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Insights

FEATURE

Artful investment

Blending art into the wealth management picture

By Vincent Gouverneur, Adriano Picinati di Torcello and Anders Petterson

FROM THE DELOITTE CENTER FOR ART & FINANCE

The global art market is rapidly creating new opportunities at the intersection of art and finance. As the population of high-net-worth individuals (HNWIs) grows and the art market matures, the financial services industry is experiencing an increasing demand for innovation. A drift towards greater wealth allocation in the form of collectibles – such as art, cars, wine and jewellery – has formed interesting business prospects for many wealth managers, family offices, insurance and private banking entities to manage and preserve the value of these tangible assets.

DESPITE THE BOOSTED interest in art as an asset, growth trends in the art market have been anaemic when compared to the growth in global wealth. Why are we not seeing a higher correlation between wealth generation and the size and development of the art market?[1] What is holding wealthy individuals back from putting more of their wealth into art as an asset class?

Deloitte has attempted to address these questions, following responses to our 2019 annual Art & Wealth Management Survey and taking into consideration the past eight years of survey responses. Our research revealed that lack of transparency is an ongoing concern for some collectors, causing distrust in the market, but that a newer challenge comes from next-generation investors whose interests extend beyond profit to social impact.

Three trends are directly or indirectly poised to resolve these concerns: technology, regulatory changes and social impact investment models. Wealth managers who take advantage can transform a pool of players showing a nascent interest in art collecting into a sea of fully engaged, high-wealth investors. By incorporating art into services, they can not only meet the growing demand for a more holistic investment offering but can also secure a competitive advantage over financial services industry peers.

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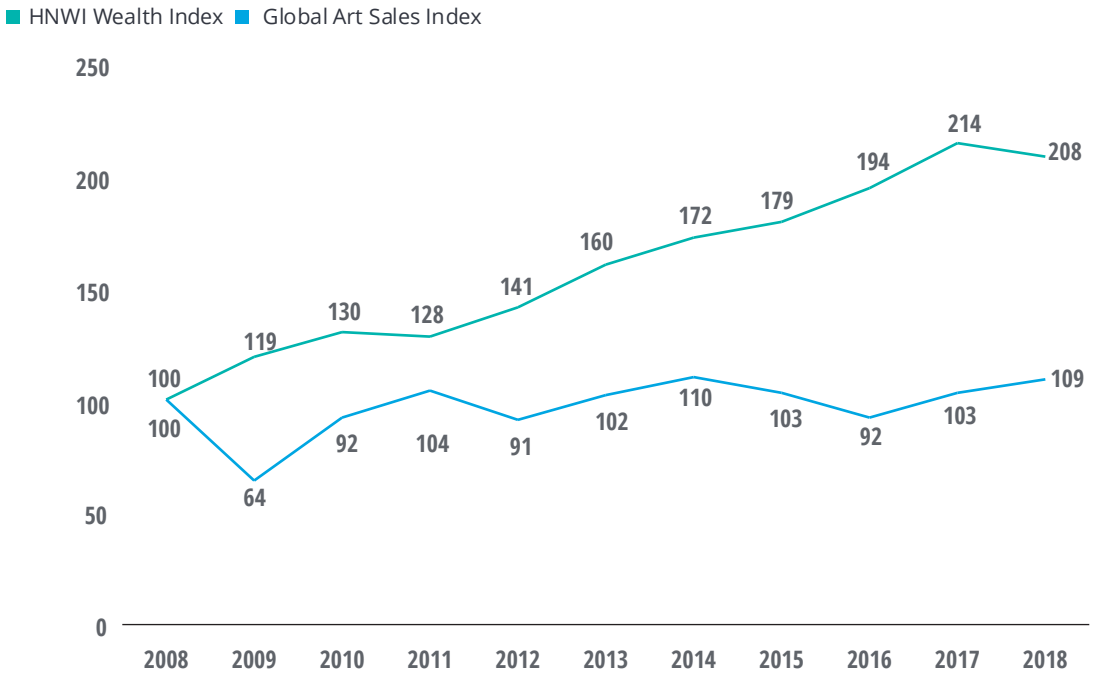
2019 ART & WEALTH MANAGEMENT SURVEY

Deloitte examines the market on a regular basis through our annual Art & Wealth Management Survey. For the 2019 survey, Deloitte Luxembourg and analysis firm ArtTactic conducted research between April and June 2019, polling 54 private banks and 25 family offices involved in wealth management. As every year, we also surveyed other important stakeholders in the art and finance worlds, including 105 major art collectors and 138 art professionals (galleries, auction houses, art advisors, art lawyers, art insurers, art logistics providers, etc).

These stakeholders – from Europe, the US, the Middle East, Latin America and Asia – shared their opinions on a variety of topics related to art as an asset class, as well as their motives, their current and future involvement in the art market, and challenges and opportunities. In this article we explore their responses that led to key observations about market value and why financial services should be a part of art asset management. Survey findings are supplemented by secondary research as cited.

FIGURE 1

HWNI wealth growth ($) vs global art market sales ($) growth



Source: Capgemini World Wealth Report, Art Basel and UBS Global Art Market Report.

What's it worth? Valuing the art market

Media headlines today are dominated by swelling political and economic uncertainty, climate change, social inequality and rapid advancements in technology; this is the context within which we view the global art and finance convergence, where culture meets wealth. Despite solid growth for the major auction houses over the past 18 months, recent results show that auction sales have been slowing down, by 20 per cent in the first six months of 2019.[2] This could signal an impending period of slower growth for the global art market, brought on by the unpredictability of Brexit negotiations and the US trade situation with China, or any other of the global challenges mentioned above.

Sharp contrast: Anaemic global market growth as wealth flourishes

Even as the total financial wealth of the HNWI more than doubled between 2008 and 2018, from an estimated $32.8 trillion to $68.1 trillion, global art market sales saw only a nominal increase of 9 per cent in the same period[3] (see figure 1 above).

Despite solid growth for the major auction houses over the past 18 months, recent results show that auction sales have been slowing down, by 20 per cent in the first six months of 2019.

FIGURE 2

Regional economic outlook, 2018-20 & wealth outlook 2018-23

		Global trend	United States	United Kingdom	Europe	China	Middle East
Economic review 2018	Real GDP growth 2017 to 2018*	**3.3%**	2.3%	1.2%	1.6%	6.3%	0.3%
	Real GDP growth trend +/- *	**Negative**	Negative	Negative	Negative	Negative	Negative
	HNWI wealth growth 2017 to 2018**	**-3.0%**	-1.1%	-6.0%	-3.1%	-4.8%	4.3%
Economic outlook 2020	Real GDP growth outlook 2020	**3.6%**	1.9%	1.4%	1.8%	6.1%	2.9%
	Economic outlook trend	**Positive**	Negative	Positive	Positive	Negative	Positive
	Wealth Outlook 2023 (5-year growth in UHNWI population)****	**22%**	18%	21%	24%	35%	20%

		South Asia	Latin America	Southeast Asia	Russia	Africa
Economic review 2018	Real GDP growth 2017 to 2018*	6.8%	1.1%	5.0%	1.6%	3.6%
	Real GDP growth trend +/- *	Neutral	Positive	Neutral	Negative	Positive
	HNWI wealth growth 2017 to 2018**	-6.0%	-3.6%	-4.8%	Not available	-7.1%
Economic outlook 2020	Real GDP growth outlook 2020	7.0%	2.4%	5.1%	1.7%	3.8%
	Economic outlook trend	Positive	Positive	Positive	Positive	Positive
	Wealth Outlook 2023 (5-year growth in UHNWI population)****	39%	21%	26%	25%	23%

Source: *IMF DataMapper - April 2019 **Capgemini, World Wealth Report 2019
***CAGR - is based on the period 2016–2018 ****Knight Frank, The Wealth Report 2019.

FIGURE 3

Modern and contemporary art auction market sales in 2018 and Outlook 2019

⊕ Up ⊜ Flat ⊖ Down

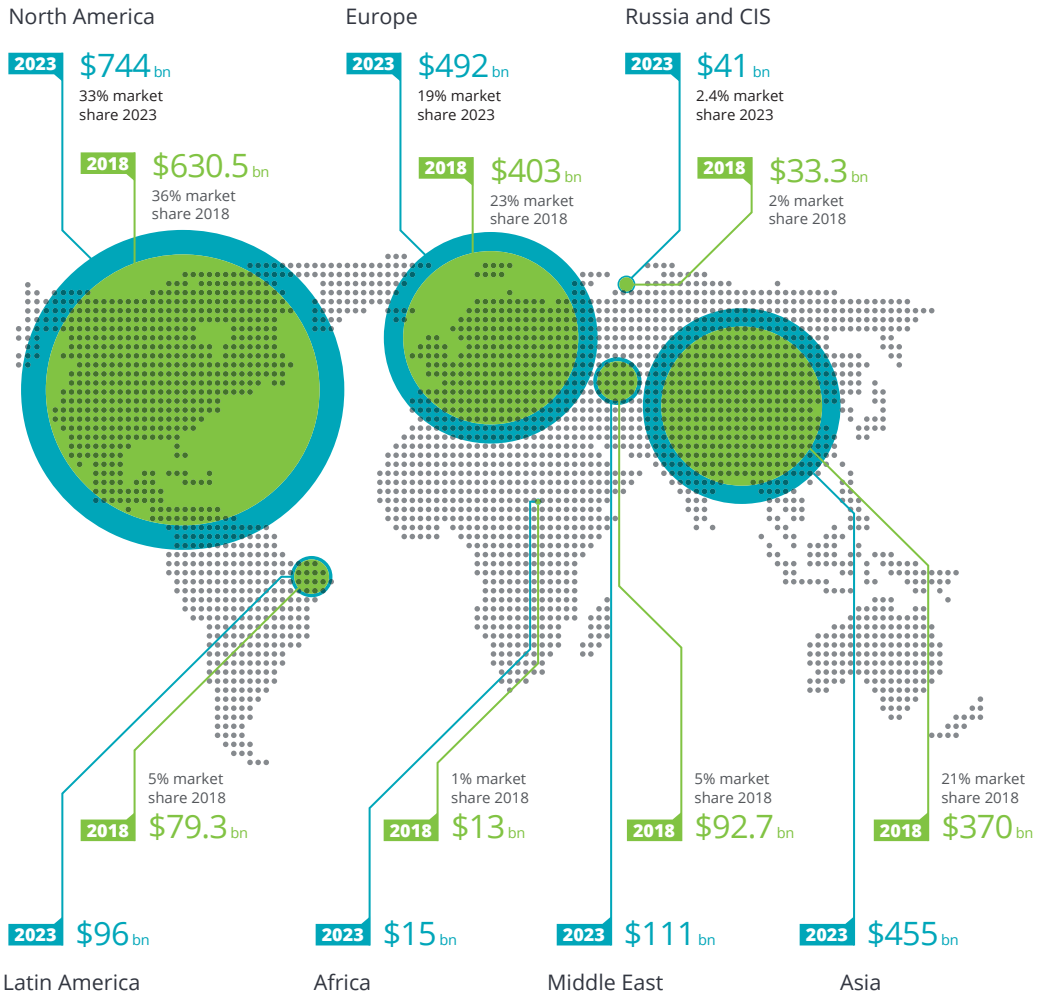
		Global trend	United States	United Kingdom	Europe	China	Middle East
Auction market sales in 2018	Art market modern and contemporary sales 2018 ($ million)	4367.1	2510	1170	251	112.2	26.6
	Market share % in 2018	100.0%	57.5%	26.8%	5.7%	2.6%	0.6%
	Art market sales growth 2017–2018	14.9%	-7.2%	51.8%	36.9%	25.3%	-19.0%
	5-year sales CAGR (2013–2018)	-	0.9%	11.2%	9.0%	-11.8%	7.5%
Outlook	Art market outlook 2020*	⊕ 30% ⊜ 42% ⊖ 28%	⊕ 35% ⊜ 49% ⊖ 16%	⊕ 13% ⊜ 39% ⊖ 49%	⊕ 21% ⊜ 54% ⊖ 25%	⊕ 30% ⊜ 35% ⊖ 35%	⊕ 26% ⊜ 51% ⊖ 23%

		South Asia	Latin America	Southeast Asia	Russia	Africa
Auction market sales in 2018	Art market modern and contemporary sales 2018 ($ million)	92	74.9	41.1	41.1	48.2
	Market share % in 2018	2.1%	1.7%	0.9%	0.9%	1.1%
	Art market sales growth 2017-2018	48.0%	4.0%	-16.0%	-19.9%	-13.4%
	5-year sales CAGR (2013–2018)	10.1%	-15.5%	-4.2%	-8.3%	22.6%***
Outlook	Art market outlook 2020*	⊕ 25% ⊜ 56% ⊖ 19%	⊕ 20% ⊜ 49% ⊖ 31%	⊕ 33% ⊜ 49% ⊖ 18%	⊕ 14% ⊜ 49% ⊖ 36%	⊕ 47% ⊜ 40% ⊖ 13%

Source: * ArtTactic Art Market Confidence Survey - May 2019.

FIGURE 4

Global ultra-HNWI art and collectibles wealth estimates, 2018-23



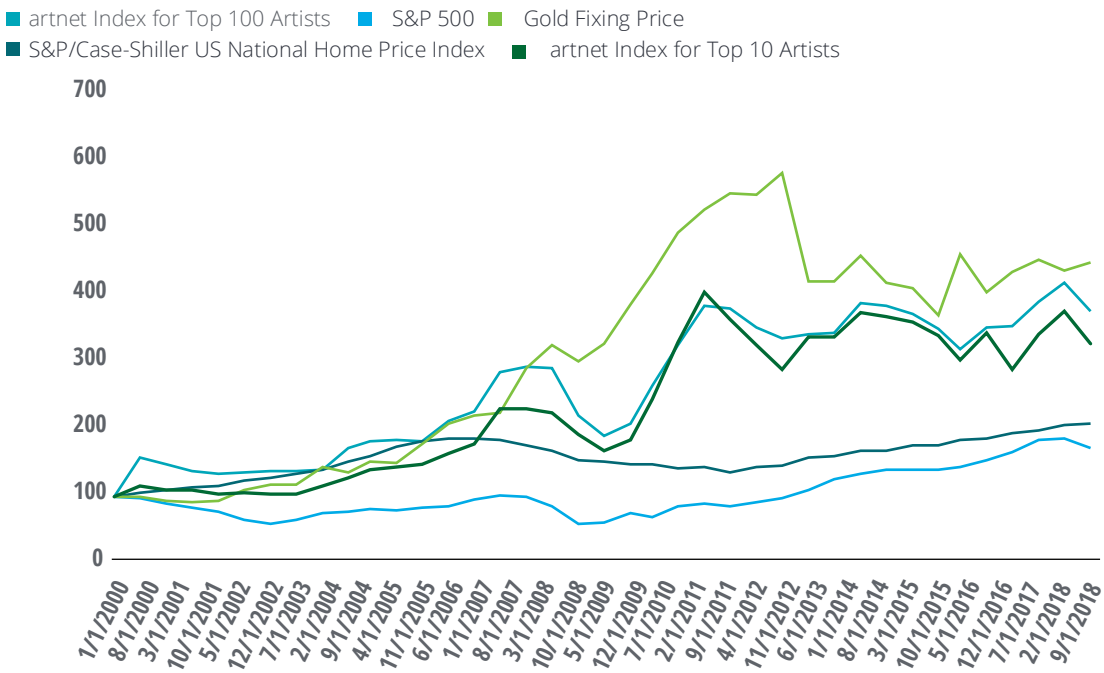
Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019.

We estimate that ultra-HNWIs' wealth was associated with art and collectibles wealth of $1.742 trillion in 2018 (see figure 4 above), up from $1.622 trillion in 2016. This figure is expected to grow to an estimated $2.125 trillion by 2023. However, this projection assumes that art and collectible wealth will grow as a constant function of the overall estimated growth in global wealth, but as we have already discussed, the growth in annual art market sales has failed to keep pace with the increases in global wealth, and therefore the estimate might be too optimistic as the evolution of prices for art and collectibles, as well as the growth in annual collectible sales may not be sufficient to compensate for the slow growth in art market sales.

As shown in figure 5 (on page 7), artnet Index for Top 100 Artists produced an encouraging 8 per cent compound annual growth rate between 2000 and 2018.[4] However, this statistic represents only part of a larger picture, as the sample takes into account only the 100 top-earning artists, whose prices can still rise in the face of overall weakening art sales. Also the evolution of the top 100 artists is limited to 100 artists and can still increase even if total art sales are anaemic.

FIGURE 5

artnet Price Indices: Top 100 Artists



Source: 2019 © artnet Worldwide Corporation.

FIGURE 6

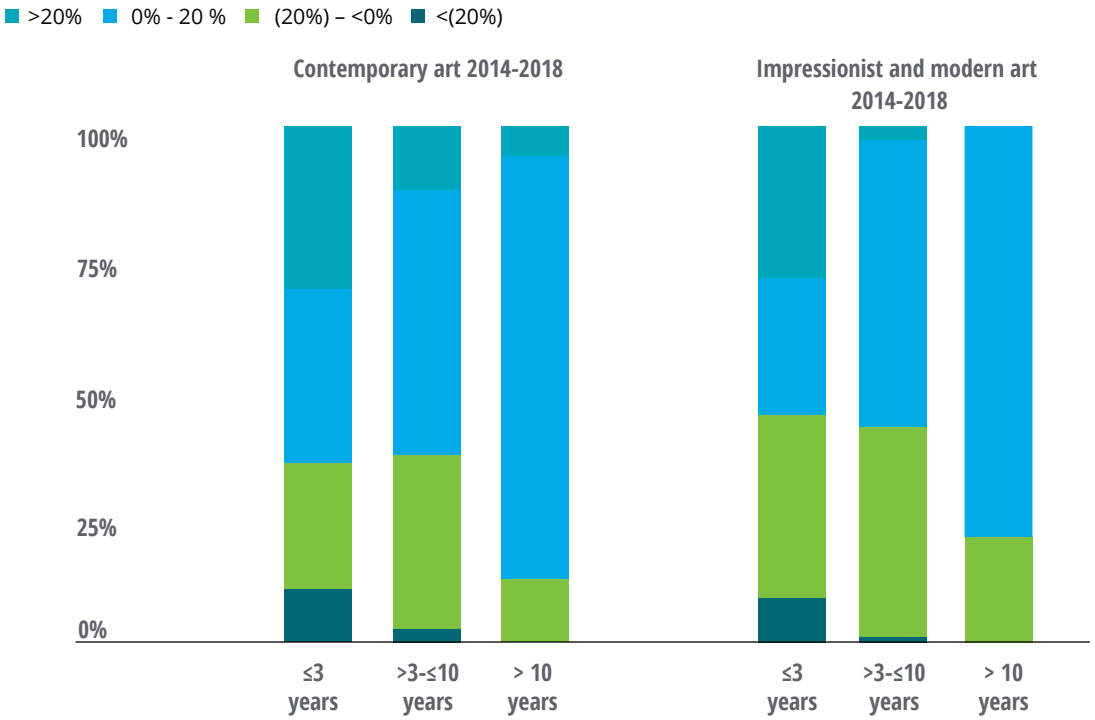
Compound annual returns by major categories of art, as of 2019

	Last 12-month return	5-year CAGR	10-year CAGR	15-year CAGR
European old masters	1.99%	-2.82%	-1.63%	2.38%
Global impressionist art	-13.69%	-3.92%	-0.48%	1.33%
Global modern art	-1.43%	2.87%	2.10%	4.15%
Global postwar art	4.42%	7.92%	6.69%	7.81%
Global contemporary	1.27%	5.70%	4.58%	7.12%
Fine Chinese paintings and calligraphy	-16.41%	-5.06%	7.45%	9.43%
Chinese 20th century and contemporary	-4.21%	-1.15%	5.13%	9.31%

Source: 2019 © artnet Worldwide Corporation - Deloitte Luxembourg & ArtTactic Art & Finance Report 2019.

FIGURE 7

Realised compound annual returns, 2014-2018



Source: Sotheby's Mei Moses Indices - Deloitte Luxembourg & ArtTactic Art & Finance Report 2019

Long-term holding periods boost value

Repeat auction sales data suggests that works of art held off the auction market for at least ten years have benefitted from the 'holding period effect': They were more likely to be sold for a profit and had less-volatile compound annual returns.[5] It's worth noting for wealth managers interested in promoting long-term assets whose value is protected.

Adding art to the financial services management palette

A large majority of wealth managers who responded to our survey, 83 per cent, said they have been responding to an increase in competition by offering a more holistic wealth management advisory service to their clients. To this end, more of them are including art and collectibles in their service offering.

The art of inclusion

This year's survey findings show particularly high agreement among wealth managers, art professionals and art collectors that art is an important part of a wealth management service offering (see figure 8 below). This opinion marks the strongest consensus on this point since the launch of the survey in 2011.

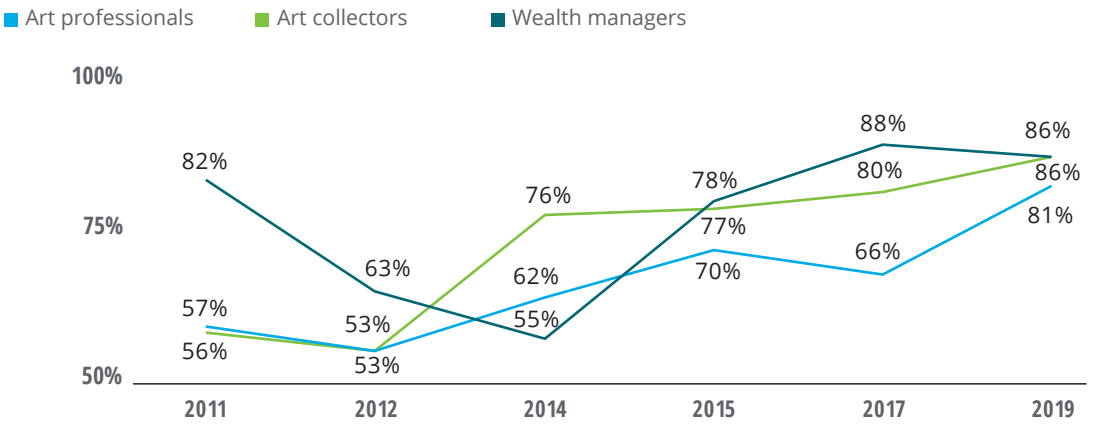
Varying focus on art-secured lending

Despite the acknowledgement of art as a valuable asset, only 26 per cent of wealth managers surveyed said that this will be one of their areas of focus in the coming 12 months. What's more, despite the significant demand for art-secured lending services[6] among collectors and art professionals, only 16 per cent of European banks said they will focus on art-secured lending during the coming 12 months. Eighty per cent of US private banks said this would be a focal point for them.

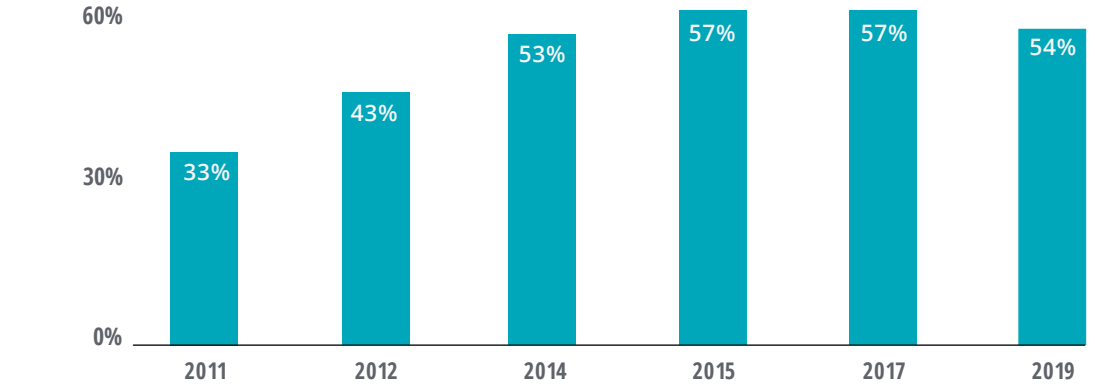
FIGURE 8

Art & Wealth Management Survey respondents' support

For including art and collectibles in wealth management offering (% answering 'Yes')



Wealth managers asked: How aware are you of developments linked to art as an "asset class" and Art & Wealth Management Services? (% answering 'aware' or 'very aware')



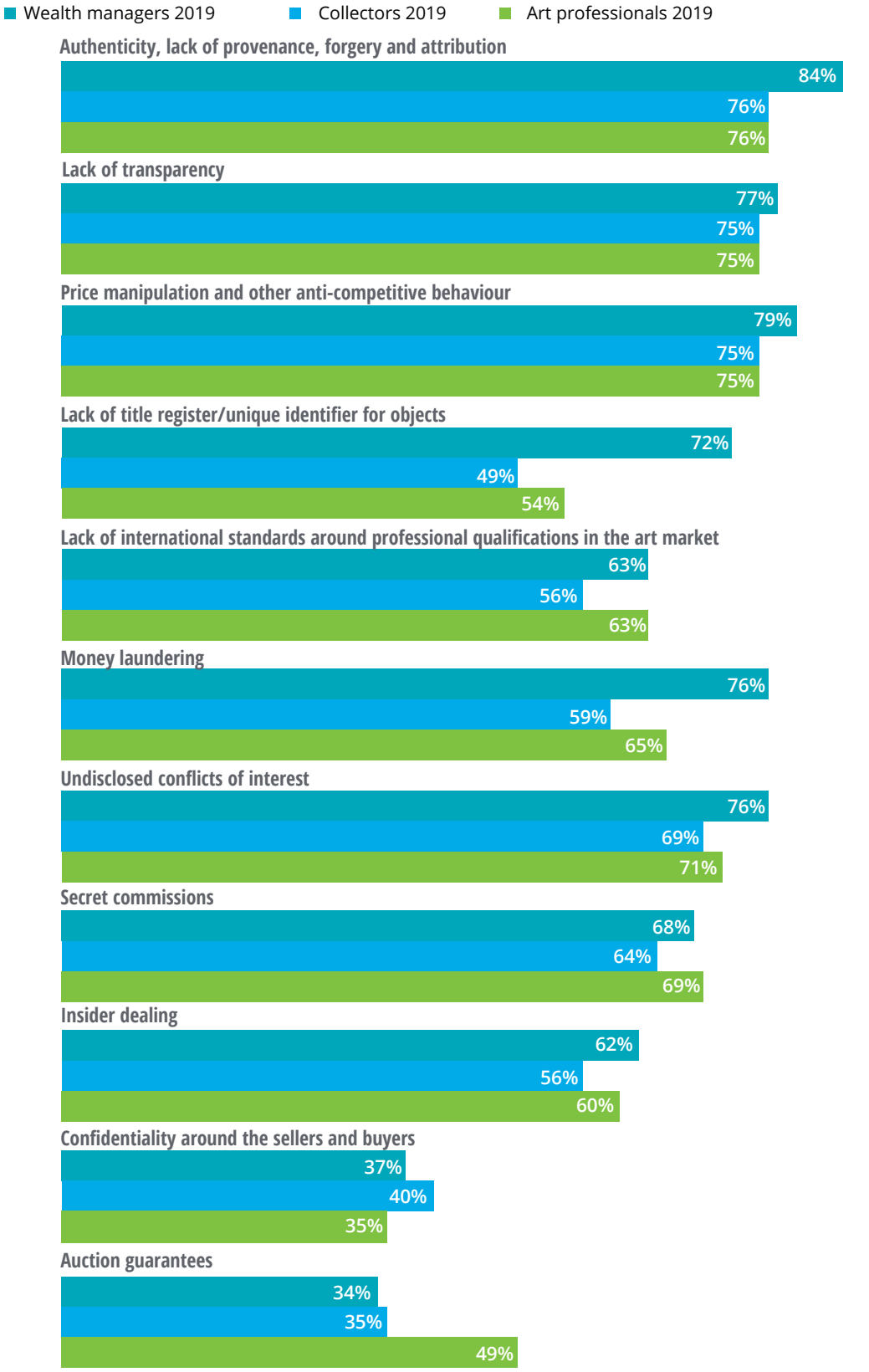
Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019.

What's holding Europe back from art-secured lending while the US forges ahead? The answer is, at least partly, the lack of a legal framework. The notion of art as an asset class is less widely understood in Europe than it is in the US. Moreover, there is no uniform system of registration of charges over chattels, such as the US has with the Uniform Commercial Code (UCC). Each European country has its own system, and many of these systems are not suited to the art-secured lending market as it exists in the 21st century. As a result, the US dominates the global art-secured lending market with an estimated 90 per cent share.[7]

There is clearly plenty of opportunity where art investment is concerned, but a few important challenges seem to be standing in the way of widespread uptake. The biggest one might be transparency and its influence on the reputation of the art market. Simply put, there is often a lack of trust stemming from opaque practices with art assets, such as: potential conflicts of interest, asymmetry of information, difficulty in assessing prices, lack of standards to value art works, lack of standards regarding the documents needed to ensure authenticity, provenance, conditions, lack of code of conducts, fight against fakes and forged works and documents, etc.

FIGURE 9

Art & Wealth Management Survey respondents' views of the most threatening/damaging issues in terms of art market reputation



Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019.

Repairing trust through transparency

In this year's survey, 75 per cent of collectors said that lack of transparency was the biggest threat to the reputation of the market (see figure 9 on page 10). This is an increase from 62 per cent in the 2017 survey, and marks the strongest consensus on this point since we introduced this question in 2016. If these seasoned and established collectors say transparency is their main concern, it's more understandable why potential new art buyers and collectors might shy away, causing the market to miss out on the rapid growth in their wealth.

The survey also revealed that 82 per cent of private banks and 90 per cent of family offices cited lack of art market transparency as one the biggest challenges facing art and wealth management. Of the private banks, 85 per cent stated that money laundering is a key threat to the market's reputation. Governmental regulatory changes may be the antidote to this condition, despite a lack of consensus among market stakeholders about the value of government regulation over self-regulation.

Reaping regulatory benefits

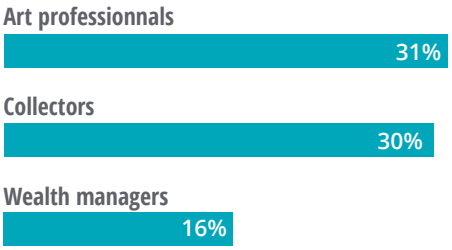
All the stakeholders Deloitte surveyed called for modernisation of current business: moving away from old practices and embracing ones that can improve trust. One of the key points is transparency. The advent of the EU's 5th Anti-Money Laundering Directive, coming into force in January 2020, may become a catalyst to drive this cause.

The scope of the EU regulations is being extended to include the art trade as of January 2020, and the new directive will likely have a significant effect on all aspects of the market. Dealers, auction houses and other art work traders will become subject to the same regulations as other 'gatekeepers', such as banks, accountants and lawyers.

FIGURE 10

Art & Wealth Management Survey respondents' trust

In currently available qualitative and quantitative art market data (those rating trust as 4 or 5 out of 5)



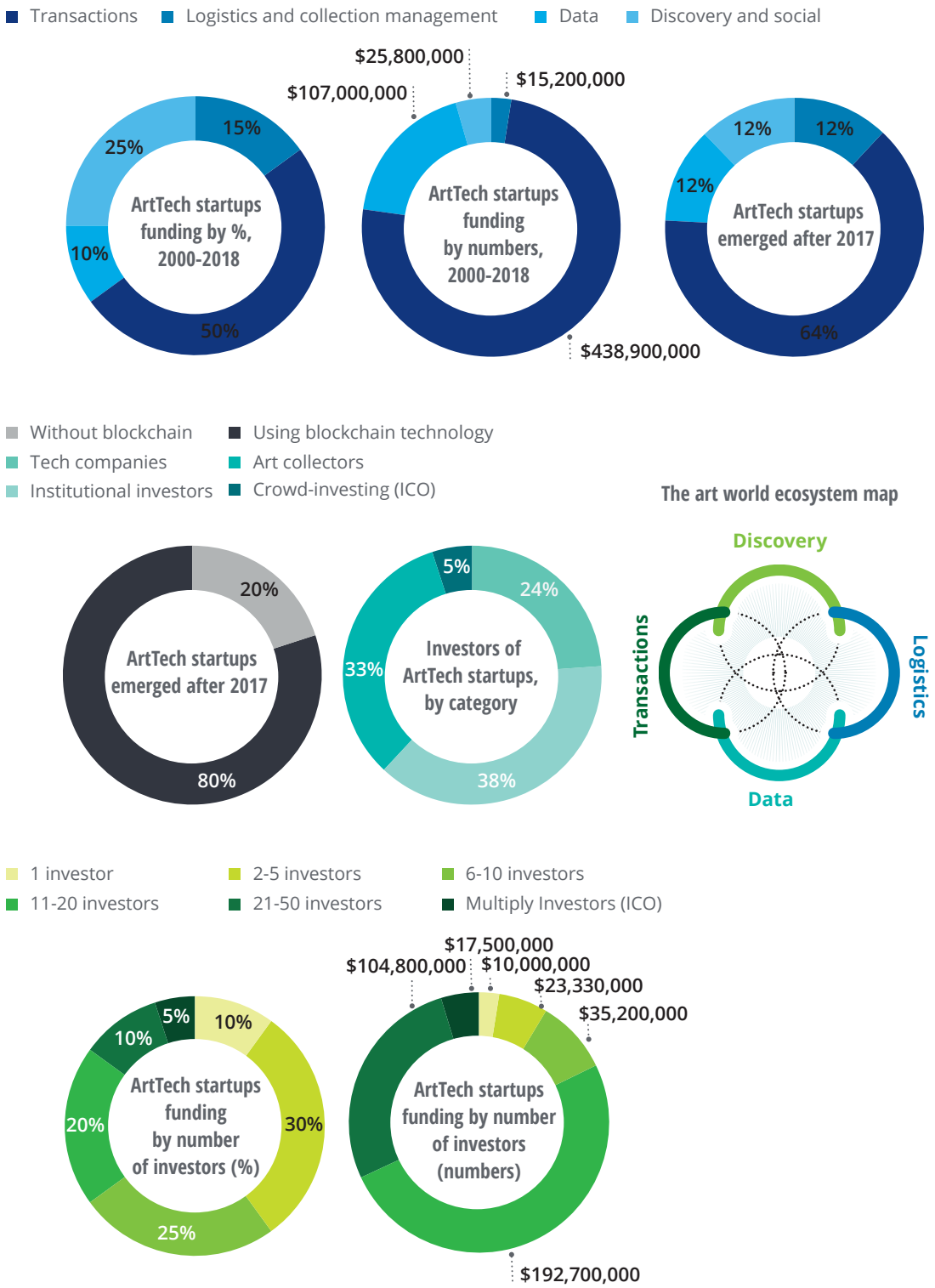
Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019.

Could the new EU regulations bolster trust in the art market? And if so, how should stakeholders embrace these changes? What support is needed to help the industry overcome and thrive in the new compliance environment? Despite the challenges the Anti-Money Laundering Directive is expected to present, other industries that have undergone similar transitions (including finance and diamonds) have realised a compelling bonus to compliance: The reputational benefits of a more transparent and professional compliance environment ultimately create more trust and chances to extend a market beyond its boundaries.

Evidence from analysis of the diamond market[8] shows that banks are slowly engaging in opportunities in that sector again, thanks to its focus on compliance and transparency; having previously viewed the diamond sector as high risk, many banks had stepped back to adopt a 'better safe than sorry' approach. With art, as more traders and intermediaries are encouraged to take compliance to the next level, the market's reputation could improve and potentially lead to expansion and new business opportunities.

FIGURE 11

Statistics on ArtTech startups



Source: Denis Belkevich & Roxanna Zarnegar, Fuelarts, "The future of the art world ecosystem: a study of technology, education and growth". Deloitte Luxembourg & ArtTactic Art & Finance Report 2019. All figures are given in US dollars.

Supporting ArtTech (old investment models need not apply)

Technology is another strong contender to bring change and growth to the art market. Deloitte's survey results this year show that art collectors and professionals are attaching a much stronger sense of importance to art technology (ArtTech) and its potential to help crest many of the industry's current hurdles. They can see the value of incorporating new technology and innovation into, or instead of, traditional business methods to deliver art services. Among the benefits ArtTech startups can bring are bolstered transparency and trust, whether through blockchain technology, more data, better data analytics or artificial intelligence.

Significant funding is required to build the next generation of ArtTech companies. Research findings suggest that ArtTech investment will move from 'transactional' businesses to art infrastructure investments in tech startups.[9] This can help build a better and more efficient art market environment, because the technology being developed can improve not only transparency but experience, research, dissemination of information, liquidity and risk reduction.

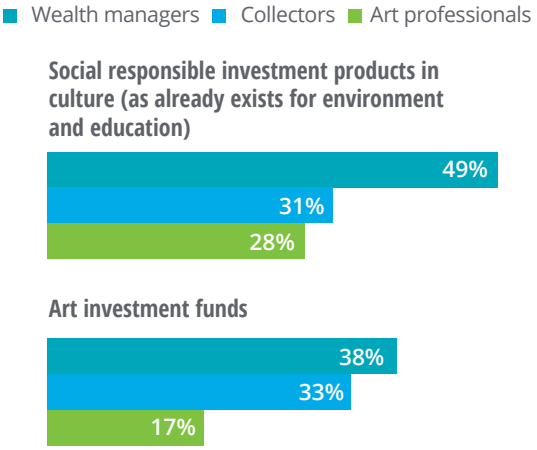
The ArtTech business model is often seen as a mismatch, of the typically long 'runway' that leads to the establishment of art-related businesses, and the funds invested in their creation. A different type of investment model is needed: one better aligned with the long-term nature of the investment and market stakeholder resistance to technology (as experienced in any business sector that faces technological change).

Such a model might be found through the development of an angel-investor network for ArtTech startups, backed by collectors and art professionals who have a good understanding of the functioning and particularities of the art market. Such a network could ensure more effective allocation of capital towards initiatives that address real issues of the art world, and could align investors' expectations and motives with the long-runway reality, as they have a better understanding of the functioning and particularities of the art markets.

FIGURE 12

Art & Wealth Management Survey respondents' interest

Social impact vs financial investment in art: in terms of investing in art, which of the following art investment products would be of most interest to you?



Source: Deloitte Luxembourg and ArtTactic Art & Finance Report 2019.

Blurring lines between social impact and art, culture

Building on the potential for change that regulations and technology can bring, there is a third global trend Deloitte has observed that the financial services industry should not ignore. With art sales having reached record levels in recent years – works of art are frequently selling for multimillions of dollars – conversations about the impact of wealth on the art and cultural landscape are taking on new aspects. Possibly more important, many wealth owners are focusing on investments that bring a positive impact to society and the world at large.

In this year's survey, 65 per cent of collectors said that art and philanthropy are the most relevant services a wealth manager can offer. The community of wealth managers we surveyed seems to have responded to this trend, with more than half saying they will focus on this area in the coming 12 months, up from 40 per cent in the 2017 survey. It could make strategic sense for wealth managers to combine their clients' interests in art and culture, and their art-related wealth, with philanthropic and social-impact investment models.

Progressive investors demand new ideas

There is significant scope for rethinking the established social investment models so they can more aptly be applied. Until today, philanthropic investment in art and culture often has been viewed through a narrow lens that focuses only on private patronage and museum building. However, new ideas – broader and more ambitious in scope – would be welcomed by today's open-minded but shrewd investors. They seek social investment models that concentrate on noncommercial art and cultural projects and institutions, which they can fund through innovative investment and financing programmes.

Rough sketch of the future

The bottom line is that wealth managers should rethink the client experience, especially for ultra-HNWIs, and take a new approach to art and wealth management services; this could allow them to be competitive, satisfy investors' emotional interests and develop closer ties with clients. They should consider developing a holistic strategy that incorporates both the emotional and financial factors associated with wealth preservation and management. Ultra-wealth holders seek connections, particularly emotional and personal connections. In this domain, art and wealth management could develop a mutually beneficial partnership.

Until today, philanthropic investment in art and culture often has been viewed through a narrow lens that focuses only on private patronage and museum building.

With new transparency requirements, wealth managers should also have better knowledge about their clients' art and collectible assets, to ensure adequate protection. Regulation and technology may very well help breed a more professional and transparent art industry, fostering trust and engagement. In this bright vision of the future, financial services entities would be able to develop new art and wealth management services and become stronger advocates for art as a viable asset class. There is promising evidence that this can be manifested, looking to the US and its legal framework that has supported growth and development of the world's largest art-secured lending market.

Many of the issues and challenges raised in this report require a cross-disciplinary approach that calls out to all stakeholders in the art and financial services industries – including, potentially, governments – to come together to develop a common vision, and promote standards and guidelines to achieve this. This could be a critical milestone in reversing any deterioration of trust among market stakeholders, which poses a great threat to future art-finance developments.

What also could be needed is a more unified voice and a common platform where stakeholders can discuss, advocate, and give advice and guidelines for best practices, helping establish a strategy for how to best regulate/self-regulate the art market. Without such an integrated voice, the art market risks falling under additional government regulation, which could increase the industry opacity – meaning less transparency, rather than more.

Promoting responsible practices: Lessons learnt from the Responsible Art Market Initiative

Should the art industry be subject to stricter regulations? The question remains a key concern for many people working in the art trade: Some argue in favour of tighter reins, for greater transparency and accountability, while others warn of the added costs and challenges further regulation would create. Regardless, there appears to be a slow acceptance that this is an important industry worth over $60 billion,[10] with the inherent risks of financialisation and the need for more sustainable practices.

A challenge facing the art market today is maintaining trust and credibility in a market that has discretion at its core, while not undermining the industry's commercial interests but promoting fair and efficient competition for future growth.

The Responsible Art Market Initiative (RAM) is a direct response to that challenge. Deloitte sought the perspectives of two members of its Task Force, to explain how the initiative is helping foster a dialogue about next steps for the industry: Justine Ferland, a researcher at the University of Geneva's Art-Law Centre and an attorney-at-law (Quebec, Canada), and Sandrine Giroud, a partner at LALIVE, Switzerland and board member of the Art Law Foundation. RAM is a nonprofit, cross-market initiative launched in Geneva, Switzerland in 2015. Its mission is to raise awareness among art businesses of the risks facing the industry, and provide practical guidance and a platform to share best practices that address those risks.

After five years of the initiative, what industry lessons has RAM learnt so far?

The biggest one might be that there is a real and sustained appetite for practical guidance on risks in the art market and responsible practices to address them. One of the measures of RAM's success is the growing number of people attending its annual event, including very diverse and international art market professionals, such as art dealers, gallery representatives, academics, service providers and government agencies. This indicates a real interest in the initiative's mission and shows that RAM is clearly viewed as offering a welcome platform to address the risks faced by the industry from a practical, holistic standpoint, and suggest the best practice that should be adopted in response.

The growing number of art dealers, individuals and collectors who use or have adopted the RAM guidelines and checklists in their businesses indicates that the initiative has become a key point of reference for responsible conduct in the art market. It has succeeded in remaining accessible and useful for all art trade players, including smaller organisations without large compliance or legal departments.

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How do you encourage dialogue about the best practices RAM advocates?

RAM has created a space where practices can be discussed freely and in a constructive manner. It holds an annual conference in Geneva during the artgenève art fair. This provides an opportunity for art market professionals to meet and exchange ideas on market practices, challenges and new initiatives.

There are other, numerous international events, through which the initiative has brought together unlikely groups of panellists who have, or represent, diverse – and sometimes opposing – interests. These panellists, whose varied backgrounds include the art business, finance, legal compliance, art history and scientific expertise, have participated heartily in frank exchanges.

Topics[11] have included the need (or not) for further regulation in the art market, the usefulness of new technologies and the practicalities and limits of risk management procedures. Some panellists also agreed to touch upon sensitive topics about which they usually prefer not to speak in public, strengthening RAM's position as an independent and open discussion forum that welcomes all art businesses and their employees to discuss art market practices.

RAM started in Switzerland but can the global industry find use in it?

Having organised events in Geneva, London and New York, so far, and with Advisory Board members coming from all across Europe and the United States, RAM has long since transcended the Swiss borders of its two founding institutions (the Art Law Foundation and the University of Geneva's Art-Law Centre) to become an international point of reference in responsible art market practices. This is excellent news but also sometimes complicates discussions and working sessions among the stakeholders involved.

To facilitate smaller group conversations and ensure that national issues and particularities are adequately addressed, RAM is currently working on the creation of Regional Committees. For the moment, these efforts are focused on the United States and the United Kingdom (in addition to Switzerland). These Regional Committees are intended to allow smaller groups of interested professionals to organise local awareness-raising events and discuss topics that are especially relevant to their jurisdictions and areas of practice.

Tell us about the guidance you have published for the industry.

RAM has published two sets of practical guidelines and checklists that are increasingly used and referred to: the *Guidelines on Combatting Money Laundering and Terrorist Financing*[12] and the *Art Transaction Due Diligence Toolkit*.[13] RAM furthered its mission by submitting the draft guidelines and checklists for public consultations, reaching out to key stakeholders for suggestions on how to improve, simplify and enhance them prior to their public launch. This ensured that the published documents are applicable in practice.

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With stricter anti-money laundering and terrorist financing regulations having recently come into force (or coming into force in the near future), RAM will be reviewing its Guidelines on Combatting Money Laundering and Terrorist Financing and especially the various country guides summarising the anti-money laundering regimes that apply in different jurisdictions.[14] This is designed to ensure that all its materials remain up to date.

RAM is also working on a new set of guidelines, aimed at summarising best practices for authentications of fine art, in the specific and practical spirit of the two previous publications. These guidelines are expected to be launched at RAM's next annual conference, in Geneva at the beginning of 2020.

RAM hopes to share as many relevant resources as possible, link to other initiatives and organisations who are playing a role in creating a more responsible art market.

Are there any digital resources that offer opportunities for discussion or guidance?

The growing interest expressed by various art market players in getting involved in the initiative has prompted RAM to reflect on ways to further develop and encourage dialogue on a daily basis, outside its various events and public consultations. In that regard, RAM is currently working on an updated, more interactive website, which it hopes will become a truly interactive platform where all interested stakeholders can engage in further discussion of risk and best practices in the market.

Although the website's exact form is still to be determined, RAM hopes to share as many relevant resources as possible, link to other initiatives and organisations who are playing a role in creating a more responsible art market, invite further comments on the existing guidelines and checklists, and, in the long term, foster online dialogue among all members of the 'RAM Community'.

Is RAM offering any kind of official certification to art businesses?

Throughout its expansion, RAM has endeavoured to remain fully independent and avoid all actual or perceived conflicts of interest. It has done so by aiming for equal representation of all art market stakeholders in its working group – now renamed the Advisory Board. This includes large and small galleries, auction houses, dealers, freeports, lawyers, law-enforcement officers, art experts, appraisers, insurance companies, insurance brokers, compliance experts and academics.

From the outset, RAM has also clearly held that it is not – and will not become – a certification body for 'diligent' or 'responsible' art businesses, to remain fully independent and neutral. However, this question often recurs at RAM events and bilateral discussions with art market stakeholders. For that reason, some form of certification by a different independent body may indeed be helpful in the future, to further increase transparency and trust in the market.

What is needed to continue moving forward with addressing risks and adopting responsible practices?

The RAM experience shows that the art market needs and wants more dialogue on best practices. Whatever the direction taken with regard to (self-) regulation of the art market, dialogue should be the first step to ensure that the relevant information is shared and considered, to lay the foundation for a sustainable art market.

Endnotes

1. We have defined growth in the art market by using sales figures, as published by Art Basel and UBS, based on auction results, as well as estimated dealer and gallery sales: *The art market | 2019*, The Art Basel & UBS Global Art Market Report 2019. https://www.artbasel.com/amr2019, accessed 9 September 2019.
2. ArtTactic Auction Review – 1st Half 2019 - https://arttactic.com/product/auction-review-1st-half-2019/, accessed 9 September 2019.
3. *The art market | 2019*, The Art Basel & UBS Global Art Market Report 2019, https://www.artbasel.com/amr2019, accessed 9 September 2019.
4. artnet, http://www.artnet.com/, accessed 9 September 2019
5. Contribution from Sotheby's in the Deloitte Luxembourg and ArtTactic Art & Finance Report 2019. https://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.htm
6. Art-secured lending is the use of art objects for loan collateral - The US art-secured lending market is growing by more than 10% annually.
7. Deloitte Luxembourg and ArtTactic Art & Finance Report 2019. https://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.htm
8. From the article "Experiences from the diamond industry. An interview with Trisevgeni Stavropoulos, Head of Compliance at the Antwerp World Diamond Center", by Sarah Philips, Director Risk Advisory and Inneke Geyskens-Borgions, Senior Manager, Risk Advisory Financial Crime, Deloitte Belgium - Deloitte Luxembourg and ArtTactic Art & Finance report 2019. https://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.htm
9. Contribution to the Deloitte Luxembourg and ArtTactic Art & Finance Report 2019 : "The future of the art world ecosystem: a study of technology, education and growth", by Denis Belkevich and Roxanna Zarnegar co-founders of Fuelarts. https://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.htm
10. The Art Basel and UBS Global Art Market Report 2019.
11. http://responsibleartmarket.org/
12. Responsible Art Market, Guidelines on Combatting Money Laundering and Terrorist Financing. http://responsibleartmarket.org/guidelines/guidelines-on-combatting-money-laundering-and-terrorist-financing, accessed 9 September 2019.
13. Responsible Art Market, Art Transaction Due Diligence Toolkit. http://responsibleartmarket.org/guidelines/art-transaction-due-diligence-toolkit/, accessed 9 September 2019.

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Deloitte Art & Finance is an industry at the crossroads of three sectors – finance, art businesses and culture – and aims to:

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- serve a wide range of clients – e.g., collectors; individuals, families and corporates; banks; family offices; art businesses including ArtTechs; cultural institutions; and cultural national and supranational public bodies – in mamaging their art-related activities

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