
Building an Art Market for the Future

Guidelines for Countering Money Laundering
and Terrorist Financing Threats

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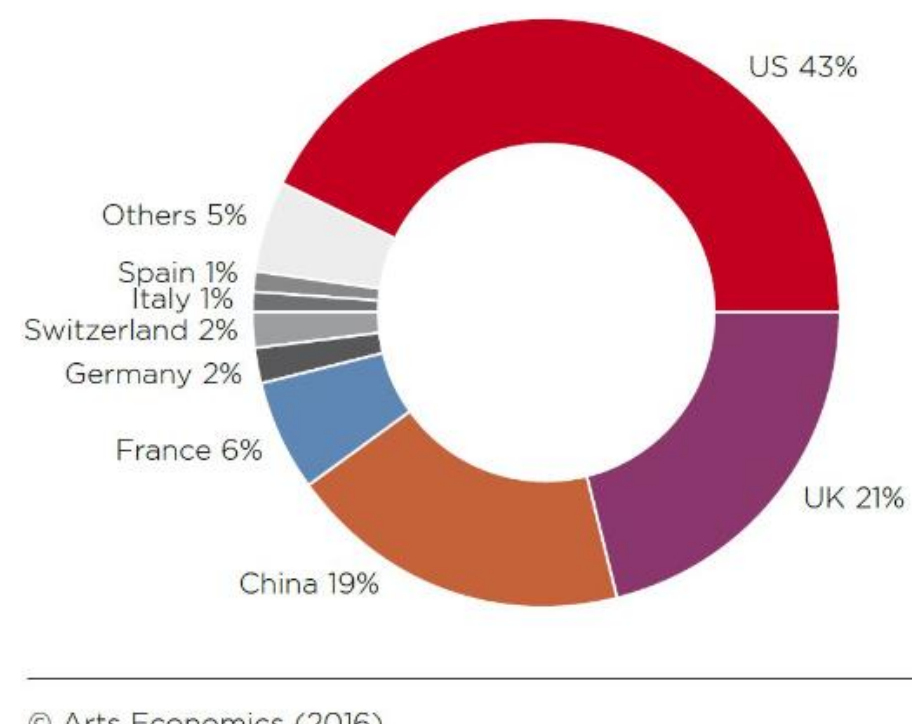
Thursday, 26 January 2017 | 14:00 - 17:30
artgenève, salon d'art - Palexpo, Geneva - Hall 1, Room G

RAM
Responsible Art Market

The Art Market

- **2015** : global art market achieved total sales of approx. **USD 63.8 billion**
- 53% dealers and private sales
- 47% auction sales

Figure 1a Global Art Market Share by Value in 2015



Art & Money Laundering ?



Fondation pour le droit de l'art
Art Law Foundation

Centre du droit de l'art
Art-Law Center

L'art & le blanchiment d'argent
Art & Money Laundering

13 novembre 2015 | Genève
13 November 2015 | Geneva

The RAM Initiative

- A non-profit & cross-market initiative
- *“Building a responsible art market”*
- Raise awareness amongst Art Businesses of risks faced by the art industry in Switzerland and abroad and to provide practical guidance and a platform for the sharing of best practices to address those risks

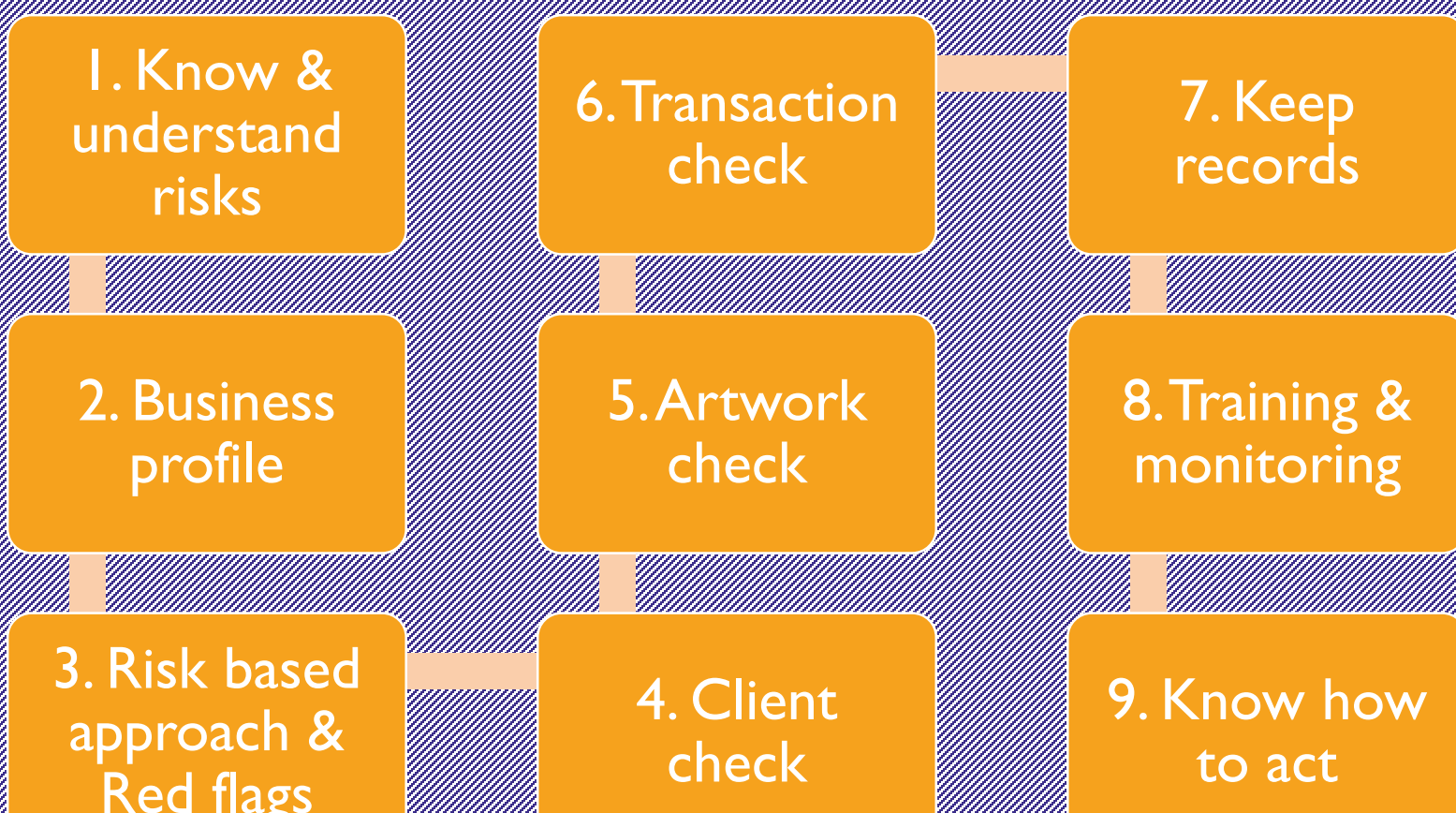
The RAM Group

- **Founding members**
 - Ports Francs et Entrepôts de Genève
 - SGS Art Services
 - Thomas Seydoux & Associés
 - Christie's
 - The Art Law Foundation
 - The Art-Law Centre, University of Geneva
 - Ursula Cassani, Professor, University of Geneva
 - Jean-Bernard Schmid, Public prosecutor, Geneva
- **Consulted experts and consultation round**

The RAM **AML** Guidelines

- **Money laundering & terrorist financing**
- Targeted at Art Businesses
- Risk-based approach & best practices
- Aim to facilitate art transactions
- General guidelines & country profiles

Guidelines 9 + 1



Guideline I – Know and Understand the Risks

- The art market is exposed to money laundering & terrorist financing
- Legal, reputational and financial risks

Guidelines 2-3: Business profile based on risks & red flags

- Establish the Art Business profile
- Risk based approach
 - Art Business profile
 - Client due diligence
 - Artwork due diligence
 - Transaction due diligence
- Client **red flags** → Enhanced due diligence

Guideline 4 – Know your client

- Establish the client's risk profile
- Who is your client?

Identify the
client

Identify the
beneficial
owner

- Client red flags → Enhanced due diligence

Guideline 5 – Artwork Red Flags

- Research the artwork and its ownership history

Ownership

Provenance

- Artwork red flags → Enhanced due diligence

Guideline 6 – Transaction Red Flags

TRANSACTION RED FLAGS

Clients who knowingly wish to sell at an artificially low or inflated price

Clients who ask detailed questions about the Art Business' procedures for reporting suspicious activity and/or financial matters to tax authorities

Seller / Consignor is unable or unwilling to provide adequate proof of ownership for items that they are wishing to consign

- Exercise enhanced due diligence over the transaction

Quick Reference Guide

RAM

Responsible Art Market

Quick Reference Guide

Responsible measures to counter money laundering and terrorist financing threats

This Quick Reference Guide has been produced by the Responsible Art Market Initiative (RAM) as an "aide memoire". Please refer to the full guidelines published on the RAM website www.responsibleartmarket.org for further detail and practical guidance. This Quick Reference Guide should be used together with and not as a substitute for the full guidelines.

Guideline 3

Apply risk based measures and be alert to "red flags"

Responsible AML measures for art transactions should be "risk based". This means adopting AML processes, procedures and compliance controls based on the type and level of risk associated with your business. A risk based approach includes the following areas of enquiry:

- Risk profile of the Art Business (see Guideline 2)
- Client due diligence (see Guideline 4)
- Artwork due diligence (see Guideline 5)
- Transaction due diligence (see Guideline 6)

The enquiries made should focus on indicators of suspicious activity ("red flags").

See the **Red Flag Lists** published on the RAM website www.responsibleartmarket.org for more details.

Guideline 4

Know Your Clients (KYC) and establish their risk profiles – Check for client red flags

Obtain information on the client and understand the purpose and intended nature of the transaction to establish the client's risk profile. Consider the following questions:

- Are you dealing with an individual or a legal entity (company, trust or another corporate vehicle)?
- Are you dealing with an intermediary?
- Have you asked who is / do you know the natural person behind the company, trust or other corporate vehicle?
- Have you collected documentation verifying what you have been told?
- Have you updated old information?
- Have you done internet media searches and /or screened names against "PEP" lists?

The client's risk profile will inform the applicability and level of ongoing monitoring of the transaction.

Country Profiles

- What is the applicable AML legislation?
- Which institutions/persons must carry out AML measures?
- What due diligence requirements apply?
- What record keeping requirements apply?
- What reporting requirements apply?
- Where can I report suspicions of money laundering?
- Which aspects of the AML regime are particularly relevant for Art Businesses?
- Where can I find more information and assistance on AML?

www.responsibleartmarket.org