

Understanding FIPVCC: The Reporting Law Asset Managers Didn't See Coming

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Strategic Partners
Deal Closers
Reputation Protectors
Award Winners
Precedent Setters
Legal Innovators
Trusted Advisors
Forward Thinkers
Boundary Breakers
Problem Solvers
Community Leaders
Progress Makers

Fair Investment Practices by Venture Capital Companies Act (FIPVCC)

- Described as a “diversity reporting law” or a “venture capital transparency regime”
- Beginning in 2026, the Fair Investment Practices by Venture Capital Companies Act (“FIPVCC”) imposes new obligations on a wide array of asset management firms and funds
- In general, the FIPVCC requires covered entities to:
 - A. Register with the California Department of Financial Protection and Innovation (“DFPI”) ***commencing on March 1, 2026***; and
 - B. Beginning ***in April 2026***, annually report aggregated demographic information about the founding teams of the companies in which they have invested

A person in a dark suit is shown from the chest up, holding a white pen and drawing a white line on a dark blue background. The background features a financial chart with a candlestick chart at the top and a line graph below it. The text "Topics We Will Cover" is overlaid in white, bold font.

Topics We Will Cover

- Who is Covered and Why it Matters
- What Data Must Be Collected and How To Do It Defensibly
- When Compliance Requirements Take Effect
- Risk, Enforcement, and Reputational Exposure
- Operational Impact on Funds and Deals

Who Is Covered and Why It Matters



Investment Firms and Fund Structures That Fall Within FIPVCC's Scope

The FIPVCC applies to entities that meet the statutory definition of a “**venture capital company.**”

The definition of a “venture capital company” is *broad* and not intuitive.

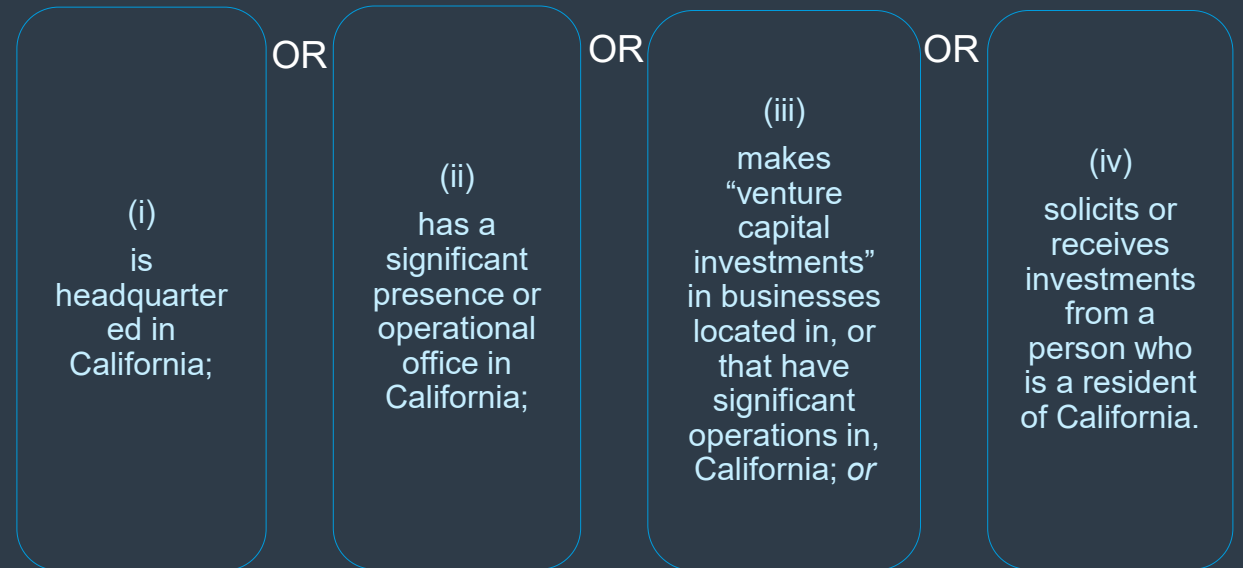
The FIPVCC defines a “venture capital company” (*i.e.*, a covered entity) by reference to California Code of Regulations (CCR) § 260.204.9

Does the FIPVCC Apply Only to California-Based Firms?

No – it applies to any “Covered Entity.”

A “Covered Entity” is any “venture capital company” that:

1. *Primarily engages* in the business of investing in, or providing financing to, *startup, early-stage, or emerging growth companies*; **AND**
2. Has a California nexus, which will exist if the “venture capital company”:



So What Other Firms Could be Covered?

The California nexus provisions are broad and may capture firms that do not regard themselves as doing business in California

For example, a firm headquartered in Boston still will be covered if it invests in any businesses that are based in California or have significant operations in the State.

Even firms that do not invest in companies that operate in California will be covered if they solicit money from California investors.



Venture Capital Company is Defined as Any Entity Where . . .

On at least one occasion during the annual period commencing with the date of its initial capitalization, and on at least one occasion during each annual period thereafter, at least fifty percent (50%) of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost, are **venture capital investments** or **derivative investments**;



The entity is a “venture capital fund” as defined in rule 203(l)-1 adopted by the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended; or



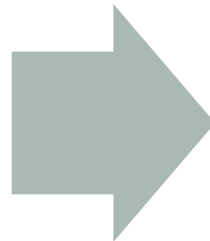
The entity is a “venture capital operating company” as defined in rule 2510.3-101(d) adopted by the U.S. Department of Labor under ERISA.

Venture Capital Investment is Defined as...

- an acquisition of securities in an operating company where the investment adviser (or the entity they advise, or an affiliate) obtains management rights. FIPVCC (Cal. Corp. Code § 27500(g))
- Title 10 of the California Code of Regulations (CCR) § 260.204.9(a) further clarify this definition:

Management Rights

Contractual or ownership rights allowing the right to participate in or influence an operating company's management, or to provide (or offer to provide) significant guidance and counsel



Operating Company

An entity primarily engaged in production or sale of products/services, excluding individuals, sole proprietors, and entities primarily involved in capital management

Derivative Investment is Defined as...

- an acquisition of securities by a venture capital company in the ordinary course of its business in exchange for an existing venture capital investment either
 - upon the exercise or conversion of the existing venture capital investment or
 - in connection with a public offering of securities or the merger or reorganization of the operating company to which the existing venture capital investment relates

Hypothetical #1: Acme Growth Partners

FACT PATTERN

Firm Profile

- Acme Growth Partners is a U.S. based investment manager running a \$500M growth equity fund.
- Acme does not market itself as a venture capital firm and does not rely on the venture capital adviser exemption.

Investment Activity

- Acme acquires 10-30% minority stakes in operating companies.
- Acme receives board observer rights, information rights, and consent rights over major transactions.
- Acme engages with management on strategy but does not typically control operations.

QUESTIONS

Is Acme Growth Partners a “Venture Capital Company” under the statute?

Hypothetical #2: Northstar Ventures

FACT PATTERN

Firm Profile

- Northstar Ventures is a Delaware-based venture capital fund explicitly engaged in early-stage venture investing.
- Northstar makes minority investments with board seats and active involvement.

California Connections

- Northstar has no offices, employees, or physical presence in California.
- Northstar accepts capital commitments from several California-resident limited partners.
- Northstar invests in companies incorporated outside California but with significant California operations

QUESTIONS

Is Northstar Ventures sufficiently connected to California to be covered under the statute?

What Data Must Be Collected and How To Do It Defensibly

In California, the FIPVCC requires covered venture capital companies to request demographic data from the founding team members of the businesses receiving investment or financing from the covered venture capital company, and to aggregate and report the data to the Department of Financial Protection and Innovation (DFPI). (Corp. Code, § 27500 et seq.)

Website: [VCC Reporting Program – DFPI](#)

Survey: [VCC Demographic Data Survey](#)

Report: [CA VCC Report](#)

User Guide: [VCC Portal External User Guide](#)

Reporting Portal: [VCC Reporting Portal](#)

VENTURE CAPITAL DEMOGRAPHIC DATA SURVEY

In California, the [Fair Investment Practices by Venture Capital Companies Law](#) requires [covered venture capital companies](#) to request demographic data from the founding team members of the businesses receiving investment or financing from the covered venture capital company, and to aggregate and report the data to the Department of Financial Protection and Innovation (DFPI). ([Corp. Code, § 27500 et seq.](#))

Founding Team Members

This Survey is developed by the DFPI for a covered venture capital company to capture demographic data information about each [founding team member](#) (e.g. owner, chief executive officer, president) of a business receiving investment or financing from a covered venture capital company.

Instructions for Founding Team Members

- Check the box(es) for which you identify or decline to state. One or more designations may be selected. Check the box "decline to state for all" only if you do not wish to reply to any of the items.
- Return the completed Survey directly to the venture capital company from which your business received investment or financing by an executed investment agreement with the first transfer of funds made in the calendar year stated in the Survey.
- Do not return a completed Survey to the DFPI.

Participation is Voluntary

A founding team member's decision to disclose demographic information is voluntary. No adverse action will be taken against a founding team member who declines to participate in the survey. Only aggregated and anonymized data collected for each demographic category will be reported to the DFPI.

VENTURE CAPITAL DEMOGRAPHIC DATA SURVEY FORM

Business Receiving Venture Capital Investment: _____

Calendar Year Received Venture Capital Investment: _____

Gender: I identify as:

- Woman
- Man
- Nonbinary
- Transgender
- none of the above
- decline to state

Disability Status: I identify as:

- a Person with a Disability
- not a Person with a Disability
- decline to state

Veteran Status: I identify as:

- a Veteran
- a Disabled Veteran
- not a Veteran
- decline to state

Race/Ethnicity: I identify as:

- Black or African American
- Asian
- Hispanic or Latino/Latina
- Native American or Alaskan
- Native Hawaiian or Other Pacific Islander
- White
- none of the above
- decline to state

California Residency: I am:

- a Resident of California
- not a Resident of California
- decline to state

LGBTQ+: I identify as:

- LGBTQ+
- not LGBTQ+
- decline to state

Decline to state for all:

- decline to state for all responses

Additional information about this Survey is available on the [DFPI website](#).

Questions or comments may be directed to the DFPI at VCC.Support@dfpi.ca.gov or (866) 275-2677.

CALIFORNIA VENTURE CAPITAL DEMOGRAPHIC DATA

REPORT for Prior Calendar Year []

Covered Entity Name: _

Headquarters Location: _

Part I: Aggregated Survey Demographic Data Responses - All Founding Teams of Businesses Invested in by Covered Entity

Instructions: Provide the total number of survey responses received from founding team members for each demographic category.

GENDER	<input type="checkbox"/> Woman <input type="checkbox"/> Man <input type="checkbox"/> Nonbinary <input type="checkbox"/> Transgender <input type="checkbox"/> none of the above <input type="checkbox"/> decline to state	LGBTQ+	<input type="checkbox"/> LGBTQ+ <input type="checkbox"/> not LGBTQ+ <input type="checkbox"/> decline to state
		DISABILITY STATUS	<input type="checkbox"/> Person with a Disability <input type="checkbox"/> not a Person with a Disability <input type="checkbox"/> decline to state
RACE/ETHNICITY	<input type="checkbox"/> Black or African American <input type="checkbox"/> Asian <input type="checkbox"/> Hispanic or Latino/Latina <input type="checkbox"/> Native American or Alaskan <input type="checkbox"/> Native Hawaiian or Other Pacific <input type="checkbox"/> Islander] White <input type="checkbox"/> none of the above <input type="checkbox"/> decline to state	VETERAN STATUS	<input type="checkbox"/> Veteran <input type="checkbox"/> Disabled Veteran <input type="checkbox"/> not a Veteran <input type="checkbox"/> decline to state
		CALIFORNIA RESIDENCY	<input type="checkbox"/> Resident of California <input type="checkbox"/> not a Resident of California <input type="checkbox"/> decline to state
		DECLINE TO STATE FOR ALL OF ABOVE	<input type="checkbox"/> decline to state for <u>all</u> survey questions above

Instructions: Provide the results of the calculations requested in the following items in accordance with the formulas included for each item, based on survey responses returned by founding team members.

"Primarily founded by diverse founding team members": To determine whether a business is primarily founded by diverse founding team members, identify whether more than one-half of the founding team members responded to the survey and at least one-half of the responding founding team members are diverse founding team members. If survey responses are not received from more than half of the founding team members of a team, or less than half of surveys received for a team are from a diverse founding team member, the business is not primarily founded by diverse founding team members for purposes of the below calculations.

- **Item 1:** During the prior calendar year, the number of venture capital investments to businesses primarily founded by diverse founding team members, as a percentage of the total number of venture capital investments made by the Covered Entity in the aggregate: _ _____ %.

Formula for Item 1:

$$\frac{\text{(Number of venture capital investments in businesses primarily founded by diverse founding team members)}}{\text{(Total number of venture capital investments)}}$$

- **Item 2:** During the prior calendar year, the total amount of venture capital investments to businesses primarily founded by diverse founding team members, as a percentage of venture capital investments made by the Covered Entity in the aggregate: _ _____ %.

Formula for Item 2:

$$\frac{\text{(Dollar amount of venture capital investments in businesses primarily founded by diverse founding team members)}}{\text{(Total dollar amount of venture capital investments)}}$$

- **Item 3:** For each demographic category, provide the percentage of businesses founded by diverse founding team members for that category, based on the number of businesses receiving investments, and based on the amount of the investments, in the chart below.

A. Formula for the number of investments in businesses primarily founded by diverse founding team members, by demographic category, as a percentage of the total number of investments:

$$\frac{\text{(Number of venture capital investments in businesses primarily founded by diverse founding team members for demographic category)}}{\text{(Total number of venture capital investments)}}$$

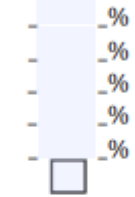
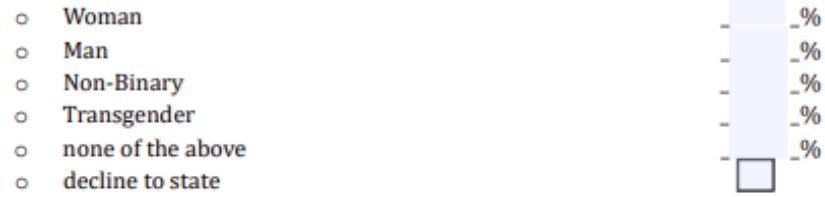
B. Formula for the amount of investments in businesses primarily founded by diverse founding team members, by demographic category, as a percentage of the total amount of investments:

$$\frac{\text{(Dollar amount of investments in businesses primarily founded by diverse founding team members for demographic category)}}{\text{(Total dollar amount of venture capital investments)}}$$

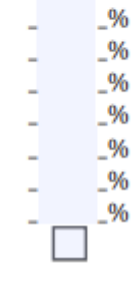
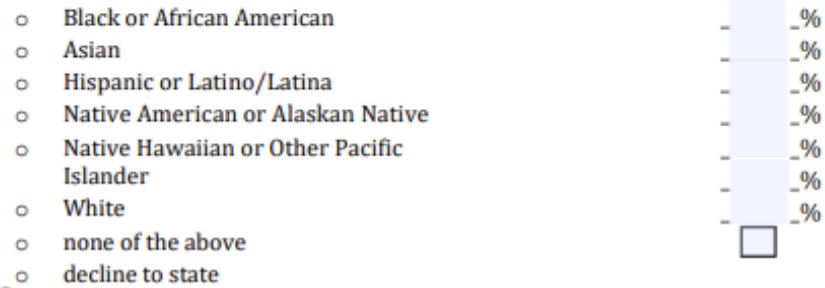
A. Percentage of Investments in Category by Number

B. Percentage of Investments in Category by Amount

GENDER



RACE / ETHNICITY



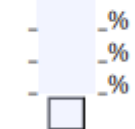
LGBTQ+



DISABILITY STATUS



VETERAN STATUS



CALIFORNIA RESIDENCY



Part III: Amount of Venture Capital Investment and Principal Place of Business for Each Business Receiving Funding

Instructions: Provide the total amount of money in venture capital investments and the principal place of business for each business that received funding from the Covered Entity during the prior calendar year:

Business Receiving Venture Capital Investment	Total Amount of Money in Venture Capital Investments	Principal Place of Business
Business 1		
Business 2		
Business 3		
Business 4		
Business 5		
Business 6		
Business 7		
Business 8		
Business 9		
Business 10		
Business 11		
Business 12		
Business 14		
Business 15		
Business 16		
Business 17		
Business 18		
Business 19		
Business 21		
Business 22		

Five Components of Annual Demographic Reporting

1. **Aggregated demographic information** for the founding teams of all businesses in which the firm made a VC investment during the prior calendar year;
2. **Number of VC investments to businesses primarily founded by diverse founding team members** as a percentage of the total number of VC investments the firm made;
3. **Total amount of VC investments made to businesses primarily founded by diverse founding teams** as a percentage of the total amount of VC investments made;
4. **Total amount of money a VC firm invested in each business** during the prior calendar year, regardless of the demographics of the founding team; and
5. **Principal place of business of each company** in which the firm made a VC investment.

Required Demographic Information



Gender identity of each founding team member, including nonbinary and gender-fluid identities;



Race of each founding team member;



Ethnicity of each founding team member;



Disability status of each founding team member;



Whether any founding team member identifies as LGBTQ+;



Whether any founding team member is a veteran or disabled veteran;



Whether any founding team member is a resident of California; and



Whether any founding team member declined to provide any of the above information

Common Collection Challenges

Voluntary participation

- Founders may decline to respond to some or all questions.
- Firms must still report response rates and aggregate outcomes.

No pressure/coercion permitted

- Firms must affirmatively communicate that participation is voluntary and that there will be **“no adverse consequences”** for non-participation.

Standardized form requirement

- The DFPI has provided a form to be used to survey founding team members.

Timing and tracking

- Surveys must be tied to **covered investments made during the reporting year**, creating operational tracking burdens.

Best Practices for Handling Sensitive Information

- Requires that covered firms collect the information needed to report by conducting a demographic survey (using a template created by the DFPI), which must be provided **directly by the VC firm to each founding team member of each business** in which the VC firm has invested.
 - *Important that VC firms not delegate the survey to the businesses—as the survey includes some inquiries that employers are prohibited from making.*
- Prohibits VC firms from incentivizing participation or penalizing businesses/founding team members for not providing responses to the survey.
- Prior to or concurrently with the survey, the VC firm must give certain required disclosures—including that the survey is voluntary and that the demographic information will be aggregated.

Hypothetical #3: Global Venture Fund

FACT PATTERN

Global Venture Fund is an international hedge fund with venture-style investments.

Global invests in Vertex Systems, a startup, as do several other institutional investors.

Each institutional investor, including Global, independently distributes the same DFPI-prescribed founder survey to Vertex and aggregates Vertex's responses for its own FIPVCC report.

QUESTIONS

Does Global Venture Fund have a responsibility to coordinate with other institutional investors to ensure that underlying founder data is not “double-counted”?

How does FIPVCC deal with multiple investors reporting the same underlying founder data for the same company?

Hypothetical #4: Summit Technologies

FACT PATTERN

Summit Technologies is a California-based startup that raises capital from multiple different venture capital firms.

Each of Summit's investors is subject to FIPVCC, so Summit's founders receive multiple survey requests asking for the same demographic information.

Founders are told participation is voluntary but receive repeated requests tied to the same investment year.

QUESTIONS

Are founders expected to complete the survey multiple times for the same year?

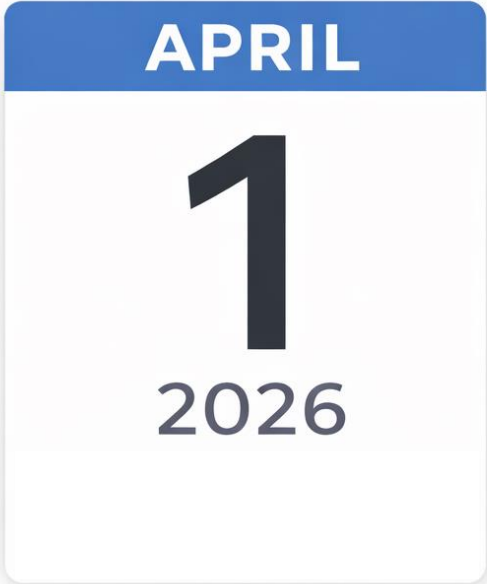
If founders provide inconsistent responses across surveys (or respond to some and not others), how does that affect the accuracy and integrity of aggregated reporting?

When Compliance Requirements Take Effect

Key Deadlines



Begin
Registering



First Annual
Demographic
Reporting Due

Initial Registration Requirements as of March 1, 2026

Any firm covered by the FIPVCC must register with the DFPI by submitting:



The firm's name;



The firm's business address, telephone number, website, and a designated email address; and



A designated point of contact (by name, title, and email address).

Firms have an ongoing obligation to keep the DFPI updated on changes to any of the above information

Risk, Enforcement, and Reputational Exposure

Consequences of Noncompliance

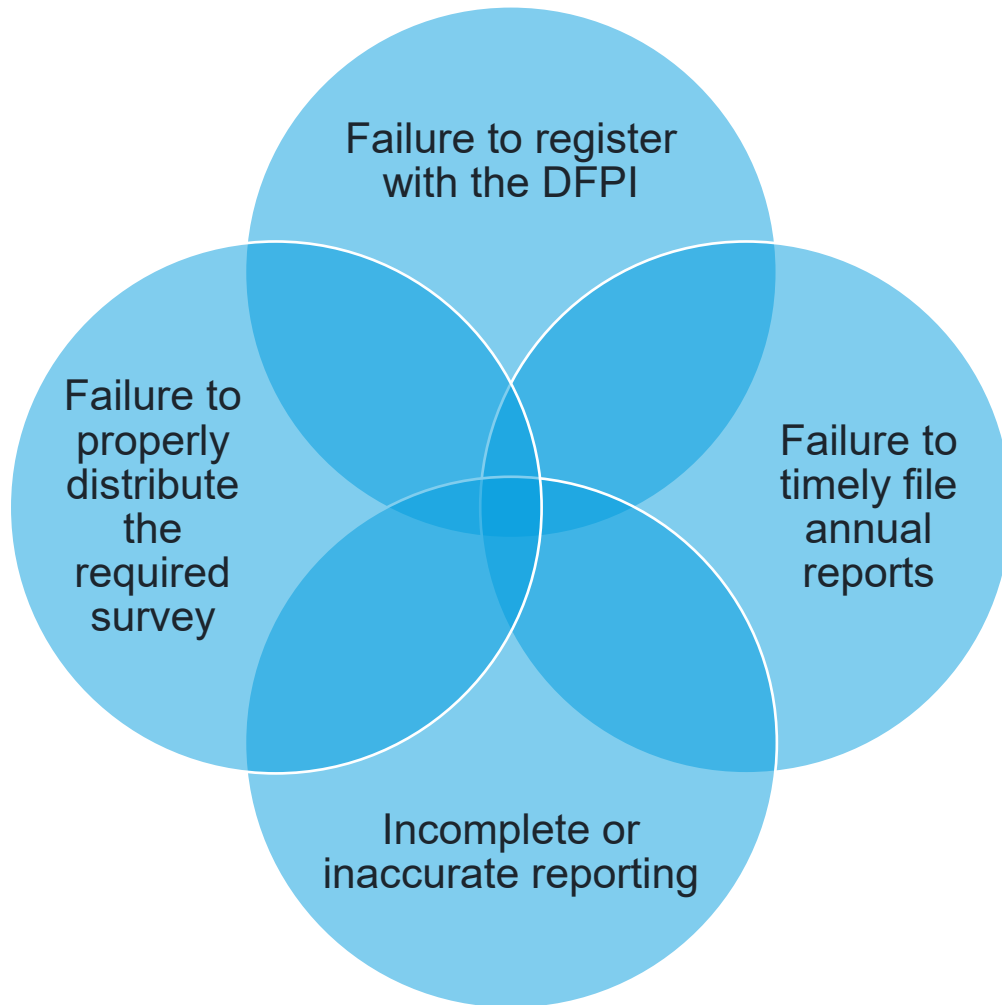
Enforcement:

- Broad authority for civil actions
- VC firms can be ordered to comply
- DFPI may recover civil penalties, along with costs and reasonable attorney's fees.
 - DFPI may recover a **penalty of up to \$5,000 per day** during which a violation occurs or continues
 - DFPI may seek ***heightened penalties for any reckless or knowing violations.***

Recordkeeping:

- FIPVCC requires that VC firms maintain records of the information and activities required under the statute for at least **five years**.
- DFPI has right to examine records and may make certain inquiries to covered VC firms

Areas of Regulatory Scrutiny



Reports submitted under FIPVCC will be **publicly available**, creating reputational exposure in addition to regulatory risk.

NVCA Opposition

On August 28, 2023, the National Venture Capital Association (NVCA) sent a letter to Senator Nancy Skinner, strongly opposing SB 54, the predecessor to SB 164.

On February 9, 2026, the NVCA sent a letter to Gavin Newsom to request a delay in the implementation and reporting deadlines associated with SB 54



August 28, 2023

The Honorable Nancy Skinner
1021 O Street, Room 8630
Sacramento, CA 94814

RE: SB 54 (Skinner) – Venture capital companies: reporting – OPPOSE

Dear Senator Skinner,

On behalf of venture capital firms, we raise significant concerns about California startup ecosystem. We produce misleading and counterproductive and inclusion (DEI) efforts which harm venture capitalists.

We urge you to reconsider benchmarking diversity in the startup ecosystem and opportunity through entrepreneurship.



February 9, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

KC Mohseni
Commissioner
California Department of Financial Protection & Innovation
2101 Arena Boulevard
Sacramento, CA 95834

RE: Implementation of SB 54 – Request for Delay

On behalf of the venture capital community and the entrepreneurs we support, I write to urgently request a delay in the implementation and reporting deadlines associated with Senate Bill 54 (Skinner), Chapter 594, Statutes of 2023. While we acknowledge the law's intent to benchmark diversity within the startup ecosystem, the current administrative timeline has created an unrealistic ability for venture capital firms to comply with the law.

SB 54 requires covered entities to provide founding teams with the opportunity to participate in a survey *after* the execution of investment agreements. However, the standardized survey form was published only two weeks ago. Additionally, as of today, there is still no way for firms to register with DFPI, yet firms are required to do so by March 1, 2026 - approximately 13 business days from now. In light of these administrative delays, in order for firms to comply with the law, firms will be forced to retroactively or hastily administer surveys using

Key Arguments from NVCA Opposition



Data Accuracy and Effectiveness

The legislation will likely generate "misleading and counterproductive data," actually harming rather than aiding diversity, equity, and inclusion goals.



Privacy and Feasibility Concerns

The small scale of data, particularly for early-stage investments, makes anonymization difficult, threatening the privacy of individual founders and startups.



Operational and Legal Burdens

The bill poses significant compliance costs and, "unnecessary costs and risks for California venture capitalists".



Infeasibility of Reporting

"Scenarios will arise where the data provided... will be of such small scale that achieving effective anonymization becomes challenging, if not unfeasible".

Operational Impact on Funds and Deals

FIPVCC applies at the “**venture capital company**” **level**, requiring identification of covered entities and investments made by covered entities during the prior calendar year

Annual reporting is tied to **businesses invested in during the preceding year**, which requires maintaining an annual list of in-scope investments

Reports submitted to DFPI will be **publicly available**, making reported information externally visible

How FIPVCC Affects Fund Administration

FIPVCC requires delivery of a **DFPI-prescribed demographic survey** to founding team members of businesses invested in during the prior year

Survey distribution is tied to **annual reporting cycles**, rather than to the closing of individual transactions

How FIPVCC Affects Communications with Portfolio Companies

FIPVCC compliance involves **multiple operational components**, including entity scoping, investment identification, survey distribution, data aggregation, and reporting

Information used for FIPVCC reporting generally does not overlap with data commonly maintained by fund administrators and back-office systems

Standardized DFPI survey and reporting formats limit customization while still requiring internal coordination across legal, compliance, and operations functions

How FIPVCC Affects Coordination with Advisors and Service Providers

Thank You



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