

What Can Investment Professionals Learn From the Titanic?

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In recent remarks at the Insured Retirement Institute Government, Legal and Regulatory Conference, FINRA's head of Regulatory Policy, Thomas M. Selman, made a novel comparison between the sinking of the "Titanic" and [financial industry oversight](#). Selman used the famous disaster, which largely could have been prevented, as a cautionary tale for brokers and advisers with three valuable lessons:

1. Be a self-starter in identifying the risks that arise from evolving changes and trends in your business. Don't become too dependent on FINRA or the SEC, when you manage your risks. As Selman notes, "You should not wait for our detailed instructions to decide how to protect your customers... As the experience of the White Star Line in 1912 demonstrates, you must take it upon yourself to engage in independent, thoughtful analysis of how best to protect your customers."
2. Be nimble and review your procedures regularly to ensure that they reflect your existing business practices. The fact that the Titanic might sink quickly should have caused the White Star Line to consider that more lifeboats were necessary. Likewise, a financial services firm must ensure that its compliance and supervisory systems reflect the products that it offers, its business, and its customers
3. Always keep in mind the purpose of a rule and the underlying principles as opposed to looking at the plain words. Laws and rules can never cover every possible scenario. Conduct your business with integrity, honesty and with the customers' best interests in mind. Well, be a fiduciary.

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