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# California Fair Investment Practices by Venture Capital Companies Law

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Starting March 1, 2026, California's Fair Investment Practices by Venture Capital Companies Law (FIPVCC) imposes new registration and reporting obligations on certain venture capital companies with a nexus to California. The FIPVCC is codified under California Corporations Code Section 27500 et seq. and administered and enforced by the California Department of Financial Protection and Innovation (DFPI). The full text of the FIPVCC can be found here: [DFPI FIPVCC Law](#).

The FIPVCC requires a covered entity to register with the DFPI and submit annual reports containing anonymized, aggregated demographic information regarding founding team members of portfolio companies in which the covered entity made venture capital investments during the preceding year. Importantly, the broad language of the FIPVCC means it may affect (1) covered entities that are not traditional venture capital funds, and (2) covered entities without a physical presence in California or any California-based portfolio companies, including covered entities that accept or even solicit investments from California residents.

## **Application of FIPVCC**

The FIPVCC applies to “covered entities,” defined broadly to mean entities that (1) meet the definition of a “venture capital company,” (2) primarily engage in the business of investing in, or providing financing to, startup, early-stage or emerging growth companies, and (3) have a California nexus.

## **Venture Capital Company**

Under Section 260.204.9 of the California Code of Regulations, a “venture capital company” is defined as an entity that satisfies at least one of the following:

1. 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 50% of its assets (valued at cost, excluding short-term holdings) are “venture capital investments” or derivative investments;
2. The entity is a “venture capital fund” under the Investment Advisers Act of 1940; or
3. The entity is a “venture capital operating company” under the Employee Retirement Income Security Act of 1974.

A “venture capital investment” is defined as an acquisition of securities in an operating company as to which the investor has or obtains management rights. Management rights include the right, 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.

### **Nexus to California**

Under the FIPVCC, a venture capital company will be deemed to have a nexus to California if it meets any of the following criteria:

1. It is headquartered in California;
2. It has a significant presence or operational office in California;
3. It makes venture capital investments in businesses that are located in, or have significant operations in, California; or
4. It solicits, or receives, an investment from a person who is a resident of California.

### **Important FIPVCC Reporting Deadlines**

Starting March 1, 2026, each covered entity must submit the following to the DFPI through the DFPI's registration portal: (1) the name of the covered entity, (2) a designated point of contact with that person's name, title, and email address, and (3) the covered entity's email address, telephone number, and physical address. The DFPI FIPVCC registration portal can be found here: [DFPI FIPVCC Registration Portal](#).

By April 1, 2026 (and annually thereafter), each covered entity must submit an annual report to the DFPI containing demographic information for the founding teams of the businesses in which the covered entity made a venture capital investment and investment data for the prior calendar year. The DFPI FIPVCC report can be found here: [DFPI FIPVCC Venture Capital Demographic Data Report](#).

Covered entities must collect founder demographic information through a standardized survey form specified by the DFPI. The DFPI FIPVCC survey can be found here: [DFPI FIPVCC Survey](#). Importantly, before or concurrently with providing the survey to founding team members, covered entities must provide founders with a written disclosure stating that participation in the survey is voluntary, that declining to participate in the survey will not result in adverse consequences, and that only aggregated, anonymized data will be reported.

### **Fees and Penalties of Noncompliance with FIPVCC**

The DFPI will charge a fee of at least \$175 per report. If a covered entity fails to file its annual report by April 1, the DFPI must provide notice and allow a 60-day cure period. If a covered entity fails to submit the report within the 60-day period, the DFPI is entitled to enforce the FIPVCC by

filing in court to both compel the covered entity to comply with the FIPVCC and submit the report, and to pay a penalty sufficient to deter the covered entity from failing to comply. The monetary penalty may be up to \$5,000 per day for each day that a violation continues, unless the violation is reckless or knowing, in which case the DFPI Commissioner can determine that a penalty exceeding \$5,000 should be applied, if necessary to deter the covered entity from failing to comply.

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