

STATE OF NEW YORK

9717

IN SENATE

April 2, 2026

Introduced by Sen. CLEARE -- read twice and ordered printed, and when printed to be committed to the Committee on Corporations, Authorities and Commissions

AN ACT to amend the business corporation law, in relation to requiring certain venture capital companies to report diversity information about its funding determinations

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "diversity
2 in investment act".

3 § 2. The business corporation law is amended by adding a new section
4 113 to read as follows:

5 § 113. Diversity in investment practices by venture capital companies.

6 (a) For the purposes of this section, unless the context clearly has a
7 different meaning:

8 (1) "Venture capital company" means an entity that meets at least one
9 of the following criteria:

10 (i) is a venture capital fund;

11 (ii) is a venture capital operating company; or

12 (iii) on at least one occasion during the annual period commencing
13 with the date of its initial capitalization, and on at least one occa-
14 sion during each annual period thereafter, at least fifty percent of its
15 assets (other than short-term investments pending long-term commitment
16 or distribution to investors), valued at cost, are venture capital
17 investments or derivative investments.

18 (2) "Venture capital fund" means an entity as defined in rule 203(1)-1
19 adopted by the securities and exchange commission under the investment
20 advisers act of 1940.

21 (3) "Venture capital operating company" means an entity as defined in
22 rule 2510.3-101(d) adopted by the United States department of labor
23 under the employee retirement income security act of 1974.

24 (4) "Venture capital investment" means an acquisition of securities in
25 an operating company as to which the investment adviser, the entity

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 advised by the investment adviser, or an affiliated person of either has
2 or obtains management rights.

3 (5) "Management rights" means the right, obtained contractually or
4 through ownership of securities, either through one person alone or in
5 conjunction with one or more persons acting together or through an
6 affiliated person, to substantially participate in, to substantially
7 influence the conduct of, or to provide or to offer to provide signif-
8 icant guidance and counsel concerning, the management, operations or
9 business objectives of the operating company in which the venture capi-
10 tal investment is made.

11 (6) "Derivative investment" means an acquisition of securities by a
12 venture capital company in the ordinary course of its business in
13 exchange for an existing venture capital investment either: upon the
14 exercise or conversion of the existing venture capital investment; or in
15 connection with a public offering of securities or the merger or reor-
16 ganization of the operating company to which the existing venture capi-
17 tal investment relates.

18 (7) "Covered entity" means a venture capital company that meets both
19 of the following criteria:

20 (i) The venture capital company meets either of the following crite-
21 ria:

22 (A) The venture capital company primarily engages in the business of
23 investing in, or providing financing to, startup, early-stage, or emerg-
24 ing growth companies.

25 (B) The venture capital company manages assets on behalf of third-par-
26 ty investors, including, but not limited to, investments made on behalf
27 of a state or local retirement or pension system.

28 (ii) The venture capital company meets any of the following criteria:

29 (A) The venture capital company is headquartered in the state of New
30 York.

31 (B) The venture capital company has a significant presence or opera-
32 tional office in the state of New York.

33 (C) The venture capital company makes venture capital investments in
34 businesses that are located in, or have significant operations in, the
35 state of New York.

36 (D) The venture capital company solicits or receives investments from
37 a person who is a resident of the state of New York.

38 (8) "Diverse founding team member" means a founding team member who
39 self-identifies as a woman, nonbinary, Black, African American, Hispan-
40 ic, Latino-Latina, Asian, Pacific Islander, Native American, Native
41 Hawaiian, Alaskan Native, disabled, veteran or disabled veteran, lesbi-
42 an, gay, bisexual, transgender, or queer.

43 (9) "Founding team member" means either of the following:

44 (i) A person who satisfies all of the following conditions:

45 (A) The person owned initial shares or similar ownership interests of
46 the business.

47 (B) The person contributed to the concept of, research for, develop-
48 ment of, or work performed by the business before initial shares were
49 issued.

50 (C) The person was not a passive investor in the business.

51 (ii) A person who has been designated as the chief executive officer,
52 president, chief financial officer, or manager of a business, or who has
53 been designated with a role with a similar level of authority as any of
54 those positions.

55 (10) "Non-compliance" means that a covered entity:

56 (i) intentionally filed misleading diversity data;

(ii) mistakenly filed incorrect data and failed to correct such data within six months of receiving notification from the attorney general's office of such incorrect data;

(iii) failed to file the report required pursuant to this section and failed to file such report within six months of receiving notification from the attorney general's office of such failure to file such report; or

(iv) failed to keep accurate records for the amount of time required pursuant to paragraph (e) of this section.

(11) "Primarily founded by diverse founding team members" means a founding team for which more than one-half of the founding team members responded to the survey described in subparagraph two of paragraph (b) of this section and at least one-half of the founding team members are diverse founding team members.

(b) (1) Commencing on March first, two thousand twenty-eight and annually thereafter, a covered entity shall report all of the following information about its funding determinations by completing a form to be created by the secretary of state, with such form ascertaining at a minimum:

(i) At an aggregated level, for the founding teams of all of the businesses in which the covered entity made a venture capital investment in the prior calendar year to the extent the information was provided pursuant to the survey described in subparagraph two of this paragraph:

(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 the state of New York.

(H) Whether any member of the founding team declined to provide any of the information described in items (A) to (D) of this clause.

(ii) (A) 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 items (A) to (D) of clause (i) of this subparagraph.

(B) The information provided pursuant to this subparagraph shall be anonymized.

(iii) 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 subclauses (A) to (D) of clause (i) of this subparagraph.

(iv) The total amount of money in venture capital investments the covered entity invested in each business during the prior calendar year.

(v) The principal place of business of each company in which the covered entity made a venture capital investment during the prior calendar year.

(2) (i) A covered entity shall obtain the information required by subparagraph one of this paragraph by providing each founding team member of a business that has received funding from a venture capital

1 company to which the covered entity has acted as an investment adviser
2 with an opportunity to participate in a survey for the purpose of
3 collecting the information.

4 (ii) The survey shall include a "decline to state" option for each
5 question on the survey.

6 (iii) A covered entity shall provide a written disclosure to each
7 founding team member prior to, or concurrently with, the survey
8 described in clause (i) of this subparagraph that states all of the
9 following:

10 (A) The founding team member's decision to disclose their demographic
11 information is voluntary.

12 (B) No adverse action will be taken against the founding team member
13 if they decline to participate in the survey.

14 (iv) A covered entity shall not provide the survey described in
15 subparagraph one of this paragraph and the disclosure described in
16 clause (iii) of this subparagraph to a founding team member until after
17 the covered entity has executed an investment agreement with the busi-
18 ness and made the first transfer of funds.

19 (v) A covered entity shall not in any way encourage, incentivize, or
20 attempt to influence the decision of a founding team member to partic-
21 ipate in the survey described in clause (i) of this subparagraph.

22 (3) A covered entity required to conduct the survey described in
23 subparagraph two of this paragraph shall do both of the following:

24 (i) Collect survey response data from the founding team members in a
25 manner that does not associate the survey response data with an individ-
26 ual founding team member.

27 (ii) Report the survey response data pursuant to subparagraph two of
28 this paragraph in a manner that does not associate the survey response
29 data with an individual founding team member.

30 (c) A covered entity may satisfy the requirements of this section by
31 providing a report prepared by a business that controls each venture
32 capital company to which the covered entity acted as an investment
33 adviser at any time during the prior calendar year if the report
34 contains all of the information required by subparagraph one of para-
35 graph (b) of this section.

36 (d) A covered entity shall make the reports received pursuant to para-
37 graph (b) of this section readily accessible, easily searchable, and
38 easily downloadable on the covered entity's internet website.

39 (e) Commencing on July first, two thousand twenty-eight, and on July
40 first annually thereafter, a covered entity shall submit a completed
41 version of the form referenced in paragraph (b) of this section to the
42 secretary of state. The secretary of state shall make all reports
43 submitted to it pursuant to this section electronically available to the
44 public in a searchable format on its website.

45 (f) Whenever there shall be a violation of this section, an applica-
46 tion may be made by the attorney general in the name of the people of
47 the state of New York to a court or justice having jurisdiction by a
48 special proceeding to issue an injunction, and upon notice to the
49 defendant of not less than five days, to enjoin and restrain the contin-
50 uance of such violations; and if it shall appear to the satisfaction of
51 the court or justice that the defendant has, in fact, violated this
52 article, an injunction may be issued by such court or justice, enjoining
53 and restraining any further violation, without requiring proof that any
54 person has, in fact, been injured or damaged thereby. In any such
55 proceeding, the court may make allowances to the attorney general as
56 provided in paragraph six of subdivision (a) of section eighty-three

hundred three of the civil practice law and rules, and direct restitution. Whenever the court shall determine that a violation of this article has occurred, the court may impose a civil penalty of not more than one thousand dollars per day during such time of non-compliance for firms with under one hundred fifty million dollars in total assets, not more than three thousand dollars per day for firms with between one hundred fifty million dollars and one billion five hundred million dollars in assets, and not more than five thousand dollars per day for firms with over one billion five hundred million dollars in assets. In connection with any such proposed application, the attorney general is authorized to take proof and make a determination of the relevant facts and to issue subpoenas in accordance with the civil practice law and rules.

§ 3. This act shall take effect immediately.