

Client Insight: California Venture Diversity Reporting

Insights

January 29, 2026

This alert summarizes California venture diversity survey reporting requirements, originally enacted as SB 54 and now implemented via the Fair Investment Practices by Venture Capital Companies Act (“**FIPVCC**”) as amended by SB 164. The FIPVCC aims to address the issue of underrepresentation of certain groups in venture capital by imposing demographic data collection and reporting obligations on a wide range of venture capital and certain private equity firms with a California nexus. The California Department of Financial Protection and Innovation (“**DFPI**”) is responsible for oversight of the FIPVCC and has recently released a [standardized survey](#) for firms to use when collecting demographic data and a [website](#) with relevant updates. Under the FIPVCC, Covered Entities must send the standardized surveys requesting demographic data to portfolio company founding teams and report such data on an aggregate basis to the DFPI. The FIPVCC reporting regime is aimed at transparency rather than quotas. ***Survey participation by portfolio company founders is entirely voluntary.***

Key Takeaways

Though the DFPI is continuing to develop the venture capital company reporting program and has not yet released a registration portal or other platform to facilitate registration, clients should be mindful of the following:

- Commencing March 1, 2026, covered venture capital companies (“**VCCs**”) with a business nexus to California (each a “**Covered Entity**”) must register with the DFPI.

- By April 1, 2026 and annually thereafter, Covered Entities must send surveys to portfolio company founding team members, collect and aggregate demographic information voluntarily returned by founders, and submit anonymized survey results to the DFPI.
- Covered Entities are broadly defined to include funds and investment vehicles with a place of business in California, with investments in businesses with significant operations in California, and/or entities that solicit or receive investment from California residents.

Which Entities are in Scope?

The FIPVCC defines Covered Entities broadly and includes any entities that meet each of the following conditions:

- The entity falls within the definition of “venture capital company” under Section 260.204.9, specifically:
 - The entity invests at least 50 percent of its assets in “venture capital investments,” (defined below)
 - The entity is a “venture capital fund” as defined in Rule 203(l)-1 of the Investment Advisers Act of 1940, as amended (“**Advisers Act**”), or
 - The entity is a “venture capital operating company” as defined in Rule 2510.3-101(d) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)
- The entity primarily engages in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies; and
- The entity meets one or more of the following criteria:
 - The entity is headquartered in California;
 - The entity has significant presence or an operational office in California;
 - The entity invests in one or more portfolio companies that are based in or have significant operations in California, or
 - The entity has solicited or received investment from one or more California residents.

“Venture capital investments” are defined as “an acquisition of securities in an operating company as to which the investment adviser, the entity advised by the investment adviser, or an affiliated person of either has or obtains management rights.” “Management rights” are further defined as the “right, obtained contractually or through ownership of securities, either through one person alone or in conjunction with one or more persons acting together or through an affiliated person, to substantially participate in, to substantially influence the conduct of, or to provide (or to offer to provide) significant guidance and counsel concerning, the management, operations or business objectives of the operating company in which the venture capital investment is made.”

Given this broad definition, many funds that fall outside the Advisers Act definition of venture fund and many funds that are based outside of California are impacted by these reporting requirements.

How are Founding Team Members Defined?

The FIPVCC requires that Covered Entities annually collect and report aggregate demographic information of “founding team members” of portfolio companies in which the Covered Entity invested during the prior year. Founding team members are defined to include either of the following:

- A person who satisfies **all** of the following conditions:
 - The person owned initial shares or similar ownership interests of the business.
 - The person contributed to the concept of, research for, development of, or work performed by the business before initial shares were issued.
 - The person was not a passive investor in the business.
- A person who has been designated as the chief executive officer or president of a company.

How are Diverse Founding Team Members Defined?

Under the Act, a “diverse founding team member” means a founding team member who self-identifies as a woman, nonbinary, Black, African American, Hispanic, Latino/Latina, Asian, Pacific Islander, Native American, Native Hawaiian, Alaskan Native, disabled, veteran or disabled veteran, lesbian, gay, bisexual, transgender, or queer.

“Primarily founded by diverse team members” mean a founding team for which more than one half of the founding team members who responded to the survey and at least one of the founding team members are “diverse founding team members.”

How Should Founding Team Member Demographic Information be Collected?

The FIPVCC requires that Covered Entities send a DFPI **form survey** to founding team members. The survey may be sent to founding team members only after execution of definitive investment documents and funding of such investments. The survey asks founders to self-identify or “decline to state” across categories including gender identity, race, ethnicity, LGPTQ+ status, disability status, veteran status, and similar characteristics.

Before or concurrent with the survey, Covered Entities must provide a written disclosure stating that participation is voluntary, that no adverse action will result from non-participation, and that responses will be reported only in the aggregate to the DFPI. Covered Entities are specifically prohibited from conditioning investments on survey participation or otherwise encouraging founders to respond in any particular way or at all.

Initial Registration and Reporting Requirements

Under the Act, Covered Entities must register with and submit basic information to the DFPI by March 1, 2026. The DFPI is currently developing a registration portal that will be made available prior to the deadline.

In addition to registration, Covered Entities are required to send surveys to founders and aggregate responses. By April 1, 2026 and annually thereafter, Covered Entities must submit a report with aggregate data collected from these surveys to the DFPI.

The reports will include aggregate founder demographic information, the number of investments in “diverse” companies defined as investment in companies primarily founded by diverse founding team members, the dollar amount invested in diverse companies, and the principal place of business of and amount invested in each portfolio company.

The DFPI may impose penalties of up to \$5,000 per day if a Covered Entity fails to timely file. However, the DFPI is required to provide notice to Covered Entities and allow for a 60-day cure period before imposing any such penalties.

Practical Steps for Clients

Clients should consider a number of practical steps leading up to the registration and reporting deadlines.

- Determine whether any funds, investment vehicles, or other entities within your structure meet the definition of “venture capital company” with a California nexus and register such entities with the DFPI.
- Determine which investments made in 2025 constitute “venture capital investments.”
- Compile contact information for “founding team members” for each venture capital investment that is in scope.
- Develop written disclosures to accompany form surveys and send both the written disclosure and survey to each founding team member.
- Monitor DFPI rulemaking, guidance, the DFPI website, and Gunderson Dettmer alerts for additional information.

Please reach out to insights@gunder.com or your primary Gunderson attorney if you have any questions regarding these new requirements.

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