



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • COMMISSIONER **KC Mohseni**

IN REPLY REFER TO
FILE NO: PRO 01-26

May 26, 2026

**INVITATION FOR COMMENTS ON PROPOSED RULEMAKING
UNDER THE FAIR INVESTMENT PRACTICES BY VENTURE CAPITAL COMPANIES
LAW (PRO 01-26)**

BACKGROUND

The Fair Investment Practices by Venture Capital Companies Law (the Law), set forth in division 2.5 (commencing with section 27500) to title 4 of the Corporations Code,¹ provides that venture capital companies meeting specified criteria must comply with the following requirements:

1. Register with the Department of Financial Protection and Innovation (DFPI);
2. Provide each founding team member of a business that has received funding from the specified venture capital company with the opportunity to participate in a survey collecting demographic information; and
3. Report the information to the DFPI.

On March 17, 2026, DFPI announced that implementation and enforcement of the Law was being suspended, that DFPI would initiate rulemaking, and that the suspension would continue until the rulemaking process is complete and final regulations are in place. DFPI would not require covered entities to register or file reports by the April 1, 2026 deadline.²

INVITATION FOR COMMENTS

As part of the rulemaking process, DFPI is issuing this Invitation for Comments to solicit stakeholder feedback prior to publication of a formal Notice of Proposed Rulemaking. DFPI seeks public comments on the Law's registration, survey and reporting requirements.

For comments recommending rules, commentors are encouraged to propose specific rule language and provide an estimate, with justification, of the potential economic impact on business and individuals that would be affected by the language. To the extent possible, all comments should include any applicable information about economic impacts, metrics, or quantitative analysis to support comments.

¹ Unless otherwise noted, all references are to the Corporations Code.

² [VCC Reporting Program - DFPI](#)

I. Definition of “Covered Entity”

[Section 27500](#), subdivision (b) defines a covered entity as a venture capital company meeting both of the following criteria:

- (1) The venture capital company primarily engages in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies.
- (2) The venture capital company meets any of the following criteria:
 - (A) The venture capital company is headquartered in California.
 - (B) The venture capital company has a significant presence or operational office in California.
 - (C) The venture capital company makes venture capital investments in businesses that are located in, or have significant operations in, California.
 - (D) The venture capital company solicits or receives investments from a person who is a resident of California.³

Questions

1. How should “start-up,” “early-stage,” and “emerging growth company” be defined in subdivision (b)(1)?
 - a. When would a venture capital company be “primarily” engaged in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies? Should the determination be based on time or resources, or some other factor?
2. How should “significant presence” in subdivision (b)(2)(B) be defined?
3. How should “significant operations” in subdivision (b)(2)(C) be defined?
4. Is “headquartered in California” clear? If not, how should the phrase be defined?
5. Does “solicits or receives investments from a person who is a resident of California” in subdivision (b)(2)(D) include any types of persons in addition to investors, and if so, what additional types of persons would be included?
6. Is the definition of “covered entity” unclear in any way not covered in questions 1 through 5, that could be clarified through rulemaking?

³ Corp. Code, § 27500, subd. (b).

II. Registration and Reporting

[Section 27501](#), subdivision (a) requires a “covered entity” to submit to DFPI the name of the covered entity, the name, title and email address of the covered entity’s designated point of contact and the designated email address, telephone number, physical address, and internet website of the covered entity, and to update the information if it changes.

Subdivision (b) of section 27501 further requires these covered entities to file an annual report with DFPI that includes specified information about funding determinations in the prior calendar year.

Questions

7. Should a covered entity be required to register electronically on the DFPI web portal or should a covered entity be allowed to register using other means, such as a paper registration form mailed to the Department?
8. Should a covered entity be required to register if it did not make any venture capital investments in the prior calendar year?
 - a. Should a covered entity be required to register if it is no longer permitted to make new investments because it is past its investment life or in liquidation and thus did not make any venture capital investments in the prior calendar year?
 - b. Are there other reasons a venture capital company that meets the definition of covered entity should not have to register?
 - c. Relatedly, for a registered covered entity, are there reasons the registered venture capital company should not have to report on investments in the prior calendar year?
9. If a venture capital company is a covered entity on any date in a calendar year but, as of the end of such calendar year, no longer meets the criteria to be a covered entity, should the venture capital company nonetheless be required to register and report for such year? Why or why not?
 - a. Should a covered entity that made a venture capital investment in a prior calendar year and was then sold or dissolved in that calendar year register and report on such investment?
10. Should all venture capital investments in the prior calendar year be reported, including not just new, first-time investments in a company but also follow-on investments from a commitment made before the prior calendar year?
 - a. If follow-on investments are captured in the report, should founding team members be re-surveyed every year an investment is made?

locations are excluded because of risks to the founding team members, how should the determination of excluded locations be made?

13. How does the definition of “covered entity” impact a venture capital investment made through a special purpose vehicle, and does the choice of investment vehicle affect the registration and reporting requirements? If so, in what way?

III. Survey and Aggregated Annual Report

Subdivision (c) of section 27501 requires DFPI to specify a standardized survey form and requires a covered entity to provide each founding team member of a business that has received funding from a covered entity with an opportunity to participate in a survey for the purpose of collecting the information.

Subdivision (e) of section 27500 defines “founding team member” to mean either of the following:

- (1) A person who satisfies all of the following conditions:

- (A) The person owned initial shares or similar ownership interests of the business.
- (B) The person contributed to the concept of, research for, development of, or work performed by the business before initial shares were issued.
- (C) The person was not a passive investor in the business.

or

- (2) A person who has been designated as the chief executive officer or president.

Subdivision (d) of section 27500 defines “diverse founding team member” to mean 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.

Subdivision (b) of section 27501 requires the covered entity to report to DFPI the following information at an aggregated level for the founding teams of all the businesses in which the covered entity made a venture capital investment in the prior calendar year:

- (A) The gender identity of each member of the founding team, including nonbinary and gender-fluid identities.
- (B) The race of each member of the founding team.
- (C) The ethnicity of each member of the founding team.
- (D) The disability status of each member of the founding team.
- (E) Whether any member of the founding team identifies as LGBTQ+.

- (F) Whether any member of the founding team is a veteran or a disabled veteran.
- (G) Whether any member of the founding team is a resident of California.
- (H) Whether any member of the founding team declined to provide any of the information described in categories (A) to (G).

In addition, subdivision (b) of section 27501 requires a covered entity to report the following additional information:

- 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 the covered entity made, in the aggregate and broken down into the categories described in (A) to (H).
- 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 and broken down into the categories described in (A) to (H).
- The total amount of money in venture capital investments the covered entity invested in each business during the prior calendar year.
- The principal place of business of each company in which the covered entity made a venture capital investment during the prior calendar year.

Questions

14. Does the definition of an individual who is a “founding team member” require clarification, and if so, how?
15. Should a covered entity be required to send the survey to a founding team member of a business receiving venture capital investments in the prior calendar year if that founder ceased providing services to the business during the calendar year?
16. Should a covered entity be able to rely on the business receiving a venture capital investment to deliver the survey to the founding team members, or should the covered entity be required to directly deliver the survey to the founding team members?
17. The Law requires a covered entity to report the survey response data to DFPI in a manner that does not associate the survey response with an individual founding team member. The Law also provides that certain information reported to DFPI be anonymized to the extent possible. Other laws, such as state and federal laws protecting personally identifiable information, California privacy laws

and the European Union's General Data Protection Regulation require privacy and confidentiality of personal information. Are any accommodations to the survey and annual reporting necessary to ensure that survey response data does not associate the survey response with an individual founding team member?

- a. What hurdles would a covered entity encounter in anonymizing the data returned by a founding team member, and how can these hurdles be overcome?
 - b. Where a founding team member's information may be easily identifiable through the covered entity's report, what options should be available to protect the information from public dissemination?
 - c. Are additional requirements necessary to ensure the safekeeping of survey response data that would identify an individual founding team member? If so, what requirements are needed?
 - d. Section 27502, subdivision (a)(1) requires a covered entity's report to be readily accessible, easily searchable, and easily downloadable on DFPI's internet website. Does this requirement impact the ability to maintain the confidentiality of survey response data from an individual founding team member, and if so, how might confidentiality be maintained while meeting the disclosure requirements of the statute?
18. Subdivision (b)(5) of section 27501 requires a covered entity to report the principal place of business of each company in which the covered entity made a venture capital investment during the prior calendar year. What location should be identified as the "principal place of business"? Should the location be specific and include the street address, or general and include the state? Should out-of-country locations be designated at the country level, or is out-of-country sufficient? Can the identification of the location result in the survey response data being associated with an individual founding team member, and how can this result be prevented?
19. Subdivision (b)(4) of section 27501 requires a covered entity to report on the total amount of money in venture capital investments the covered entity invests in each business during the prior calendar year. Does this require the covered entity to report the amount of each investment at the business level, or may a covered entity report on the aggregate amount invested?
- a. If covered entities must report on the amount invested in each business, may the covered entity report on the number of investments made in various dollar ranges, instead of specific amounts for each business?

Why? If reporting on investment amounts in ranges is appropriate, what should be the appropriate ranges?

20. Should covered entities be able to request confidentiality and non-disclosure of the covered entity's identity, and if so, why? What requirements should be met for the request to be granted?
21. Should covered entities be required to use the exact survey form DFPI publishes or should alternative, secure third-party survey platforms, document formats or software tools containing identical data fields, requests for information, instructions and disclosures be allowed? If you believe alternatives should be allowed, please specify alternatives which you believe should be allowed.
22. Should the survey include only the categories of gender identity, race, and ethnicity listed within the definition of "diverse founding team member" in section 27500, subdivision (d) or facilitate compliance with the concomitant mandate in section 27501, subdivision (b) to specify percentages by gender identity, race and ethnicity?
 - a. If more categories of gender identity, race and ethnicity are included, should some or all of these categories be captured within the definition of "diverse founding team member"? If so, under which identified categories should additional categories be recognized: woman, nonbinary, Black, African American, Hispanic, Latino-Latina, Asian, Pacific Islander, Native American, Native Hawaiian, Alaskan Native, or transgender?
 - b. If founding team members may select additional categories of gender identity, race or ethnicity not included in the definition of "diverse founding team member," for purposes of the calculations required under paragraphs (b)(2) and (3) of section 27501, how will this reflect on the data reported regarding the funding decisions by a covered entity?
23. In addition to "decline to state," should the survey include a response of "other" for all response categories?
24. The Law defines "primarily founded by diverse team members" to mean that more than one-half of founding members responded to the survey and at least one-half are diverse founding team members.⁴ Since a founding team member's decision to disclose demographic information is voluntary, how can a covered entity ensure that the information reported to DFPI accurately reflects

⁴ Corp. Code, § 27500, subdivision (f)

the demographic information of the founding teams that the covered entity invested in?

- a. In cases where less than half of the founding team members respond to the survey, should the covered entity be allowed to note that on the aggregated report?
- b. What are additional ways this rulemaking could ensure that the information reported to DFPI and ultimately made public is an accurate reflection of the covered entity's investments?

25. Section 27501, subdivisions (b)(2) and (3) require covered entities to report the number and 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. DFPI has proposed the following formulas:

Number of venture capital investments to businesses primarily founded by diverse founding team members, as a percentage of the investments, in the aggregate -

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

Amount of venture capital investments to businesses primarily founded by diverse founding team members, as a percentage of the investments, in the aggregate

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

Are these formulas correct? Can the formulas be made clearer? If so, please propose specific language.

26. Section 27501, subdivision (b)(2) and (3) further require covered entities to report the number and 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, broken down into the categories. DFPI has proposed the following formulas:

Number of venture capital investments to businesses primarily founded by diverse founding team members as a percentage of investments, broken down into categories -

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

Amount of venture capital investments to businesses primarily founded by diverse founding team members as a percentage of investments, broken down into categories -

(Dollar amount of investments in businesses primarily founded by diverse founding team members for demographic category)

(Total dollar amount of venture capital investments)

Are these formulas correct? Can the formulas be made clearer? If so, please propose specific language.

IV. Fees

Subdivision (d) of section 27502 requires DFPI to charge and collect fees from covered entities to cover the expenses incurred in the administration of the Law, not to exceed the reasonable costs of that administration. The fee per report must be at least \$175.

Questions

27. Are there aspects of the costs and fees in Corporations Code section 27502 that should be clarified through rulemaking?
 - a. Are there factors the DFPI should consider in determining this fee? For example, should the DFPI charge every registrant the same fee, or charge different fees by tiers based on the annual dollar amount invested by the covered entity during the reporting year?

V. Records Retention

Section 27502, subdivision (c)(1) requires that a covered entity keep records demonstrating compliance for a period of five years after the covered entity delivers the report.

Questions

28. What type of documentary material or records should be retained by the covered entity for the five-year period?
29. How should the records be kept in order to best protect the privacy and anonymization of the founding team member's demographic data?
30. Should the covered entity preserve the records in a specific format given the sensitive nature of the information?
31. Are there specific categories of records that warrant special retention rules?

VI. Additional Comments

32. Are there any additional matters related to the Law that the DFPI should consider when proposing regulations?

TIME FOR COMMENTS

The Commissioner invites interested parties to submit comments by July 17, 2026.

WHERE TO SUBMIT COMMENTS

You may submit comments by any of the following means:

Electronic

Comments may be submitted electronically to regulations@dfpi.ca.gov. Please include "PRO 01-26" in the subject line. Submissions in Microsoft Word format are encouraged to facilitate public accessibility.

Mail

Department of Financial Protection and Innovation
Attn: Legal Division
651 Bannon Street
Suite 300
Sacramento, CA 95811

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To receive future updates about the Venture Capital Reporting Program rulemaking, subscribe under the "Contact Us" link at www.dfpi.ca.gov.

CONTACT PERSON

Questions regarding this invitation for comments may be directed to Pamela Hernandez, Senior Counsel for the Commissioner, at pamela.hernandez@dfpi.ca.gov.