TheFinSense Backtest Audit Worksheet

A one-page record for deciding whether a trading-rule backtest deserves more trust.

NO SCORE

Critical failures lower the claim.

Claim under review

Rule / parameters: ______________________

Asset / market: ______________________

Sample period: ______________________

Benchmark: ______________________

0. DATA INTEGRITY PRECHECK

- ☐ The data starts early enough to initialize the longest lookback before the claimed test period begins.
- ☐ Signals do not use future information, and fills do not assume an impossible same-bar execution path.
- ☐ Price, dividend, split, and corporate-action treatment is clear enough to reproduce the return basis.
- ☐ The universe does not silently exclude delisted or failed securities when security selection matters.
- ☐ The benchmark matches the asset, risk, and time actually spent in the market.

1. SEARCH / DATA-SNOOPING GATE

- ☐ The rule and parameters were fixed before the holdout or forward test.
- ☐ The number of rules, parameters, assets, and windows searched is disclosed.
- ☐ The reported winner is judged against the search that produced it, not against one isolated null test.
- ☐ Pre-specifying a famous rule today is not treated as proof that historical selection bias never existed.

2. COST / IMPLEMENTATION GATE

- ☐ Commission, spread, slippage, and turnover assumptions are explicit and plausible.
- ☐ Borrow fees, partial fills, market impact, or capacity are addressed when relevant.
- ☐ Any tax row is labeled as a sensitivity unless the model actually tracks realization and account rules.
- ☐ Paper trading is not presented as proof of actual live fills or market impact.

3. UNSEEN-DATA GATE

- ☐ The holdout was untouched before the rule was frozen.
- ☐ The holdout was not reused repeatedly after failed versions of the strategy.
- ☐ A forward paper test keeps the rules fixed; losses do not trigger constant parameter changes.
- ☐ If the claim is broad, the result is checked across more than one regime, market, or reasonable start date.
- ☐ Costs used in the holdout reflect the holdout environment rather than being copied without review.

DECISION

- ☐ **REJECT**
  A critical integrity gate fails, or the claim is broader than the evidence.
- ☐ **PAPER-TEST**
  The rule is fixed and testable, but cost, execution, or unseen-data evidence is incomplete.
- ☐ **LIMITED ALLOCATION**
  The evidence is cleaner, the limits are explicit, and position size remains constrained.

Most important unresolved issue:

____

____

____

What evidence would change the decision?

____

____

____

Next review date / trigger:

____

____

How to use this sheet

Do not total the boxes into a score. Record the narrowest claim the evidence can support.