

Are Your Valuations Board-Ready?



Private Credit Valuation and Independent Testing Checklist

Use this checklist to quickly assess whether your valuation framework meets board, investor, auditor, and regulatory expectations.

1. Governance and Oversight

- Documented valuation policy aligned with current market, regulatory, and accounting standards
- Independent valuation oversight function or third-party review incorporated
- Clear roles and responsibilities for deal teams, valuation committees, and risk teams
- Periodic board reporting structure (e.g., quarterly valuation summaries, trend analysis, exceptions)
- Escalation protocols defined for valuation disagreements or exceptions

2. Methodology and Model Integrity

- Consistent application of valuation methodologies across the portfolio
- Model validation performed, including sensitivity testing and assumptions backtesting
- Use of multiple approaches where appropriate (e.g., market comps, yield analysis, income approach)
- Transparent rationales for methodology selection and assumptions
- Regular updates to reflect market conditions, borrower performance, and macroeconomic shifts

3. Data Quality and Inputs

- Reliable, independently-sourced data used for inputs (market yields, spreads, ratings, etc.)
- Borrower-provided information is verified and cross-checked
- Complete and current financial data on borrowers (covenants, performance metrics, liquidity)
- Documented adjustments to financials or assumptions
- Stress scenarios and downside cases incorporated

4. Documentation and Auditability

- Full audit trail of inputs, calculations, approvals, and supporting rationale
- Clear documentation of assumptions, data sources, and model parameters
- Version control for valuation models and reports
- Ability to quickly reproduce valuations for auditors or regulators
- Exception logs maintained and reviewed

5. Independent Testing and Benchmarking

- Annual (or more frequent) independent valuation testing performed by a qualified third party
- Coverage that matches investor and regulatory expectations (e.g., 20–33% of portfolio or risk-based)
- Variance analysis completed and reviewed by governance teams
- Challenges and recommendations addressed and documented
- Benchmarking against market data and peer portfolios conducted

6. Regulatory and Investor Alignment

- Alignment with the SEC's valuation rules, the American Institute of Certified Public Accountants' guidance, and industry best practices
- Investor reporting packages include transparent valuation methodologies
- Regulatory exam readiness demonstrated through policies, testing results, and documentation
- Controls validated through internal audit or external review
- Prepared responses to common regulator questions on valuation controls, data, and oversight

7. Board Communication and Confidence Indicators

- Clear narrative explanations accompany valuation results
- Material movements explained with data-supported reasoning
- Key risks and uncertainties highlighted for the board
- Comparisons to prior quarters included with trend analysis
- Board receives independent testing results and remediation plans

If you checked fewer than 80% of the boxes:

Your valuations might not be fully board ready and may benefit from an independent review or enhanced valuation governance framework.

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