

California Venture Capital Diversity Reporting 2026: Compliance Guide for Venture Capital Firms



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California has introduced a new regulatory framework that will significantly reshape demographic transparency expectations for venture capital (VC) firms operating in or interfacing with the state.

Under the Fair Investment Practices by Venture Capital Companies Law ([California Corporations Code §27500 et seq.](#)), “Covered Entities” will soon be required to collect demographic information from founding team members of portfolio companies and submit annual aggregated reports to the California [Department of Financial Protection and Innovation \(DFPI\)](#).

With the 2026 implementation cycle approaching, it is important for VC firms to assess the compliance requirements of their funds and to begin preparing internal systems and procedures to meet both the data-collection and reporting expectations. Covered Entity status is determined at the fund level, and firms should assess applicability accordingly.

Determining Covered Entity Status Under California’s FIPVCC: Statutory and Regulatory Definitions

To determine whether a venture capital fund qualifies as a Covered Entity under FIPVCC, the fund must satisfy all statutory requirements in California Corporations Code § 27500. This means the fund must (1) meet at least one California nexus criterion, (2) qualify as a “venture capital company”, and (3) primarily engage in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies.

The following definitions outline these requirements in detail:

1. Covered Entity – Definition (California Corporations Code § 27500)

A Covered Entity is a “venture capital company” that meets all of the following:

A. Primary Business Requirement

The entity must:

- Primarily engage in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies.

B. California Nexus Requirement

The entity must meet at least one of the following:

- The entity is headquartered in California

- The entity has a significant presence or operational office in California
- The entity makes venture capital investments in businesses located in or with significant operations in California
- The entity solicits or receives investments from a California resident.

2. Venture Capital Company – Legal Definition (Title 10 CCR § 260.204.9(a)(4))

FIPVCC uses the term “venture capital company”, which is likely intended to apply at the fund level.

A venture capital company is defined in [Title 10 CCR § 260.204.9\(a\)\(4\)](#) as an entity that meets one or more of the following tests:

A. 50% Asset Test

At least 50% of the fund’s assets (excluding short-term investments), valued at cost, must be:

- “Venture capital investments”, or
- Derivative investments (as defined in § 260.204.9(a)(6)).

B. SEC Venture Capital Fund Test

The entity meets the SEC definition of a “venture capital fund” under 17 C.F.R. § 275.203(l) 1.

C. ERISA VCOC Test

The entity is a Venture Capital Operating Company (VCOC) as defined in [29 C.F.R. § 2510.3101\(d\)](#).

A fund satisfying any one of these three tests is a venture capital company for purposes of FIPVCC — and therefore can be a Covered Entity if it also meets the California nexus.

3. Venture Capital Investment – Definition (Title 10 CCR § 260.204.9(a)(5))

FIPVCC expressly adopts the definition found in [Title 10 CCR § 260.204.9\(a\)\(5\)](#).

Definition:

“Venture capital investment” means an acquisition of securities in an operating company in which the investment adviser, the entity advised, or an affiliate has or obtains management rights.

Key insight: Since these nexus triggers are broad, even firms headquartered outside California — or with minimal California-based fundraising activity — may be subject to the law.

VC Diversity Data Collection: Survey Requirements and Best Practices

Beginning with the 2025 investment year, Covered Entities must distribute the DFPI standardized Venture Capital Demographic Data Survey to each founding team member of any portfolio company that receives a qualifying investment. standardized Venture Capital Demographic Data Survey to each founding team member of any portfolio company that receives a qualifying investment.

The survey requests voluntary self-identification across categories including:

- Gender
- Race/ethnicity
- LGBTQ+ status
- Disability status
- Veteran status
- California residency.

Key requirements include:

- Participation is voluntary, and no adverse action may be taken if a founder declines to respond
- Survey responses are returned directly to the VC firm

- Responses must be aggregated and anonymized before reporting.

Practical Tip: Establish robust tracking and safeguarding processes now to ensure accurate reporting and protect founder privacy.

DFPI Annual Reporting for Venture Capital Firms: Step-by-Step

Beginning in 2026, Covered Entities must submit a Venture Capital Demographic Data Report summarizing the aggregated demographic information collected during the prior calendar year.

The DFPI report includes:

- Aggregated demographic results from all survey responses
- Information on whether portfolio companies are “primarily founded by diverse founding team members”
- A listing of each funded business, including its principal place of business and investment amount.

The DFPI will publish these reports on its website, meaning firms should expect increased transparency and external visibility.

Key 2026 Compliance Dates

March 1, 2026 – Initial Registration Deadline

Covered Entities must complete their first registration with the DFPI.

April 1, 2026 – First Annual Report Due

Covered Entities must submit their aggregated demographic data report and required investment information by this date.

This filing deadline applies annually thereafter.

How VC Firms Can Prepare for California’s 2026 Diversity Reporting

As firms move toward implementation, recommended preparation steps include:

- Assessing whether the firm meets the Covered Entity definition
- Identifying portfolio companies and founding team members
- Establishing procedures for distributing, tracking, and safeguarding survey responses
- Implementing aggregation and documentation workflows for reporting
- Preparing for public disclosure of DFPI filings.

How Waystone Can Help

Waystone’s [US Compliance Solutions](#) team helps VC firms streamline compliance, from survey distribution to DFPI reporting and public disclosure. If you have questions or believe these requirements may apply to your firm, or if you would like assistance evaluating applicability, designing internal workflows, or preparing 2026 filings, please reach out to your usual Waystone representative or contact us via the link below.

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