



Art & Finance Report 2017
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Taking the initiative

The Responsible Art Market Initiative

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Self-regulation or external regulation? This question has been hotly debated in art-market circles in recent years.

Previous editions of this report have highlighted that a lack of transparency and issues of authenticity are undermining trust and credibility in the art market. At the same time, the legal and regulatory framework within which art businesses are required to operate is becoming increasingly complex. Several countries have imposed anti-money laundering requirements on art dealers as part of ongoing efforts to protect the market from abuse. Globalized and complex, the art market is also evolving. Art is increasingly being sold online and collected as an investment as well as for its intrinsic aesthetic, cultural, or historical value.

To contribute to the discussion on best practices and compliance in the art market, the **Responsible Art Market Initiative (RAM)**, together with its online platform,¹¹⁶ was launched on 26 January 2017.

Supporting responsible art-market players

Rebuilding trust and credibility without undermining the commercial interests of the industry in a way that promotes fair and efficient competition for future growth—this is the challenge the art market faces today.

RAM is a direct response to this challenge. Formed in Geneva in November 2015¹¹⁷ under the auspices of the Geneva-based Art Law Foundation (ALF) and the University of Geneva's Art-Law Centre (ALC), this non-profit initiative is the first of its kind.

It exists to support art-market players by providing them with a practical and ethical compass to navigate an increasingly complex and fragmented legal framework.

It aims to do this by:

- Raising awareness among art-market players of the risks they face as they do business
- Consolidating and sharing existing industry best practices
- Providing practical guidelines and tools that can be easily understood and implemented

RAM sees this practical, self-regulatory approach as complementing existing regulation imposed by states. Its guidelines are designed to be accessible to the entire market, including small art businesses, individual dealers and collectors who do not have the financial resources to spend on large compliance departments or expensive lawyers.

By adopting a cooperative approach to sharing and implementing best practices throughout the industry, RAM aims to have a greater impact when it comes to reducing risks for art businesses and collectors alike, thereby increasing public trust and confidence in the market and combatting the negative public perceptions that have arisen in recent years.

What makes RAM unique is its collaborative, interdisciplinary, and cross-industry approach. RAM's founding members span the entire spectrum of the art market, from international auction houses (Christie's) to individual dealers (Seydoux & Associés) and service providers (the Geneva Freeports and SGS art services). These players have joined forces with specialist art lawyers and academics from the Geneva based Art Law Foundation and the University of Geneva's Art-Law Centre as well as law enforcement to ensure issues are addressed holistically from various perspectives.

Guidelines

RAM's first set of guidelines tackle the threats of money laundering and terrorist financing in the art market.¹¹⁸ They adopt a risk-based approach and emphasize the importance of art businesses identifying risks, knowing their clients, and being alert to red flags. The guidelines are tailored to art transactions and focus on three areas of enquiry: the client, the artwork, and the transaction.

Remaining close to the market, RAM submitted its first draft for public consultation and reached out to key art-market stakeholders to improve, simplify, and enrich the set of principles laid down in the guidelines.

The guidelines are supplemented by a Quick Reference Guide and Red Flag Lists, catering for art professionals who are on-the-move attending an art fair or visiting a client, and Country Guides giving an overview of the anti-money laundering regimes that apply in different jurisdictions.

Can self-regulation in the art market make a difference?

For a market as complex, diverse, and constantly evolving as the art market, a self-regulatory approach is widely recognized as having several advantages over externally imposed state regulation. These include:

- **Flexibility and speed**—Industry guidelines can be developed and updated more quickly than state-imposed legislation, which takes time to be approved and adopted. This results in greater operating efficiencies for art businesses in turn minimizing compliance costs
- **Better adaptation**—Greater technical and industry expertise can be achieved through industry-developed guidelines striking that critical balance between achieving the desired goal whilst not stifling the market so that it cannot operate
- **Increased collaboration**—Conflicts of interest are mitigated through the participatory design process
- **Global scope**—Unlike territorial legislation, guidelines and codes of conduct can transcend national boundaries, resulting in a more flexible approach better adapted to serving a global market such as the art market

The future

The response to RAM's launch has been positive and has generated global interest. More work remains to be done in raising awareness among art-market players of the risks they face and actions they can take to protect themselves and the reputation of the art market. As the threats to the global economy and art market evolve, initiatives such as RAM aim to offer a means of tackling them, reducing risk for art businesses and collectors alike and thereby increasing public trust and confidence in the market. International collaboration and engagement on issues faced by the art market, not just within the art market itself but also with other stakeholders, such as law enforcement and state authorities, are important for success.

In keeping with its unerring goal of identifying and sharing responsible practices in the art market, RAM will be organising annual conferences and publishing further materials on topics of specific concern to the art industry and collectors.

For its latest project RAM is preparing a comprehensive due diligence toolkit for art transactions, focussing on the client, the artwork and the transaction as a whole, including source of funds.

The toolkit will be launched at RAM's next annual conference which will be held in Geneva, Switzerland on 2 February 2018.

For more information:

<http://responsibleartmarket.org>

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¹¹⁶ RAM's website is available at: <http://responsibleartmarket.org/>

¹¹⁷ RAM is the outcome of a conference organized by the Art-Law Centre of the University of Geneva and the Geneva based Art Law Foundation entitled "Money Laundering in the art market. A reality?", available at: <http://artlawfoundation.com/fda-events/blanchiment/>

¹¹⁸ The full guidelines can be downloaded from RAM's website available at <http://responsibleartmarket.org>.