

Art-related due diligence Prevent financial crime and manage your reputation



The risks of criminal activities in the art market

Wealth managers, family offices, art dealers, auction houses, online marketplaces and asset-based lenders are all exposed to the risks of the art market. The global art market is becoming mature and liquid thanks to the influx of new players from emerging markets and the creation of art infrastructures such as new museums, art fairs, freeports and online businesses. Professionals need to deal, move and store artworks along with precious metals, stones and cash, while respecting the discretion and client privacy.

In Luxembourg, the Government has launched initiatives to develop the Art & Finance industry, such as the establishment of “LE FREEPORT Luxembourg”, a facility operated by duly licensed operators.

Yet, the relative opacity of the art market makes it a significant target of financial crimes.

Money laundering is a significant concern to the art market as criminals may convert the proceeds of their activities to legitimate sources through the purchase and sale of high value goods.

Dealing with art also carries the risk of transacting business in stolen goods or in goods looted during World War II or by terrorist groups, which may result in both serious offences and cause significant reputational risks.

The opacity of transactions may favour manipulation, bid rigging, conflicts of interest and inaccurate reporting of prices, leading to potential lawsuits or even criminal investigations.

A more transparent future

The art market is now moving toward more transparency. Dealers in certain high value goods are considered “Designated non-financial businesses and professions”¹ under international AML/CFT norms. Under the third anti-money laundering directive, dealers in high value goods must undertake protective measures against money laundering and terrorist financing for payments in cash over a threshold of €15,000. Regulatory supervision and surveillance are likely to increase in Europe in the coming years. The fourth European AML/CFT directive foresees to lower the threshold to €10,000. With the help of guidance and procedures, professionals dealing with art can perform due diligence checks on their business relationships, the art and the transaction conditions, to lower the risk of financial crime.

“There must be a real regulation
of the art market, if only to
protect the honest traders”

Stiliano Ordilli, head of the Swiss Money Laundering
Reporting Office, June 2015

¹ <http://www.fatf-gafi.org/pages/glossary/d-i/>

Our integrity and stolen art due diligence services dedicated to the art market

Integrity questions may arise during the course of business due to unusual patterns, exotic transactions or while onboarding new clients, employees, suppliers or service providers. Deloitte Luxembourg provides a cluster of specialist services with significant relevant experience in Art & Finance, Anti-Money Laundering, Forensic and Business Intelligence Services. Deloitte can help professionals dealing with art such as wealth managers, family offices, art dealers, auction houses, online marketplaces, asset-based lenders and other stakeholders, perform due diligence checks on buyers, borrowers in case of art-secured lending services, sellers and intermediaries, and some additional checks to mitigate risks of stolen art. Deloitte conducts these due diligence and background searches under strict confidentiality, high ethical standards and within the boundaries of the law.

Deloitte Luxembourg provides “*Integrity Due Diligence*” services to give you an in-depth insight into the background, track record, political connections and reputation of a business partner. We also attempt to identify potential “red flags” (e.g. money laundering, corruption, tax evasion) before a deal or as part of a business or practice review.

Deloitte Luxembourg also offers a service of “*stolen and looted art due diligence*” checks by verifying whether the art is listed in major stolen art databases or in a database listing art looted from the Jewish community during World War II.

The specialists for your financial crime prevention needs

Deloitte also offers a wide range of services to help you prevent and detect financial crime:

Anti-Money Laundering (“AML”)	Forensic	Business Intelligence Services
<ul style="list-style-type: none">• AML awareness and training• Assistance in designing, implementing, reviewing and remediating your AML procedures, your counterparty due diligence procedures and your KYC documentation• Selection and implementation of AML systems, including “uComply”, an integrated all-in-one name screening solution, developed by Deloitte Luxembourg	<ul style="list-style-type: none">• Fraud risk assessment: fraud typologies, procedures, control design and review• Fraud prevention, detection, and investigation• Asset tracing and recovery• Anti-fraud training	<ul style="list-style-type: none">• Forensic due diligence of client portfolios or intermediaries• Intelligence report based on searches in public sources on an individual or an entity• Detection of collusive or unfair transaction conditions by link analysis and transaction reviews

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