>	<p><b>BVCA Position:</b> BVCA does not provide founder liability for warranties.</p> <p><b>Market Position:</b> In Series B funding rounds and above, consistent with the BVCA position.</p> <p>In seed investments and some Series A rounds, investors may push for founders to have personal liability for warranties (usually capped at a multiple of their salary).</p>	<p>Negotiable. Middle ground approaches include imposing a monetary cap based on the FMV of the founder's shares (with the option to settle in cash or shares), and holding the founder liable only after exhausting remedies from the company.</p> <p>Founder liability is more common in early-stage rounds.</p>	<p>Negotiable. A common middle ground approach is to limit founder liability by way of a monetary cap based on the founder's remuneration, or at least capped at the invested amount.</p>














							Investor Favorable	Balanced		Company/Founder Favorable
	Key Terms	US	Hong Kong *	Mainland China <sup>1</sup> *	Singapore	Japan	Latin America	UK	Israel	Germany

4

Protective Provisions

4.1

4.1.1	Subject Matter	<div></div> <p><b>NVCA Position:</b> The NVCA offers a list of protective provisions, which focus on major corporate actions directly impacting investors' economics or governance rights, all of which are market.</p> <p><b>Market Position:</b> The NVCA's unbracketed list of protective provisions provides a framework which is generally accepted as market. The NVCA's bracketed provisions are often negotiated among parties depending on deal dynamics.</p>	<div></div> <p><b>HKVCA Position:</b> Known as "Shareholder Protective Provisions," the list focuses on corporate actions directly impacting investors' economics or governance rights.</p> <p><b>Market Position:</b> The list of protective provisions, also referred to as "reserved matters," tends to be more extensive than the list in the NVCA, and its subject matter extends beyond major corporate actions to more granular operational matters.</p> <p>The scope of reserved matters tends to become more bespoke as the company matures into mid-stage or later funding rounds.</p>	<div></div> <p>Also referred to as "reserved matters," the list of protective provisions is typically extensive, and its subject matter extends beyond major corporate actions to more granular operational matters.</p>	<div></div> <p><b>VIMA Position:</b> Known as "reserved matters," VIMA proposes two main categories: board reserved matters (which regulate operational matters) and shareholder reserved matters (which focus on corporate actions directly impacting investors' economic or governance rights).</p> <p><b>Market Position:</b> In practice, the list of such matters tends to be more extensive than the lists in the NVCA and VIMA, especially if there is no separate list of board reserved matters. Its subject matter extends beyond major corporate actions to more granular operational matters. The scope of reserved matters tends to become more bespoke as the company matures into mid-stage or later funding rounds.</p>	<div></div> <p>The list of protective provisions focuses on major corporate actions directly impacting investors' economics or governance rights. Typically, its subject matter does not extend to more granular operational matters, but it is negotiable.</p>	<div></div> <p>The list of protective provisions, also referred to as "reserved matters," tends to be more extensive than the list in the NVCA, and its subject matter extends beyond major corporate actions to more granular operational matters.</p>	<div></div> <p><b>BVCA Position:</b> Also referred to as "consent/reserved matters," the list of protective provisions focuses on corporate actions impacting investors' economic or governance rights.</p> <p>Apart from a list of express reserved matters, there are "backdoor" shareholder protective provisions for matters such as (a) disapplying pre-emptive rights on new issues, (b) approval of founder transfers, and (c) insertion of a new holding company.</p> <p><b>Market Position:</b> Consistent with the BVCA position.</p>	<div></div> <p>Also referred to as "veto rights," the scope of investor protective provisions remains focused on material decisions rather than day-to-day operational oversight.</p>	<div></div> <p>The list of protective provisions tends to be more extensive than the list in the NVCA and includes operational matters.</p>





























		Investor Favorable			Balanced		Company/Founder Favorable			
Key Terms		 US	 Hong Kong *	 Mainland China <sup>1</sup> *	 Singapore	 Japan	 Latin America	 UK	 Israel	 Germany
4.1.2	Approval Threshold	<p><b>NVCA Position:</b> NVCA does not specify the percentage for requisite approval of the preferred stockholders. However, it recommends that drafters take care when defining a voting threshold that includes multiple classes or series of stocks and the potential impact of anti-dilution adjustments.</p> <p><b>Market Position:</b> Early stage deals typically set the approval threshold at a simple majority of the preferred stock. Later stage deals may include bespoke voting thresholds, including the supermajority of preferred stock or series-specific thresholds. Series specific voting thresholds most often emerge when economic interests diverge among different series of preferred stock due to exponentially higher valuations. It is not uncommon for different reserved matters to have different approval thresholds or for matters affecting one series of preferred stock to require the approval of that series of preferred stock.</p>	<p><b>HKVCA Position:</b> Negotiable.</p> <p><b>Market Position:</b> Negotiable, but shareholder reserved matters often require approval from shareholders of each series of preferred stock. In some cases, approvals from specified lead investors are also required.</p>	<p>Shareholder reserved matters requiring simple majority to supermajority of each respective series of preferred shares are quite common. In some cases, approvals from specified lead investors are also required.</p> <p>Under an onshore structure, certain material corporate matters (e.g., change of registered capital, merger, spin-off, or change of form of company) are statutory reserved matters which require approval by supermajority of all shareholders voting as a single class.</p>	<p><b>VIMA Position:</b> VIMA suggests an approval threshold of more than 50%, or at least 75% of the preference shareholders for shareholder reserved matters, but this is negotiable.</p> <p><b>Market Position:</b> Negotiable. The range of market practice can be fairly broad and can include (a) reserved matters requiring approval of a simple majority to supermajority of all preference shares voting as a single class; (b) a limited subset of series-specific reserved matters; and/or (c) certain matters requiring approval of major investors and/or certain named lead investors.</p>	<p>Shareholder reserved matters requiring specified lead investors' approval are fairly common.</p>	<p>Negotiable. The range of market practice can be fairly broad and can include (a) reserved matters requiring approval of a simple majority to supermajority of all preference shares voting as a single class; (b) a limited subset of series-specific reserved matters; and/or (c) certain matters requiring approval of major investors and/or certain named lead investors.</p>	<p><b>BVCA Position:</b> It does not specify the percentage of requisite approval from Series A Shareholders.</p> <p><b>Market Position:</b> Shareholder reserved matters typically require between 50%+ to 75% of all preferred shares, voting as a single class. In some cases, approvals from specified lead investors are required.</p>	<p>Shareholder reserved matters generally require a simple majority to supermajority of all preferred stock voting as a single class. A limited subset of series-specific reserved matters is not uncommon. In some cases, approvals from specified fund investors are also required.</p>	<p>Negotiable, but shareholder reserved matters often require approval by a simple majority of all holders of preferred stocks. In some cases, approvals from specified lead investors are also required.</p>






















									
Key Terms	US	Hong Kong *	Mainland China <sup>1</sup> *	Singapore	Japan	Latin America	UK	Israel	Germany











## 4.2











4.2.1	Subject Matter	<p><b>NVCA Position:</b> NVCA provides a list of board protective provisions focusing on various operational matters, and some significant corporate matters, as bracketed options which are usually negotiated and can alternatively be approved or waived by the investor stockholders.</p> <p>Additionally, NVCA provides for optional "backdoor" preferred director approval rights, including exemption of certain types of equity issuances from anti-dilution adjustments, approval of annual budget, incurrence of certain levels of debt, and employment matters. It is important to note that NVCA has, in the October 2024 versions, removed several "backdoor" preferred director approval rights that previously existed.</p> <p><b>Market Position:</b> Varies widely, but typically the full list of board protective provisions is negotiated to be a limited set of key matters.</p>	<p><b>HKVCA Position:</b> A formal list of board protective provisions, also referred to as "preferred director protective provisions," is focused on operational matters and certain significant corporate activities (e.g., change of principal business and entry into a corporate strategic relationship).</p> <p><b>Market Position:</b> Focused on operational matters. "Backdoor" board protective provisions are negotiable.</p>	<p>Focused on operational matters. "Backdoor" board protective provisions are customary.</p>	<p><b>VIMA Position:</b> A formal list of board protective provisions, also referred to as "board reserved matters," is focused on operational matters.</p> <p><b>Market Position:</b> Board reserved matters and "backdoor" board protective provisions are negotiable.</p>	<p>Focused on operational matters that are material.</p>	<p>Focused on operational matters in the NVCA.</p>	<p><b>BVCA Position:</b> Focused on operational matters. Notably, there are also a handful of backdoor protective provisions where "investor director consent" is required beyond the list of board consent matters. For example, mechanics in relation to departing employee provisions. Specifically, investor director consent may be required when the board (a) designates that a person is not a "Bad Leaver" or is a "Good Leaver," (b) determines that the departing employee provisions should apply, and (c) decides to restore voting rights for any departing employee.</p> <p><b>Market Position:</b> Consistent with the BVCA position.</p>	<p>Focused on operational matters. Separate from the formal list of board protective provisions, backdoor board protective provisions for other matters such as anti-dilution adjustment waivers, approval of budgets, employment matters, etc., are negotiable but fairly common.</p>	<p>The relevant companies in Germany mostly have managing directors as their executive officers. However, approvals of an advisory board with investors and founder representatives as board members are commonly included for key operational matters (which do not fall under the shareholder reserved matters).</p>
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		Investor Favorable			Balanced		Company/Founder Favorable			
	 Key Terms	 US	 Hong Kong *	 Mainland China <sup>1</sup> *	 Singapore	 Japan	 Latin America	 UK	 Israel	 Germany
4.2.2	Approval Threshold	 <b>NVCA Position:</b> Board reserved matters requiring investor directors' consent are optional.  <b>Market Position:</b> Negotiable, but fairly common, depending on the number of preferred directors on the board.	 <b>HKVCA Position:</b> Board reserved matters require investor directors' consent.  <b>Market Position:</b> Board reserved matters requiring investor directors' consent are negotiable, but fairly common.	 Board reserved matters requiring investor directors' consent are negotiable, but fairly common.	 <b>VIMA Position:</b> Consent from a majority of the board is required including the approval of one or more investor directors.  <b>Market Position:</b> Consistent with the VIMA Position.	 Board reserved matters requiring investor directors' consent are fairly common.	 Board reserved matters typically require approval of all investor directors.	 <b>BVCA Position:</b> Consent is required from all, or a percentage (which is not specified) of, or the majority of, investor directors.  <b>Market Position:</b> Consistent with the BVCA Position, consent is either generally required from either all or a majority of the investor directors.	 Consent is required from a majority of directors, which must include one or more preferred directors.	 See above in 4.2.1. In case of an advisory board, consent from a majority of advisory board members is common, which usually also includes the consent of one investor representative.
5										
5.1	Restrictions on Transfers: Founders and Key Management Shareholders	 <b>NVCA Position:</b> No pre-IPO lock-up, but transfers are subject to right of first refusal (ROFR) or co-sale rights, which may indirectly deter a potential sale to a third party.  <b>Market Position:</b> Consistent with the NVCA position, but founders and key holders may negotiate a 1 to 5% exemption from the ROFR/co-sale rights, among other customary exceptions.  The company's bylaws and stock plan may also include its ROFR or blanket transfer restrictions over all transfers of common stock.	 <b>HKVCA Position:</b> Founders are subject to share vesting or the company's right to repurchase. Founders may be subject to a lock-up period with <i>de minimis</i> carveouts. Transfers by significant ordinary shareholders (1% or above) remain subject to ROFR and co-sale rights.  <b>Market Position:</b> Negotiable, but it is common for ordinary shareholders to be subject to a lock-up period after completion (e.g., 3 to 5 years). After expiry of the lock-up period, transfers remain subject to ROFR and co-sale rights.	 Ordinary shareholders are typically subject to a lock-up period after completion (e.g., 3 to 5 years). After expiry of the lock-up period, transfers remain subject to ROFR and tag-along rights.	 <b>VIMA Position:</b> Founders may be subject to a lock-up period after completion (the length of which is not prescribed by VIMA and is negotiable). Transfers by non-preference shareholders remain subject to ROFR and tag-along/co-sale rights.  <b>Market Position:</b> Consistent with the VIMA position, but it is also not uncommon to see the length of the lock-up period tied to a liquidation event. After expiry of the lock-up period, transfers remain subject to ROFR and tag-along/ co-sale rights.	 Typically, no pre-IPO lock-up period (negotiable) but transfers by founders/key management shareholders are typically subject to ROFR/co-sale rights.	 No pre-IPO lock-up period, but transfers are subject to ROFR/co-sale rights, which deter a potential sale to a third party.	 <b>BVCA Position:</b> Transfers are subject to the consent of the board or investor majority consent, as well as a ROFR/co-sale rights.  <b>Market Position:</b> Consistent with the BVCA position for early-stage funding rounds. The consent right and co-sale right can be negotiated in later-stage funding rounds.	 Negotiable, but it is common for founders to be subject to a lock-up period until a liquidation event or for a specific period of time (commonly 2 to 3 years). After expiry of the lock-up period, transfers remain subject to ROFR and tag-along rights.	 Founder shares are mostly subject to a lock-up and vesting. Time is negotiable, however, after expiry of the lock-up period, transfers remain subject to ROFR and co-sale rights. Transfers by investors are mostly subject to ROFR/co-sale rights, which deter a potential sale to a third party.



		Investor Favorable			Balanced		Company/Founder Favorable			
										
	Key Terms	US	Hong Kong *	Mainland China <sup>1</sup> *	Singapore	Japan	Latin America	UK	Israel	Germany
6	ROFR/Co-Sale	 <b>NVCA Position:</b> Restrictions imposed on founders/key management. Company first and investors second will have a ROFR with respect to any shares of common stock of the company proposed to be transferred by current and future employees and consultants holding 1% or more of the common stock. Before any such transfer (assuming all of the shares have not been purchased by the company or investors), investors will have an opportunity to participate on a pro rata basis alongside the applicable employee or consultant. NVCA provides customary exceptions to the ROFR and co-sale restrictions which can be negotiated.  <b>Market Position:</b> Consistent with the NVCA position.	 <b>HKVCA Position:</b> Restrictions imposed on significant ordinary shareholders (1% or above). Company first and investors second will have a ROFR with respect to any shares of the company proposed to be transferred. Before any such transfer, investors will have an opportunity to participate. Optionality to limit the rights to major investors instead of all investors.  <b>Market Position:</b> Negotiable, but restrictions on transfers are typically only placed on founders and key management shareholders, and rights are typically given to all investors (holding any preferred shares).	 Negotiable, but restrictions on transfers are typically only placed on founders and key management shareholders, and rights are typically given to all investors (holding any preferred shares).  Certain offshore structures would provide for the company's redemption right as a supplement to preferred shareholders' ROFR with respect to ordinary shareholders' transfers.	 <b>VIMA Position:</b> Restrictions are imposed on non-preference shareholders, which can be defined to include founders and other specified ordinary shareholders.  <b>Market Position:</b> Negotiable. We have seen a range of practices in the market, where such restrictions are imposed on all shareholders, or on non-investors only. Such rights are typically given to investors and/or significant investors.	 Negotiable, but restrictions on transfers are typically only placed on founders and key management shareholders, and rights are typically given to all investors (holding any preferred shares).	 Restrictions are typically only imposed on founders and key management. The company will have a first ROFR and either all holders of preferred stock or "Major Investors" (investors holding a minimum number of preferred stock) will have a second ROFR.	 <b>BVCA Position:</b> BVCA imposes (a) ROFR on all shareholders, with Series A shares offered to Series A shareholders and ordinary shares offered to Series A shareholders or potentially widened to holders of equity shares; and (b) a co-sale obligation on founders (and potentially other employees and consultants) for the benefit of Major Investors (investors holding a minimum percentage).  <b>Market Position:</b> Consistent with the BVCA position. Major Investors are often specified as those holding at least 5% of the issued share capital.	 Negotiable, but ROFR and consent-based transfer restrictions on shareholders (not limited to management) are standard for private Israeli companies but the right to exercise may be limited to the holders of a certain minimum number of shares (e.g., 1% or greater of the issued and outstanding capital of the company).	 Negotiable, but transfers by shareholders are often subject to ROFR and tag-along rights.

<div><div></div><div>Investor Favorable</div><div></div><div>Balanced</div><div></div><div>Company/Founder Favorable</div></div>										
	 Key Terms	 US	 Hong Kong *	 Mainland China¹ *	 Singapore	 Japan	 Latin America	 UK	 Israel	 Germany
7	<b>Liquidation Preference</b> <sup>3</sup>	<div><div></div><div><b>NVCA Position:</b> Front-end multiple not specified. NVCA includes an option for non-participating preferred stock, where first the holders of preferred stock are paid their Original Issue Price (at an applicable multiple), and the balance of any proceeds shall be distributed <i>pari passu</i> to common stockholders.  NVCA also includes an option for participating preference, where first the preferred stockholders are paid their Original Issue Price (at an applicable multiple), and the balance of any proceeds shall be distributed <i>pari passu</i> to all stockholders.  <b>Market Position:</b> The market standard is 1x multiple non-participating. However, for distressed companies and companies in certain industries (such as healthcare) or with non-traditional VC investors, greater than 1x multiple, participating preference and later series having seniority over earlier rounds may become more common.</div></div>	<div><div></div><div><b>HKVCA Position:</b> (1) Non-participating; (2) Participating; and (3) Participating at a cap.  No front-end multiple is included.  <b>Market Position:</b> Front-end multiple tends to be 1x, and later series of preference shares rank ahead of earlier series of preferred shares, but this is negotiable and <i>pari passu</i> treatment is not uncommon.  Non-participating is more common.</div></div>	<div><div></div><div>Front-end multiple tends to be higher than 1x (e.g., 1.5x to 1.75x), and later series of preferred shares typically have priority over earlier series of preferred shares.  Participating is more common. The preferred shareholders participate in the remaining proceeds with ordinary shareholders.</div></div>	<div><div></div><div><b>VIMA Position:</b> Front-end multiple of 1x is suggested.  Participating and non-participating liquidation preferences are options given.  <b>Market Position:</b> Front-end multiple tends to be 1x, and later series of preference shares may have priority over earlier series of preferred shares.  Non-participating is more common.</div></div>	<div><div></div><div>Front-end multiple can be either 1x or higher than 1x (e.g., 1.5x). Later series of preferred shares typically have priority over earlier series of preferred shares.  Participating is more common.</div></div>	<div><div></div><div>Non-participating preferred stock with 1x multiple is standard.</div></div>	<div><div></div><div><b>BVCA Position:</b> Front-end multiple not specified. Non-participating liquidation preference is provided.  <b>Market Position:</b> Front-end multiple tends to be 1x and later series of preferred shares ranks ahead of earlier series of preferred shares.  Non-participating is more common.</div></div>	<div><div></div><div>Front-end multiple tends to be 1x, and later series of preference shares ranks ahead of earlier series of preferred shares, but this is negotiable and <i>pari passu</i> treatment is also common.  Non-participating is standard.</div></div>	<div><div></div><div>Investor-friendliness has increased over the past one or two years. Front-end multiple of 1.5x or 2x is not uncommon for non-participating and is observed for participating preferred stock.</div></div>

		Investor Favorable			Balanced		Company/Founder Favorable			
	 Key Terms	 US	 Hong Kong *	 Mainland China <sup>1</sup> *	 Singapore	 Japan	 Latin America	 UK	 Israel	 Germany
8	<b>Pre-emptive Rights</b>	<p><b>NVCA Position:</b> Also referred to as pro rata rights, “Right of First Offer” is given to Major Investors (holding a minimum number of capital stock).</p> <p>Optional “use it or lose it” where Major Investors may lose their pro rata rights if they do not invest in each round. Optional language whereby Major Investors holding a certain number of shares may waive pro rata rights for all Major Investors even if they participate in the financing that triggered the pro rata rights. However, NVCA provides additional optional language that the non-waiving Major Investors will only have their pro rata rights waived if they were offered to purchase a proportional number of securities as the waiving Major Investors.</p> <p><b>Market Position:</b> Consistent with the NVCA position. However, optional “use it or lose it” provision is uncommon. Additionally, it is not uncommon for a financing to have the springing pre-emptive rights mentioned above.</p>	<p><b>HKVCA Position:</b> Option to give pro rata rights to participate in new issuances to all investors or Major Investors (holding a minimum number of shares).</p> <p><b>Market Position:</b> Pro rata rights to participate in new issuances are typically given to all investors holding any preferred shares, but in some cases founders and key management can also participate.</p>	<p>Pro rata rights to participate in new issuances are typically given to all investors holding any preferred shares. Overallotment right is customary.</p>	<p><b>VIMA Position:</b> Pro rata rights to participate in new issuances granted to all shareholders or Significant Shareholders (holding a minimum shareholding percentage/number of shares) on a <i>pari passu</i> basis.</p> <p><b>Market Position:</b> Consistent with the VIMA position.</p>	<p>Pro rata rights to participate in new issuances are typically given to all investors holding any preferred shares.</p>	<p>Pro rata rights to participate in new issuances are typically given to Major Investors.</p>	<p><b>BVCA Position:</b> Pro rata rights to participate in new issuances (i.e., pre-emptive rights) are given to Major Investors (investors holding a minimum percentage).</p> <p><b>Market Position:</b> Consistent with the BVCA position.</p>	<p>Pro rata rights, also known as pre-emptive rights, remain as a standard protection granted to Major Investors in Israeli startups, typically those holding a minimum number of preferred shares or a specific ownership percentage. While Israel's corporate law provides a statutory framework for pre-emptive rights in private companies, these are frequently waived or replaced by contractual provisions in venture deals.</p>	<p>There is a mandatory legal right that pro rata pre-emption rights be granted to all shareholders to participate in new issuances.</p>

							Investor Favorable	Balanced	Company/Founder Favorable	
	Key Terms	US	Hong Kong *	Mainland China <sup>1</sup> *	Singapore	Japan	Latin America	UK	Israel	Germany
^	<p><b>Any Other Important/Interesting Observations</b></p>	<p><b>Pay-to-Play:</b> Featured in later-stage and down-round financings of companies that face challenges from fundraising due to valuation pressures, often involves recapitalization: (a) stockholders investing their pro rata share keep their liquidation preferences through a “pull through” and may gain extra benefits via a “pull up”; (b) stockholders who don’t invest their pro rata share risk having their preferred stock converted to common stock and further diluted via reverse stock splits. These reflect a tougher, more cautious and selective VC funding.</p> <p><b>Dividends</b> are usually structured <i>pari passu</i> with common stock, accruing dividends and compounding PIK dividends are terms more typically included in later-stage private equity transactions and life sciences deals.</p> <p><b>Founder Provisions:</b> NVCA model document<sup>4</sup> links common stockholder rights to continued service – which is increasingly common in current deals compared to three years ago. <b>Revesting of founder shares</b> is a typical term in Series Seed deals, with double-trigger acceleration being market for founder acceleration, though not explicitly addressed in NVCA documents.</p>	<p>The Hong Kong government is continuing to showcase its support for startups through government-related funds and the setup of the Hong Kong Investment Corporation Limited in 2023.</p> <p>VC investment remains subdued, despite the slight uptick in 2025 attributed to AI opportunities and the rebounding IPO market.</p>	<p>There often needs to be a greater focus on due diligence, as Chinese authorities continue to impose more restrictions than what one might expect to encounter on business licenses, compared to the US. Aside from these areas, other areas that merit scrutiny include (a) compliance (anti-bribery, corruption, and money laundering (ABCML) sanctions and, increasingly, export controls and data security), (b) corporate records, and (c) related party arrangements.</p> <p>Contractual control arrangements (or “VIE” arrangements) are used for businesses in which foreign ownership is limited to a stipulated percentage or prohibited, but regulators are increasingly scrutinizing such structures.</p>	<p>There often needs to be a greater focus on due diligence, as many jurisdictions in Southeast Asia impose more restrictions on (a) foreign ownership, (b) foreign exchange and capital controls, and (c) business licenses, as compared to the US. Other areas that merit scrutiny include (i) compliance (ABCML sanctions and, increasingly, export controls), (ii) corporate records, and (iii) related party arrangements.</p> <p>Nominee arrangements are used where foreign ownership is restricted or prohibited, but many jurisdictions prohibit nominee arrangements with anti-dummy laws. In some jurisdictions, there may be lighter enforcement against prohibited arrangements, or practitioners may have devised structures addressing foreign ownership restrictions. Foreign investors investing in such structures must accept certain inherent risks.</p>	<p>There often needs to be a greater focus on due diligence with respect to compliance, as the compliance issue sometimes becomes an obstacle in the review process by the Japanese stock exchanges (including the Tokyo Stock Exchange) and the lead managing underwriter. This is important for investors as IPOs are much more common than trade sales as an exit path in Japan.</p>	<p>Investor due diligence in priced rounds, especially in tougher fundraising environments, tends to be more extensive and financial and tax audits conducted in connection with financings are more common than in the US. Investors focus more closely on operational matters and intercompany dynamics than in the US.</p> <p>Investors are particularly focused on contingent liabilities with respect to taxes and employee classification issues (and related social contributions and other labor taxes).</p>	<p>BVCA forms were updated in February 2023 to provide clarity and flexibility, enhance compliance, and reflect market practice and commercial trends (for example, to: (a) streamline closing mechanics; (b) revise existing warranties and add new AI and insolvency warranties; (c) expand regulatory support and company undertakings; and (d) expand investor director indemnification).</p> <p>Investors continue to negotiate for stronger downside protections, e.g., higher liquidation preferences and a more extensive set of shareholder reserved matters.</p>	<p>Exit size in Israel increased significantly over recent years, with landmark deals in cyber such as Google’s \$32 billion acquisition of Wiz and Palo Alto Networks’ \$25 billion purchase of CyberArk, leading the trend. There is an increased interest in defense and dual-use technologies, that has drawn strategic US and institutional investors operating in that space. AI is another leading sector in Israel, with tech giants like Nvidia expanding operations in Israel to leverage local talent and the expertise of engineers coming out of elite intelligence units in the Israeli military. Recent government-backed initiatives, including the National AI Program, help support startups by providing accessible, non-dilutive funding for early-stage R&amp;D; such programs typically require that resulting technology remain in Israel, although companies can lift the restrictions through certain payments and/or commitments with respect to maintaining an R&amp;D workforce in Israel.</p>	<p>Specific tax clauses and regulatory exit clauses are added for investors with a US connection.</p> <p>Currently we see that, due to economic uncertainties, investors are more reluctant to invest and are trying to impose stricter protective provisions also for operational decisions.</p>

<sup>4</sup> See definition of “Qualified Key Holders” in the latest NVCA model Voting Agreement.

## Section 2 – Global Map with Key Takeaways

Investor Favorable

Balanced

Company/Founder Favorable



### Hong Kong

- VC terms tend to be more **investor friendly**, and founders undertake more liabilities.
- Greater focus on rectifying diligence issues and ongoing legal and/or sanctions compliance obligations on companies.



### Mainland China

- VC terms are generally more **investor friendly**, and founders undertake more liabilities.
- Greater focus on diligence issues and companies' ongoing compliance obligations.



### Singapore

- VC deal documents adopt various forms, including models (e.g., VIMA or NVCA) and house forms from leading investors.
- VC terms tend to be **investor friendly**: Targets are increasingly required to accept lower valuations and less favorable economic terms, as market conditions become more challenging.



### US

- Although the VC fundraising market remains challenging for companies, the US market continues to be characterized as **founder-favorable**, with the addition of more robust terms on corporate governance and oversight.



### UK

- The BVCA model agreements were updated in February 2025 to provide clarity and flexibility, enhance compliance, and reflect market practice, and commercial trends.
- Investors continue to negotiate for stronger downside protections, including anti-dilution clauses and liquidation preferences.



### Germany

- Shareholders have a legal pro rata right regarding new issuances.
- Market practice is otherwise quite similar to the NVCA position.



### Japan

- VC terms are generally more **investor friendly**.
- The typical liquidation preference mechanism is different from the US: participating is more common, and later series of preferred shares typically have priority over earlier series of preferred shares (instead of *pari passu*).



### Israel

- The global interest in Israeli innovation and deep technical talent pools may strengthen negotiating power for more **founder-favorable terms**, especially in sectors like AI and cyber.
- However, investors have been enjoying greater returns from larger exits in those sectors.



### Latin America

- Aligns with the US but presents more complexity regarding tax because of (a) flips in connection with financings, (b) the use of offshore investment structures, and (c) rapidly evolving tax reform measures in multiple major jurisdictions in the region.
- The rise of offshore incorporation-in-a-box services in past years encouraged investors to push for priced financings rather than settling for simpler convertible instruments. Priced equity financings, based on NVCA terms, valuation benchmarks and deal structures), can leave early-stage founders at a negotiating disadvantage. In past years we saw many founders automatically flipping up to an offshore incorporation structure to raise capital, thinking it was the only way to attract international investors. However, given the uncertainty in the venture financing market over the past two years, we have seen more founders deferring the offshore flip due to costs and market uncertainty, and focusing on raising smaller rounds of financings in SAFEs and convertible notes from early stage local funds.



# How Can MoFo Help?

With over 1,000 lawyers across 18 offices, Morrison Foerster is a global law firm dedicated to delivering business-oriented results to clients across Asia, United States, and Europe. In the past five years, we have advised over 1,700 start-ups and investors on venture financings of over US\$120 billion. Together with our leading US ECVC practice, our global ECVC experience is unparalleled. Should you have any questions, please reach out to our global co-chairs of ECVC practice, [Peter Fusco](#), [Michael Glaser](#), and [Jim Krenn](#), or key contact for this report [Thomas Chou](#), or any of our MoFo contributors below.

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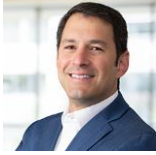
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