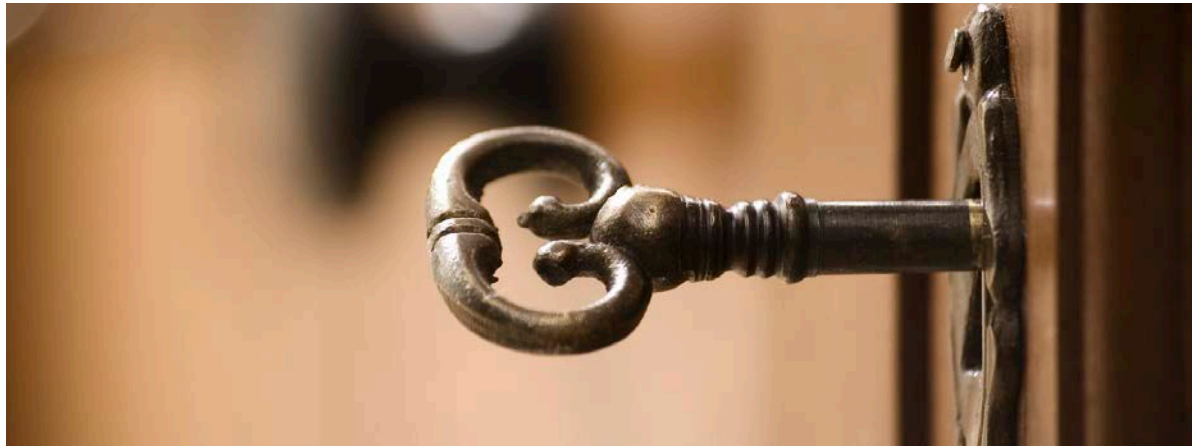


Art-secured lending Opportunity for Private Banking, Family Office and Art collector



Art-secured lending, are you considering this service for your High net worth individuals (HNWIs) and Ultra High Net Worth individuals (UHNWIs) clients?

Art-secured lending is a niche-credit service targeted to (U)HNWI individuals who wish to unlock liquidity out of their collection or art assets for investment or personal finance purposes. In a basic transaction, art-secured lending terms range between 6 months to 5 years and collateralized by museum quality fine art that is both marketable and holds a significant Fair Market Valuation (FMV) i.e. a price that similar works of art sell at auction is generally accepted to be a reasonable estimate of fair market value. Art secured lending business is not new, as the service was first pioneered in the 1970s.

A potential opportunity is Art Secured Lending

High net worth individuals (HNWIs) and Ultra High Net Worth individuals (UHNWIs) client acquisitions and retentions are central issues facing wealth management services. Given the commercial opportunities afforded by this client segment and their rising level of passion/art investment, wealth managers seek opportunities to tailor their services to (U)HNWIs and their art investments. Several favourable art market trends are pushing demand for individuals to think financially about their assets; increasing levels of art allocations in recession ridden countries, the rising level of pricing in the art market and the generational transfer art collections being inherited worldwide. The new generation are also viewing art in a more financial manner and such wish to turn it into a working asset.

With the construction of the Luxembourg Freeport, a dedicated storage facility for fine art and collectibles it presents a significant opportunity for art secured lending services in Luxembourg from Q3 2014. This secured facility with links to leading global art markets and the Luxembourg financial centre will create logistical synergies highly beneficial for art secured lending.

Why art-secured lending? A tailored service to (U)HNWIs needs Trends:

- **Wealth management trends:** pressure on profitability, retaining and gaining new (U)HNWI clients
- **Art & finance services have become a significant part of overall wealth management offer** within private banking and global family offices
- **Growing targeted client base:** Growing levels of (U)HNWIs worldwide and their appreciation for art as an asset class continues to grow
- **Sustainable and growing market:** Established wealth management industry participants in EU and US offering art-secured lending to their (U)HNWI clients
- **Art has become a more measureable and manageable financial asset:** Art can be valued and monitored more securely by financial institutions as an underlying asset to a loan

Why should you to consider our advisory services for offering art-secured lending service?

- Because your financial institution needs to respond to (U)HNWIs financial needs and achieve a service tailored to their art collection
- Because your financial institutions profitability has been challenged and need new ways to create revenue and to interface with (U)HNWIs
- Because your financial institution wants to expand its current wealth management services and capabilities and aims to create operational synergies with this new service
- Because your financial institution is willing to consider fine art as an underlying asset for collateral in conjunction with prudent valuation mechanisms

How Deloitte can help

On the client side, Art-secured lending offers the client the opportunity to change an acquisition of passion into a working asset achieving more financial flexibility to conduct other activities. On the commercial side, this is a profitable service provision and improves client relationship management.

At Deloitte, our approach aims to accompany you towards a proportional and scalable service offer. Our capabilities of a dedicated Art and Finance initiative within Deloitte Luxembourg with its multidisciplinary approach aim to take a step by step approach through the following manner:

- **Strategic Analysis** for offering art-secured lending services within your organisation
- **Gap Analysis** between your current art & finance capabilities/ wealth management capabilities and art secured lending service expertise

- **Implementation of the service offering** internally or externally working with a third party or by conducting ad-hoc request for proposal(s) by accessing our network of art secured lending providers where we benchmark the different available solutions for you and your clients based on a set of precise requirements and assist to develop internal expertise on art secured lending service

This along with the following Luxembourg location based efficiencies:

- Luxembourg Legal system- attractive framework for structuring art-secured lending services
- Luxembourg free port- tax efficient and secure storage facilities, planned to open Q3 2014.
- Central location in Europe
- Opportunity to become the competence centre of your group.

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