Principles for private credit funds done well

The private credit fund sector should use the principles in Table 1.2 as a benchmark to urgently assess its current practices, lifting them where necessary. This step will enhance trust and integrity in the private credit fund sector.

All participants in the private capital funds sector should apply these principles when reviewing their practices, and strengthen them where needed, with appropriate tailoring based on the nature of the fund's underlying assets.

This table is an excerpt from pages 26-28 of ASIC's Advancing Australia's evolving capital markets: Discussion paper response report.

Table 1.2 : Principles for private credit funds done well

Principles	Why it matters	Considerations for private credit participants
1. Stewards of other people's money REs and trustees act as stewards of investor capital, ensuring that their decisions are fair and in investors' best interests.	Safeguards assets, promotes fairness and maintains trust in the system.	RE and trustee boards should actively oversee fund operations, including valuations, conflicts, liquidity and impaired assets, to ensure fair and proper conduct.
2. Organisational capability Human, financial and technological resources are adequate. REs and trustees operate efficiently, honestly and fairly.	Supports operational resilience, investor protection and regulatory compliance.	Maintain adequate staffing, systems, and capital, with regular reviews as funds grow in size and complexity. Ensure appropriate expertise and experience in leadership and staff, including in credit, risk, compliance, systems support, valuation, reporting, liquidity, and conflict management. Undertake appropriate monitoring and supervision, including of corporate authorised representatives.
3. Transparency Investors have access to timely, transparent information on investment strategy, exposures, valuations, risks and fees. (Table 1.1 issue no. 1)	Supports comparability and informed decision-making by Investors.	Adopt consistent reporting practices and terminology, including timing, form and substance.
4. Design and distribution Design and distribution practices are fair, transparent and appropriately targeted for investors. (Table 1.1 issue no 2)	Ensures investors receive clear, accurate information to make informed decisions, and mitigates against mis-selling of unsuitable products.	Determine an appropriate target market, taking care that it reflects any high risk or complex fund structures or features. Strengthen distribution oversight to ensure product suitability (including via platforms). Platforms provide clear and accessible information.
5. Fees and costs Fees and costs are fair and transparent, giving investors and borrowers a clear view of total costs. (Table 1.1 issue no. 3)	Enables informed decision-making and promotes trust.	Disclose all fees and income streams (e.g. management and performance fees, borrower-paid fees, origination margins, default interest). Be clear about the manager's total remuneration. Avoid complex fee and margin structures that obscure the true cost to investors.
6. Conflicts of interest Conflicts of interest are identified, disclosed and effectively managed or avoided. (Table 1.1 issue no. 4)	Promotes trust and fair treatment of investors, borrowers and other parties.	Avoid arrangements (i.e. fees, interest, co-investment, loan structuring) that unduly favour one party. Ensure clear and fair allocation across funds. Disclose related-party transactions and multiple exposures to the same borrower with independent oversight.
7. Governance Structures, processes and people promote sound decision-making, compliance and accountability. (Table 1.1 issue no. 5)	Drives responsible decisions, supports ethical conduct, and fosters a risk-aware and compliant culture.	Establish well-defined, documented roles, decision-making and escalation processes, with clear accountability. Embed a culture of risk awareness, compliance and transparency. Empower staff to challenge poor practices. Ensure independent oversight, with REs and trustee boards independent of the business. Avoid overly complex structures that heighten the risks of conflicts and unfair treatment of investors and borrowers.
8. Valuations Valuations are fair, timely and transparent, with robust governance. [Table 1.1 issue no. 6]	Determines transaction, entry, and exit prices, and can influence management and performance fees.	Implement clear and consistent valuation methodologies, policies and processes that produce fair valuations. Undertake valuations regularly (monthly or quarterly), with appropriate independence. Include periodic external audits.
9. Liquidity Liquidity risk is effectively disclosed and managed, avoiding structural mismatches, with fair redemption terms aligned to portfolio liquidity. (Table 1.1 issue no. 7)	Minimises disruption during stress and ensures fair treatment of exiting and remaining investors.	Disclose redemption terms, liquidity gates and stress testing practices to investors. Ensure the source of funds for distributions is sustainable and stems predominantly from cashflows generated by underlying assets. Avoid paying distributions from investor capital or that of new investors.
10. Credit risk Credit risk is effectively managed across loan origination, portfolio construction, monitoring, impairment, default and repayment. (Table 1.1 issue no. 8)	Ensures disciplined lending. Aims to preserve investor capital, supports long-term portfolio performance, and enables effective impairment and default management.	Apply standardised credit assessment and monitoring frameworks as part of a well governed and documented risk management framework. Document credit decisions and risk ratings, and regularly review borrower performance. Establish escalation protocols for early signs of distress. Use portfolio stress tests. Apply a consistent approach to impairments, and ensure independent oversight of credit, default and impairment processes.