

Client Alert: California's Venture Capital Diversity Reporting Law: Imminent Deadlines, Open Questions, and What to Do Now

By: Daniel E. Wilcox
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UPDATE: DFPI Suspends FIPVCC Implementation and Enforcement Pending Rulemaking — April 1 Deadline Delayed

Key Points

- **The April 1, 2026 annual report deadline has been suspended.** Covered entities are not required to file by that date.
- **The March 1, 2026 registration requirement is also effectively superseded.** The DFPI has announced that no further registrations will be required pending completion of rulemaking.
- **The FIPVCC remains law.** The suspension is administrative, not legislative. The statute has not been repealed or amended.
- **Formal rulemaking must be completed within one year** of initiation, with pre-rulemaking stakeholder engagement beginning in the coming months.
- **Covered entities should monitor DFPI communications closely** and consider participating in the stakeholder engagement process.

What Happened

On or about March 17, 2026, the California Department of Financial Protection and Innovation issued a formal announcement suspending implementation and enforcement of the Fair Investment Practices by Venture Capital Companies Act (“FIPVCC”) pending the completion of a rulemaking process. The announcement states that the DFPI will not require covered entities to submit further registrations or file annual reports by the April 1, 2026 deadline. The DFPI attributed the suspension to feedback from venture capital companies, industry associations, founders, investors, and other stakeholders.

What the Suspension Means

Covered entities that have not yet registered with the DFPI or prepared their annual reports do not need to do so at this time. The April 1, 2026 filing deadline is suspended, and the DFPI has confirmed that it will not enforce reporting obligations while rulemaking is pending.

It is important to note that the FIPVCC has not been repealed and there has not been a change in the underlying legislative mandate. Covered entities should treat this period as an opportunity to refine their compliance infrastructure, not to abandon it. When final regulations are adopted, the reporting framework will return in a clarified form.

What You Should Do Now

The suspension affords covered entities a meaningful window that should be used strategically:

- 1. Consider participating in the stakeholder process.** The DFPI has expressly invited input from venture capital companies, industry associations, founders, and investors. Firms that actively engage in this process have the opportunity to shape regulations that are workable in practice.
- 2. Document your compliance posture to date.** If your firm has already registered, identified in-scope investments, or distributed surveys, preserve that work. It will serve as the foundation for compliance once final rules are in place and may inform how you approach the rulemaking.
- 3. Do not assume the law is going away.** The suspension reflects regulatory prudence, not retreat. The FIPVCC was enacted by the California Legislature and its objectives remain intact. Final regulations, once adopted, will carry the force of law.

Conclusion

The DFPI's decision to suspend implementation and enforcement of the FIPVCC pending rulemaking is a meaningful development that provides near-term relief from the April 1 filing deadline. It also signals that the regulatory framework governing this law will be meaningfully shaped by stakeholder input over the coming months. We view this as an important opportunity for the venture capital community to engage constructively in the rulemaking process and help craft a compliance regime that is both effective and administrable.

We are available to assist clients in evaluating the implications of this suspension, preparing for the rulemaking process, and structuring their compliance programs in anticipation of final regulations.

This alert is current as of March 17, 2026, and is provided for informational purposes only. It does not constitute legal advice, and receipt of this alert does not create an attorney-client relationship.

March 10th Client Alert:

Key Points

- **Registration deadline: March 1, 2026.** The DFPI portal is now live. If you have not yet registered, do so immediately.
- **First annual report deadline: April 1, 2026.**
- Covered entities are defined broadly. Many out-of-state venture firms with any California nexus are in scope.
- Significant interpretive questions remain unresolved. A flexible, well-documented compliance posture is critical.

Background

California's Fair Investment Practices by Venture Capital Companies Act ("FIPVCC") establishes a demographic data collection and reporting regime for venture capital firms with a California nexus. The program is administered by the California Department of Financial Protection and Innovation ("DFPI") and is designed to promote transparency regarding the demographic backgrounds of founders receiving venture capital investment. Survey participation by portfolio company founders is entirely voluntary, and the statute expressly prohibits funds from conditioning investment on survey participation. Failure to timely file may result in the DFPI imposing penalties of up to \$5,000 per day.

Who Has To File

The FIPVCC's definition of a "covered entity" is deliberately broad and captures many funds that might not consider themselves subject to California regulation. An entity qualifies if it satisfies all three of the following conditions:

1. **"Venture Capital Company."** The entity must: (i) invest at least 50% of its assets in "venture capital investments"; (ii) qualify as a "venture capital fund" under Rule 203(l)-1 of the Investment Advisers Act; or (iii) qualify as a "venture capital operating company" under ERISA Rule 2510.3-101(d);
2. **Primary Business.** The entity must primarily engage in investing in or providing financing to startup, early-stage, or emerging growth companies; **and**
3. **California Nexus.** The entity must satisfy at least one of: (i) headquartered in California; (ii) significant presence or operational office in California; (iii) investment in one or more portfolio companies based in or with significant operations in California; or (iv) solicitation or receipt of investment from one or more California residents.

What Does The Filing Actually Cover?

Before working through the mechanics of registration and reporting, two threshold questions determine whether you have any data to report at all.

1. *What time period does the first report cover?*

The first annual report, due April 1, 2026, covers venture capital investments made during calendar year 2025. If your fund made no qualifying investments between January 1 and December 31, 2025, you have no investment data to report. Please note that a separate registration obligation may still apply regardless of whether you have data to report (see Open Questions below). Going forward, each annual report will cover the prior calendar year on a rolling basis.

2. *What counts as a qualifying investment?*

Not every investment triggers the survey and reporting obligation. The FIPVCC applies only to "venture capital investments," which the statute defines as investments that carry management rights, meaning the right to substantially participate in, substantially influence, or provide significant guidance concerning the management, operations, or business objectives of the portfolio company.

In practical terms, this typically means investments where the fund negotiated board seats, board observer rights, or contractual management rights as part of the deal. Passive investments, loans without equity conversion features, and investments without governance participation generally fall outside the definition.

Before distributing a single survey, your team should identify which 2025 transactions carried management rights. That exercise determines your universe of in-scope portfolio companies and, by extension, which founding teams must receive surveys.

Once you have identified your in-scope investments, the reporting framework operates in three stages: (i) survey distribution, (ii) data collection, and (iii) aggregate reporting to the DFPI.

Covered entities must use the DFPI's [standardized demographic data survey](#) to collect information from founding team members of portfolio companies. The survey may only be distributed after execution of definitive investment documents and funding of the investment.

Prior to or concurrent with the survey, covered entities must deliver a written disclosure confirming that: (i) participation is entirely voluntary; (ii) no adverse action will result from non-participation; and (iii) responses will be reported only in the aggregate. Covered entities are

expressly prohibited from conditioning investment on survey participation or encouraging any particular response.

Who Do You Need To Send The Survey To?

This definition is one of the more consequential and potentially counterintuitive elements of the FIPVCC. The statute does not simply capture the person who had the original idea or signed the incorporation documents. Instead, it operates through two distinct pathways, each with its own logic.

Pathway One: The Multi-Factor Test

The first pathway captures individuals who satisfy all three of the following conditions simultaneously:

- The person owned initial shares or similar ownership interests in the business;
- The person contributed to the concept, research, development, or work of the business *before* initial shares were issued; and
- The person was not a passive investor.

Each element carries independent weight. The requirement that contribution occur *before* initial shares were issued is a temporal gate focused on those who shaped the company in its most nascent form, not those who joined shortly after formation. The passive investor carve-out ensures that early financial backers who took equity but played no operational role are not swept in.

Pathway Two: The Title-Based Test

The second pathway is simpler, and broader than it may first appear: any person designated as the company's CEO or president qualifies as a founding team member, regardless of when they joined or whether they had any role in the company's founding.

This means that a professional CEO hired years after formation, with no connection to the company's original concept or development, is a founding team member for FIPVCC purposes. Covered entities should not assume that only "original" founders are in scope.

Together, these two pathways can generate a surprisingly long list of individuals who must receive surveys. Before distributing surveys, covered entities should systematically work through their portfolio to identify everyone who qualifies under either test, including current and potentially former CEOs and presidents. Getting this identification step right is foundational to producing an accurate annual report.

Aggregate Reporting to the DFPI

Once surveys have been distributed and voluntary responses received, covered entities must aggregate that data and submit an annual report to the DFPI ([Form Available Here](#)). Annual reports must include:

- Aggregate founder demographic information drawn from survey responses;
- The number of investments made in "diverse" companies, which is defined as companies whose responding founding team members are more than half diverse (with at least one diverse respondent);
- The total dollar amount invested in those diverse companies; and
- The principal place of business and amount invested for each portfolio company that received

a venture capital investment during the prior calendar year.

What the Report Does Not Include

The report is intentionally designed to prevent the identification of any individual founder. Covered entities report only aggregate, anonymized data, not individual survey responses. Founders who decline to participate are simply not reflected in the aggregate. The statute does not require covered entities to follow up with non-respondents or to explain why response rates were low.

Why the Reporting Design Matters

This aggregation structure has two practical consequences worth keeping in mind. First, low survey response rates will naturally reduce the statistical weight of your reported data, but they do not create a compliance failure. Second, because only companies “primarily founded by diverse team members” are counted as diverse investments, the definition of who counts as a founding team member (above) flows directly into the diversity calculation. An incomplete or inaccurate founding team member identification process upstream will produce an inaccurate report downstream.

Reports are submitted through the DFPI’s VCC Reporting Portal at vcc.dfp.ca.gov/vcc.

Open Questions

As of the date of this client alert, the DFPI’s published resources leave open several critical questions:

- 1. Consolidated vs. Entity-by-Entity Filing.** Must each fund vehicle register and file separately, with a separate filing fee, or may a management company file a single consolidated report on behalf of all entities under common control? California Corporations Code Section 27501(d)(3) contemplates consolidation, but the DFPI has not confirmed how it applies in practice. For multi-vehicle fund families, the answer has direct cost and administrative implications.
- 2. Registration Without a Reporting Obligation.** It remains unclear whether a covered entity that made no qualifying investments in 2025 must still register. Funds in wind-down, or newly formed funds with no completed investments, should not assume they fall outside the registration requirement without first seeking guidance.
- 3. Scope of the Survey Obligation.** The statute ties reporting to “venture capital investments,” meaning those accompanied by management rights. Whether the survey obligation extends to all funded businesses, or only to those receiving qualifying investments, remains unresolved. This distinction matters most for funds that deploy capital through a mix of instruments.

Beyond these three, covered entities must also navigate how to handle survey non-responses in their reports, whether surveys may be distributed electronically rather than via the DFPI’s PDF form, and how to interpret undefined terms such as “significant presence” and “significant operations” for nexus purposes.

Given the unresolved state of these questions, we recommend erring toward broader compliance and documenting your reasoning carefully as guidance develops.

Conclusion

The FIPVCC represents a meaningful new compliance obligation for a broad swath of the venture capital industry. The law’s California-nexus provisions reach well beyond California-headquartered funds, and the compressed timeline between program launch and the first reporting deadline leaves little room for delay.

At the same time, important interpretive questions, including how to structure filings for multi-vehicle fund families and the precise scope of the survey obligation, remain open. A thoughtful, well-documented compliance approach that anticipates regulatory clarification is essential. **We are available to assist clients in evaluating coverage, structuring compliance programs, and navigating these open questions as they develop.**

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If you have any further questions, please contact **Dan Wilcox**.