

Susan Light on What Ending the SEC's 'Gag Rule' Means for Enforcement Settlements

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Bloomberg Law Securities and *The Daily Upside* spoke with Partner and Broker-Dealer Regulation Co-Chair Susan Light about the Securities and Exchange Commission's (SEC) decision to rescind its decades-old "gag rule," which barred companies and individuals from publicly denying agency allegations after settling enforcement actions. SEC Chairman Paul S. Atkins framed the May 18 rollback as a move to support free speech, but Sue noted the change is unlikely to increase the number of settlements reached with defendants. "I do think it will have other impacts, but I don't think it will facilitate more settlements. Overall, it goes along with Chairman Atkins' priorities and program to make the SEC a less aggressive area. Aligning it with other federal agencies was a priority of his."

Sue observed that, while defendants now have greater flexibility in publicly discussing settled matters, most firms will not take extreme positions. She noted, "I don't think most firms will come out and say, 'I settled, but it's all a lie.' For the majority, it gives them flexibility in how they describe the action." She added that the Financial Industry Regulatory Authority (FINRA) may also reconsider informal gag clauses in its own processes.

Sue also cautioned that the policy change could prompt the SEC to require more public admissions from defendants as a condition of settlement, particularly in cases with parallel criminal investigations. "There's an off chance that the SEC gets angry because entities are settling and then putting out a press release saying the SEC had it all wrong," she said. "This might backfire on the SEC."

"SEC 'Gag Rule' Pullback Leaves Room for Harsh Settlement Terms," *Bloomberg Law Securities*, May 26, 2026

"Advisor Upside," *The Daily Upside*, May 23, 2026

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