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## Petition for Rulemaking to Mandate AI Governance and Risk Management Disclosure in Public Filings

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**From** Candace Arthur <axisynth@outlook.com>  
**Date** Fri 11/7/2025 10:23 AM  
**To** Secretarys-Office <Secretarys-Office@SEC.GOV>

 1 attachment (82 KB)

Memorandum on Mandating AI Governance and Risk Management Disclosure in Public Filings.pdf;

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**To the Office of the Secretary,**

Pursuant to Rule 192 of the Commission's Rules of Practice, I respectfully submit this Petition for Rulemaking requesting that the Securities and Exchange Commission (SEC) initiate rulemaking to mandate specific disclosures concerning Artificial Intelligence (AI) governance, risk management, and usage within the financial reporting and public filings of registrants.

This submission is motivated by the immediate and growing imperative to address systemic risks introduced by the widespread adoption of AI technologies across the capital markets. The absence of standardized, mandatory disclosure creates significant information asymmetries, increasing material risk for investors, market participants, and the financial system as a whole.

The attached memorandum, titled "**Memorandum on Mandating AI Governance and Risk Management Disclosure in Public Filings,**" details the rationale for this action, proposes specific disclosure requirements, and outlines the need for a regulatory framework to preserve the integrity and stability of U.S. capital markets in the age of generative AI.

I urge the Commission and the relevant divisions to consider this Petition for Rulemaking and initiate the process for a Concept Release or Proposed Rule at the earliest possible opportunity.

Thank you for your time and consideration of this critical regulatory matter.

Sincerely,

Candace Arthur  
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# MEMORANDUM

**Date:** November 7, 2025

**From:** Candace Arthur

**To:** The Office of the Secretary

**Subject:** Petition for Rulemaking: Mandating AI Governance and Risk Management Disclosure

## Overview

The rapid, unregulated deployment of **artificial intelligence (AI)** across critical sectors—most notably fintech and enterprise commerce—has led to measurable systemic instability. In many cases, AI is being used without ethical guardrails, operational protocols, or enforced "how" use cases. The current approach focuses heavily on *what* AI can achieve (optimization and efficiency), with dangerously little oversight on *how* it should be applied. This imbalance is now showing clear signs of structural failure across markets.

## The Problem

Advanced **learning systems** used by financial institutions and corporations are engineered to optimize relentlessly for efficiency, profit, and output. Examples include:

- Recommending financial products or features based on granular customer data.
- Adjusting labor schedules or ad targeting to maximize short-term gain.

While these systems excel at execution, they fatally lack human nuance and ethical judgment.

**AI does not have the ability to discern when an optimization crosses into harm—to** individuals, to the stability of the market, or to public trust. As a result, these systems unintentionally push operations far beyond safe and sustainable boundaries in pursuit of a single metric of efficiency.

## Root Cause

There is a widespread and dangerous misconception that AI can replace human intelligence entirely. This is inaccurate and has led to the delegation of decisions where moral evaluation is required.

- **Human intelligence** is contextual, reflective, and ethical—it understands the long-term cost of short-term harm (the Natural Law of Reciprocity).
- **Artificial intelligence**, by contrast, follows algorithmic pathways—a series of steps optimized solely for problem-solving, not moral evaluation.

Even the most advanced learning systems, with neural structures inspired by the human brain, cannot make ethical decisions. They replicate judgment without understanding it. When left unsupervised, they will execute goals at **any cost**—including at the expense of trust, stability, and long-term viability, leading to the collapse of Customer Lifetime Value (CLV) and transactional frequency.

## Observable Effects

The real-world consequences of this imbalance between optimization and ethics are already evident and compounding the current market chaos:

- **Systemic Instability:** The 2024 Synapse Collapse demonstrates how AI-driven system failure in a major fintech provider can freeze millions of dollars across multiple platforms, indicating a lack of structural fail-safes.
- **Economic Inefficiency:** Companies replacing human roles with unguarded AI are seeing low or no return on investment, often followed by catastrophic operational setbacks and mass layoffs. (Forbes: 10/6/25)
- **Erosion of Consumer Trust:** Public perception is shifting sharply against corporations that appear to prioritize heartless automation over reciprocal value and human interaction.
- **Declining Earnings:** Legacy enterprises across sectors are experiencing falling customer loyalty and declining quarterly performance as algorithmic inefficiency and extraction compound into market rejection.

## The Fix: Generally Accepted Algorithmic Principles (GAIP)

The urgency for regulatory and ethical oversight cannot be overstated. Failure to act will result in further structural damage and a permanent decline in market confidence.

To prevent further systemic decay and restore public trust, organizations and governing bodies must implement the **Generally Accepted Algorithmic Principles (GAIP)** by:

1. **Implementing Standard AI Integrity Protocols:** Define and enforce baseline ethical constraints and **algorithmic guardrails** across all AI systems that affect consumer finance, employment, or market valuation.
2. **Mandating Human Oversight:** Require certified human review and intervention at predetermined thresholds for all critical AI-driven decisions to enforce ethical boundaries.
3. **Adopting Integrity-Based Governance Models:** Prioritize transparent, responsible use cases that explicitly safeguard the public interest and require that **integrity is programmed as a mandatory cost variable** within the AI's optimization function.

These measures represent not only essential damage control but a strategic opportunity for leadership. Entities and governing bodies that act now will position themselves as pioneers of a more stable, trustworthy, and human-aligned AI era.

Prepared by: Candace Arthur