

**BEFORE THE
UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

PETITION FOR RULEMAKING PURSUANT TO RULE 192

Re: Independent Assurance, Controls, and Disclosure Requirements for Material Digital Platform Metrics

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EXECUTIVE SUMMARY

Public companies increasingly report nonfinancial digital operating metrics - such as active users, subscribers, accounts, impressions, engagement, transactions, and active customers - that may materially influence investor assessments of growth, revenue-generating capacity, competitive position, and future prospects. Artificial intelligence and automated systems make synthetic identities and digital activity increasingly scalable, inexpensive, and difficult to distinguish from genuine human activity.

This petition respectfully requests that the Securities and Exchange Commission examine whether existing disclosure-control, internal-control, and independent-assurance frameworks adequately address the authenticity, provenance, classification, and economic attribution of material digital key performance indicators ("Digital KPIs"). The petition does not allege that any particular issuer has misstated its metrics. It asks the Commission to evaluate a forward-looking investor-protection risk.

The potential financial magnitude can be illustrated without alleging wrongdoing. For a hypothetical platform reporting 3.6 billion digital users, a 1% classification issue would involve 36 million digital identities. If \$5 of economic activity or revenue per reporting period were associated with each affected identity, the corresponding amount would be \$180 million per reporting period. This is solely an illustration of potential materiality; it is not an assertion that such revenue is fraudulent, improperly recognized, or present at any particular issuer.

The Commission already recognizes that KPIs and metrics disclosed in MD&A; may require contextual disclosure and appropriate disclosure controls and procedures.¹ Existing PCAOB standards also demonstrate the established principle that material assertions may require independent evidence rather than reliance solely on management records - for example, through inventory-observation procedures.² The petition asks whether an appropriately tailored assurance concept should be considered for material digital populations and activity.

The requested framework should be risk-based and technology-neutral. It should distinguish human activity, duplicate identities, customer-operated automation, third-party automation, issuer-operated automation, AI-generated activity, fraudulent or inauthentic activity, and activity of uncertain origin. Responsibility should follow knowledge, control, operation, classification, and representations to investors - not merely technological proximity. Cloud, GPU, hosting, networking, and data-center providers should not become responsible solely because activity passes through their infrastructure.

The central principle is straightforward: when a public company makes a material representation about the size, authenticity, or activity of a digital population important to understanding its economic performance or

prospects, investors should have reasonable confidence that the representation is supported by effective controls, transparent methodology, and, where appropriate, independent assurance.

References for Executive Summary

1. SEC, Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations, Release Nos. 33-10751; 34-88094 (Jan. 30, 2020).
2. PCAOB AS 2510, Auditing Inventories, especially paragraphs .09-.12.

I. PETITION

Pursuant to Rule 192 of the Securities and Exchange Commission's Rules of Practice, I respectfully petition the Commission to examine and, where appropriate, adopt rules or guidance addressing the reliability, control, disclosure, and independent assurance of material digital operating metrics reported by public companies.

This petition concerns metrics such as active users or people; subscribers; registered accounts; engagement; impressions; transactions; digital audience size; active customers; and comparable nonfinancial Digital KPIs.

The rapid development of artificial intelligence and automated systems creates a potentially significant challenge to the reliability of these metrics. Synthetic accounts, automated agents, duplicate identities, fraudulent activity, and company- or third-party-generated automated activity can potentially exist at scales that were historically difficult or costly to produce.

Where Digital KPIs are material to investors' assessment of a public company's growth, revenue-generating capacity, competitive position, or future prospects, I respectfully request that the Commission evaluate whether existing regulatory and audit requirements provide investors with sufficient assurance regarding the authenticity and integrity of those metrics.

This petition does not allege that any particular issuer has misstated its Digital KPIs. Rather, it requests that the Commission examine whether technological developments have created an assurance gap capable of producing material consequences for investors.

II. THE EMERGING ASSURANCE GAP

Digital businesses increasingly depend upon populations and activities that exist primarily inside information systems. Investors may evaluate such companies based upon metrics including active users, subscribers, engagement, impressions, transactions, active customers, or other measures of digital participation.

These metrics can influence expectations concerning advertising opportunities, subscription revenue, transaction revenue, customer growth, market penetration, future cash flows, revenue growth, competitive position, and enterprise valuation.

The underlying populations represented by these metrics may include genuine individual users; multiple accounts controlled by the same individual; automated accounts or software agents; AI-generated activity; fraudulent or inauthentic accounts; third-party-controlled automation; issuer-controlled automation; inactive or abandoned accounts; and activity whose provenance cannot reliably be determined.

Artificial intelligence materially increases the scalability and sophistication with which synthetic digital identities and activity can potentially be produced. Accordingly, the regulatory question is not simply whether an issuer has correctly counted digital records. The question is whether the metric actually represents what investors are told it represents.

III. POTENTIAL FINANCIAL MATERIALITY

The potential magnitude of even relatively small classification errors warrants regulatory examination.

Consider a purely hypothetical example. Assume a digital platform reports a population of **3.6 billion digital users**. If only **1%** of that population were materially misclassified, the affected population would equal **36 million digital identities**.

Assume further, solely for purposes of illustrating potential materiality, that approximately **\$5 of economic activity or revenue per reporting period** were associated with each affected identity. The corresponding economic activity would be **36 million x \$5 = \$180 million per reporting period**.

This example is not intended to suggest that any particular company has such a population, that \$5 is an appropriate valuation for any particular user, or that the resulting \$180 million would constitute improperly recognized revenue. It demonstrates only that a relatively small classification issue within a sufficiently large digital population can correspond to substantial economic activity.

Materiality is not appropriately reduced to a single numerical threshold. SEC staff guidance has long emphasized that quantitative magnitude is only the beginning of a materiality analysis and that qualitative circumstances also matter.³

IV. DIGITAL POPULATION INTEGRITY AND ECONOMIC ACTIVITY

Appropriate assurance should address two related dimensions: digital population integrity and economic activity integrity.

A. Digital Population Integrity

Where an issuer reports a material Digital KPI, appropriate controls should provide reasonable assurance concerning what constitutes a reported unit; how duplicate identities are identified; how automated and AI-generated activity is classified; how fraudulent or inauthentic activity is treated; how issuer-controlled and third-party automation are treated; how inactive accounts are treated; how uncertainty is measured; and whether material methodology changes are disclosed.

B. Economic Activity Integrity

Where those populations generate or influence economic activity, controls should also consider whether automated or synthetic activity materially affects advertising impressions, engagement measurements, subscriptions, transactions, advertising pricing, revenue attribution, growth rates, conversion metrics, or other financially relevant measures.

It is possible for revenue to be genuine cash received by an issuer while the underlying characterization of the audience or activity associated with that revenue is inaccurate. Assurance concerning Digital KPIs therefore should not necessarily be limited to whether revenue was received; it should also consider whether investors have been provided an accurate description of the operating activity underlying material financial performance.

V. EXISTING SEC DISCLOSURE PRINCIPLES PROVIDE A FOUNDATION

The Commission has already recognized the importance of key performance indicators and other operating metrics disclosed in MD&A.; Its 2020 guidance addresses disclosure considerations for KPIs and metrics and reminds registrants of requirements to maintain disclosure controls and procedures when disclosing metrics.¹

The emergence of scalable artificial intelligence and autonomous digital activity presents an opportunity to determine whether these principles should be supplemented by more explicit requirements concerning authenticity, provenance, automated activity, and independent assurance. The requested examination would not require treating Digital KPIs as traditional financial-statement line items. It would recognize that some nonfinancial metrics can become sufficiently important to investor decision-making that the reliability of the underlying measurement deserves additional regulatory attention.

VI. ANALOGY TO AUDIT ASSURANCE OVER PHYSICAL INVENTORY

Existing audit requirements demonstrate the importance of independently testing material representations concerning populations that contribute to reported financial results. PCAOB AS 2510 provides procedures addressing evidence over inventory quantities, including observation, testing, and inquiry in relevant circumstances, and states that accounting-record tests alone are not sufficient when the auditor has not otherwise obtained satisfaction regarding inventory quantities.²

This petition does not suggest that users, subscribers, or digital identities constitute accounting inventory. The analogy concerns assurance methodology rather than accounting classification. Where the existence, authenticity, or activity of a digital population materially affects investor evaluation of a business, the Commission should consider whether an analogous assurance principle is appropriate.

VII. DIGITAL PROVENANCE AND RESPONSIBILITY

Digital activity may originate from or pass through an individual user, customer-operated automation, third-party software, an AI model, an issuer-operated automated system, cloud infrastructure, data-center infrastructure, network infrastructure, or combinations of these systems.

Regulatory responsibility should therefore follow relevant factors such as knowledge, control, operation, classification, representations to investors, and responsibility for the underlying conduct. The mere provision of computing, cloud, GPU, hosting, networking, or data-center infrastructure should not by itself establish responsibility for automated activity executed by a customer. This distinction would strengthen investor protection while avoiding inappropriate responsibility for infrastructure providers that neither created nor controlled the relevant activity.

VIII. MATERIALITY AND PROPORTIONALITY

Any regulatory framework should be risk-based and subject to materiality. Not every Digital KPI warrants independent assurance. Relevant considerations could include the prominence management gives the metric; analyst and investor reliance; its relationship to revenue or growth; its influence on forecasts or compensation; its importance to competitive-position assessments; and the potential magnitude of measurement or classification errors.

The appropriate level of assurance could be proportional to risk and might include statistical sampling, automated testing, independent model validation, control testing, or other technologically appropriate procedures rather than exhaustive verification of every digital identity.

IX. RELATIONSHIP TO INTERNAL CONTROL OVER FINANCIAL REPORTING

PCAOB AS 2201 establishes requirements for audits of internal control over financial reporting and describes ICFR as providing reasonable assurance regarding reliable financial reporting and preparation of financial statements for external purposes.⁴ Material Digital KPIs outside the financial statements do not necessarily receive the same form of independent audit assurance.

This distinction may create an increasingly important assurance gap where nonfinancial Digital KPIs materially influence investors' understanding of an issuer's economic performance while falling outside traditional financial-statement audit procedures. The Commission should examine whether certain material Digital KPIs warrant an assurance framework that complements, rather than improperly expands, existing financial-statement audit requirements.

X. AI AND AUTOMATION INCREASE THE URGENCY OF THE ISSUE

Generative AI and autonomous software materially alter the economics of creating digital activity. Modern systems can potentially generate content, interactions, identities, conversations, and other activity at low marginal cost and substantial scale. As AI capabilities improve, distinguishing human-generated from automated activity may become increasingly difficult.

The Commission need not establish that widespread misreporting presently exists before examining whether existing controls are adequate to address a foreseeable and potentially material risk.

XI. POTENTIAL EFFECT ON INVESTOR VALUATION

Digital-user and engagement metrics can influence investor expectations concerning growth, revenue potential, advertising inventory, customer acquisition, market penetration, and future profitability. Consequently, material inaccuracies in those metrics could potentially influence the market's valuation of an issuer's securities.

The purpose of this petition is not to suggest that every measurement error affects a stock price or constitutes securities fraud. Rather, the Commission should consider whether financial-market reliance upon certain Digital KPIs makes independent assurance increasingly important.

When investors rely materially upon a digital population or activity metric in evaluating a public company, what level of assurance should exist that the population or activity actually represents what the issuer says it represents?

XII. REQUESTED COMMISSION ACTION

- 1 Conduct a study examining whether existing disclosure-control and audit requirements adequately address synthetic, automated, AI-generated, duplicate, fraudulent, and issuer-controlled activity within material Digital KPIs.
- 2 Evaluate the financial materiality of synthetic digital activity where digital populations or engagement influence advertising, subscriptions, transactions, revenue, growth, or other economically significant measures.
- 3 Consult with the Public Company Accounting Oversight Board concerning whether appropriate independent assurance standards should apply to certain material Digital KPIs.
- 4 Consider requiring issuers to maintain documented controls concerning the measurement, classification, authenticity, and provenance of material Digital KPIs.
- 5 Consider requiring appropriate disclosure of material methodologies used to identify duplicate, automated, AI-generated, fraudulent, issuer-controlled, and other non-human or inauthentic activity.
- 6 Consider requiring disclosure of material methodology changes that affect comparability between reporting periods.
- 7 Evaluate whether independent assurance should be required when a Digital KPI exceeds an appropriate materiality threshold or is otherwise central to investors' understanding of an issuer's business.
- 8 Consider appropriate provenance classifications, including human activity, customer-operated automation, third-party automation, issuer-operated automation, AI-generated activity, and activity of uncertain origin.

- 9 Ensure that responsibility follows knowledge and control rather than imposing responsibility merely upon cloud, GPU, hosting, network, or other infrastructure providers through which activity happens to pass.
- 10 Consider whether existing disclosure requirements sufficiently explain the economic relationship between material digital populations and the revenue, engagement, transactions, advertising activity, or other financial measures associated with those populations.

XIII. PETITIONER'S INTEREST

I submit this petition as an individual interested in investor protection, financial-market integrity, technological accountability, and the reliability of information used by investors to evaluate publicly traded companies. The accelerating adoption of artificial intelligence creates substantial economic opportunities, but it also introduces measurement and verification challenges that existing regulatory frameworks may not have been designed to address.

My interest is in encouraging the Commission to evaluate those challenges before synthetic digital activity becomes sufficiently sophisticated or widespread to undermine confidence in economically significant Digital KPIs.

XIV. CONCLUSION

Financial markets increasingly depend upon measurements of activity that occurs entirely within digital environments. As artificial intelligence makes synthetic digital activity cheaper, more scalable, and more difficult to distinguish from genuine human activity, investor-protection frameworks should evolve accordingly.

When a public company makes a material representation to investors about the size, authenticity, or activity of a digital population that is important to understanding the company's economic performance or prospects, investors should have reasonable confidence that the representation is supported by effective controls, transparent methodology, and, where appropriate, independent assurance.

The Commission should examine whether existing securities regulation provides that confidence and, if it does not, consider appropriate rulemaking or guidance to close the gap.

Respectfully submitted,

Frederick Gonzales

October 4, 2026

REFERENCES

1. U.S. Securities and Exchange Commission, *Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations*, Release Nos. 33-10751; 34-88094 (Jan. 30, 2020), <https://www.sec.gov/rules-regulations/2020/01/commission-guidance-managements-discussion-analysis-financial-condition-results-operations>.
2. Public Company Accounting Oversight Board, AS 2510, *Auditing Inventories*, especially paragraphs .09-.12, <https://pcaobus.org/oversight/standards/auditing-standards/details/AS2510>.
3. U.S. Securities and Exchange Commission, Staff Accounting Bulletin No. 99, *Materiality* (Aug. 12, 1999).

4. Public Company Accounting Oversight Board, AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*, <https://pcaobus.org/oversight/standards/auditing-standards/details/AS2201>.
5. U.S. Securities and Exchange Commission, Rule of Practice 192, 17 C.F.R. § 201.192; SEC, *Petitions for Rulemaking Submitted to the SEC*, <https://www.sec.gov/rules-regulations/petitions-rulemaking-submitted-to-sec>.