



Money laundering, art crime, market misdemeanour and regulation in the art market

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Presentation outline

- Why I am here and what I do
- Art market money laundering in the news
- International art market
- Art market operation
- Art market laws
- Art crime and legal disputes in the art market
- Unorthodox and unethical practice in the art market
- Art market, media, and legal reaction
- What can be done
- Who will benefit from regulation

- Information sources

James Goodwin

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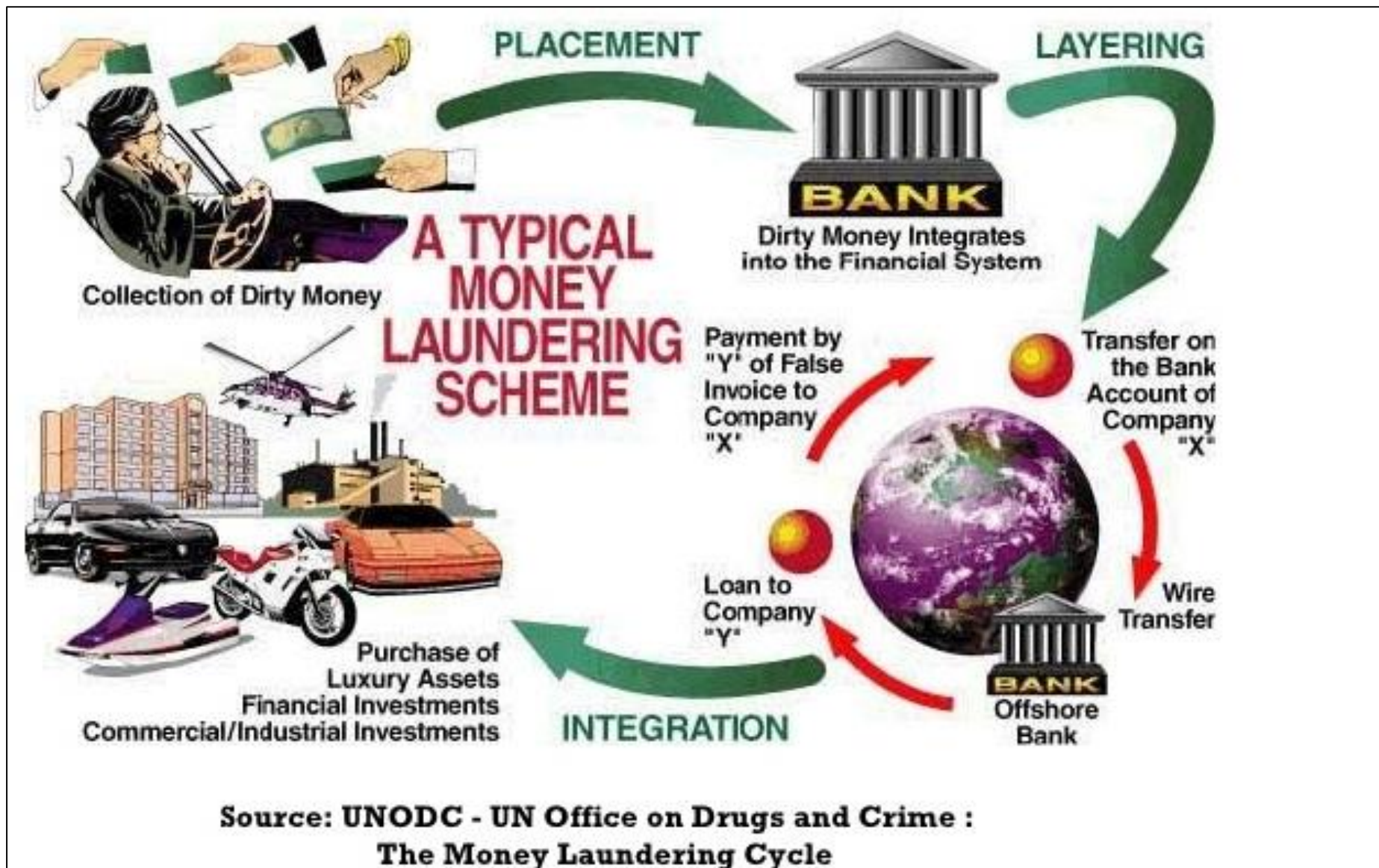
- James Goodwin directs the art market courses at Ca' Foscari University, Italy; Kedge Business School, France; and Peking University, China
- He pioneered the art market courses at Christie's Education, London and Hong Kong; Maastricht University, The Netherlands; and HEC Paris, France
- He has been a visiting lecturer or course director at LSE, Kingston University, University of the Arts London/Wimbledon, and City University in Britain; and Erasmus University Rotterdam, The Netherlands
- His research and writing has appeared in *The Economist*, *Financial Times* and *Wall Street Journal* and has been broadcast on BBC TV and Radio, and CNN
- His book *The International Art Markets - The Essential Guide for Collectors and Investors* which includes 42 country's art markets was published in English in July 2008 and in Chinese in June 2010
- His recent research has been about 'Demography and the art market' and 'The influence of artists on the late 18th century British art market'

Beaufort Securities, Matthew Green, US Department of Justice and a Picasso painting



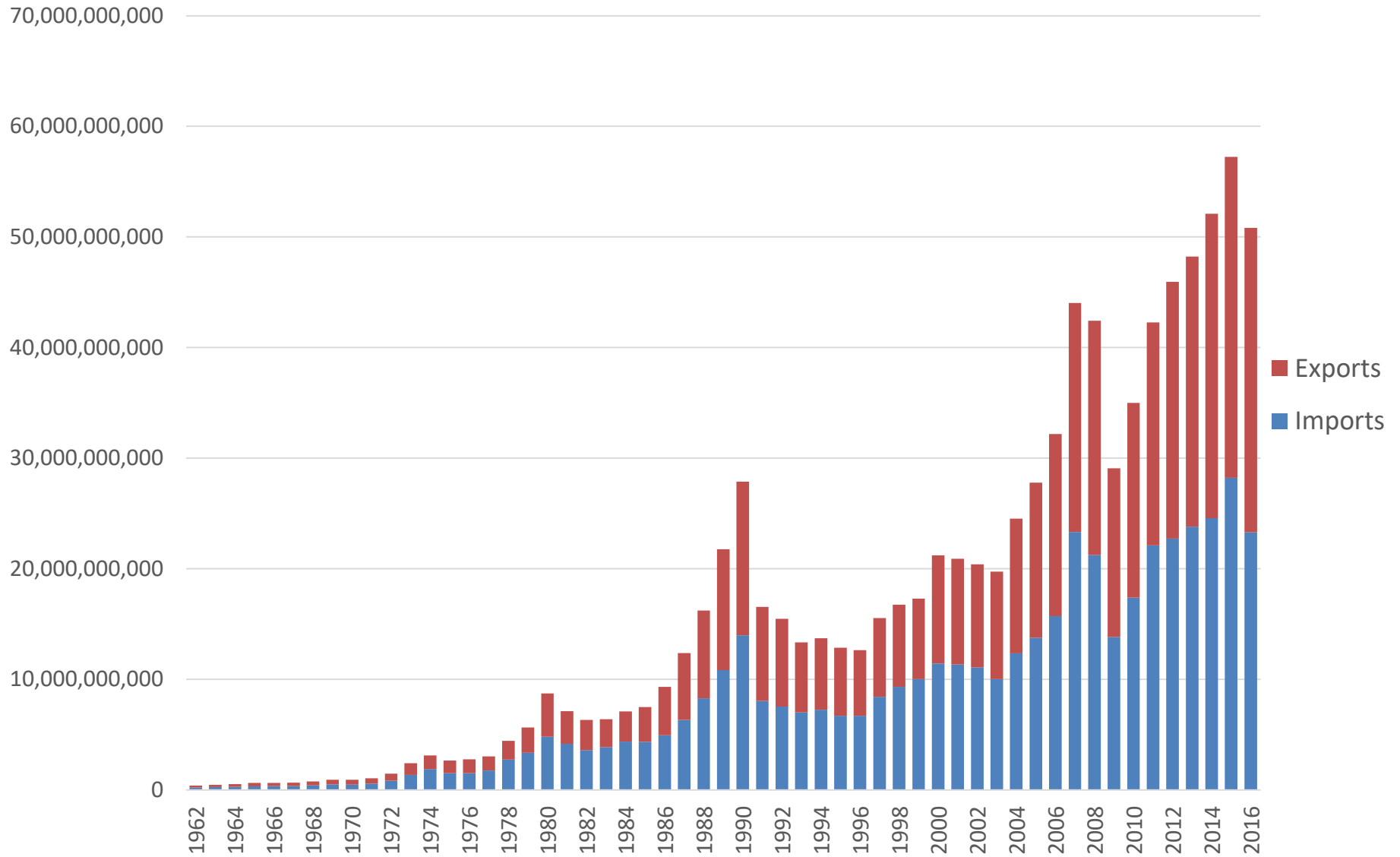
‘One of the key defendants accused of laundering the proceeds of stock manipulation explained that the art trade is “the only market that is unregulated” and advised that art was a profitable investment because of “money laundering,” according to court papers.’ *Artnet*, March 2018

Money laundering through Art & Collectables



International Trade in 'Works of art, collectors' pieces and antiques' (\$US)

source: United Nations



Fine and Decorative Art

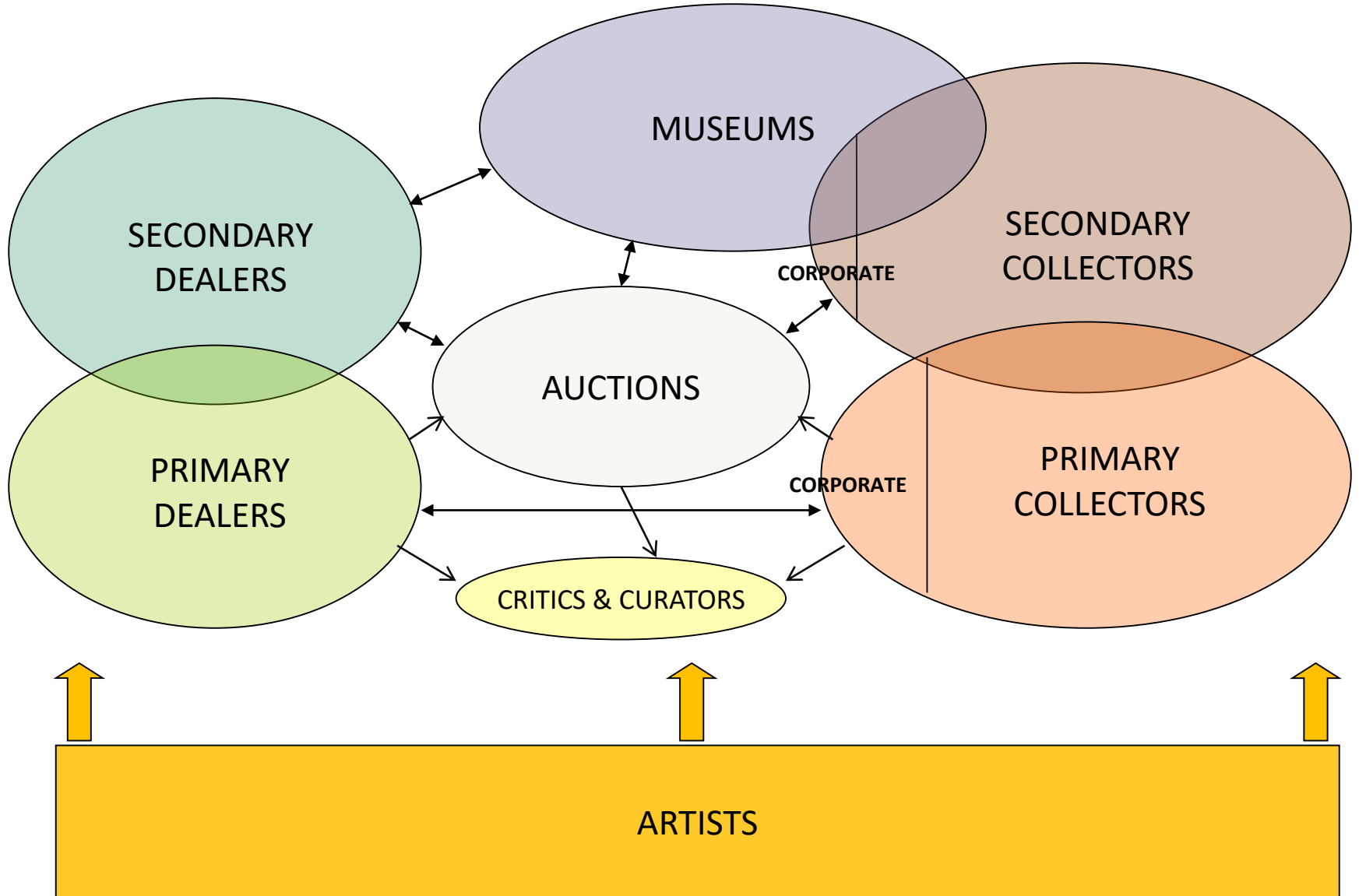
- Paintings & drawings (British, Scottish, Irish, European, American, Australian, Canadian, German, Austrian, Greek, Scandinavian, Spanish, Swiss, Israeli, Latin American, Orientalist, Indian, Chinese, Russian, Korean, SE Asian, African, South African, Iranian, Turkish, Middle Eastern sometimes including Classical, Old Masters, 19th century, Victorian, after 1850, Orientalist, Impressionist & Modern, Edwardian, 20th century, Contemporary, watercolours, sporting, and maritime painting, and portrait miniatures)
- Prints
- Sculpture (early European, 19th century)
- Furniture (English, French, European, American)
- Rugs & carpets
- Tapestries
- Ceramics, porcelain (European & Chinese)
- Glass
- Silver, vertu & gold boxes (English, European, American, Russian)
- Clocks, watches, chronometers & barometers
- Jewellery & diamonds
- Icons
- Works of art (antiquities, Chinese, Judaica, Islamic, Indian, Aboriginal, African & Oceanic, pre-Columbian, American Indian, Japanese, Korean, Russian, folk art)
- Garden statuary & architectural items
- Decorative art & design

Collectibles

- Automobiles
- Bric-a-brac
- Scientific instruments
- Books & manuscripts (English, Continental, American, Russian, music, science, children's, maps, atlases, natural history)
- Posters (19th & 20th century)
- Photographs
- Sporting guns & memorabilia
- Arms, armour & militaria
- Dolls and toys
- Luggage and other memorabilia
- Postage stamps
- Numismatic coins
- Banknotes
- Stock certificates
- Scripts
- Medals
- Musical instruments
- Fashion (costumes & textiles)
- Vintage wines and spirits
- Playing cards
- Objets de vertu
- Entertainment memorabilia
- Exploration & travel
- Science & natural history
- Popular culture

ART SERVICES

Including: Art Schools, Fairs, Public Relations, Art Advisors,
Transport & Storage, Insurance, Valuers, Restoration, Law,
Finance, Trade Associations, Education



Art Law

- Customs Definition of Art
- International Movement of Art
- Art and War
- Moral Rights
- Freedom of Expression
- The Working Artist
- Copyright
- Trademark
- Auctions
- Authentication
- Art as an Investment
- Museums
- Insurance

Art crime, legal disputes and market controversy in the news

MONEY LAUNDERING/SMUGGLING/TRAFFICKING

- Antiquities smuggling in New York – Trafficking unit – 40 cases of well known collectors art ownership , *The Art Newspaper*, March 2018
- Hong Kong the best place to buy stolen antiquities, *International Journal of Cultural Property*, November 2017
- Islamic State and the illicit art trade, *The Art Newspaper*, October 2017
- Wildenstein art dealers accused on tax evasion and money laundering, *Beaux Arts Magazine*, December 2016
- Dmitry Rybolovlev v Yves Bouvier, *Financial Times*, April 2015
- Report on archaeological looting and the illicit trade of antiquities in Spain, *International Journal of Cultural Property*, February 2015
- Helly Nahmad Gallery in New York City money laundering, *The Art Newspaper*, May 2013
- Goya paintings used in money laundering, *ArtNews*, October 2002
- Corporate money laundering through art in Canada, *Fuse*, August 1989

FRAUD/TAX EVASION & AVOIDANCE (FREEPORTS/OFCs)

- Collateral for loans and sheltering from creditors in New York, *The Art Newspaper*, March 2018
- Art scam in which dealer sued for fraud and disappears, *The Art Newspaper*, February 2018
- Faked French furniture, *Financial Times*, June 2016
- Knoedler fakes, *New York Times*, February 2016
- Panama Papers, *New York Times*, February 2016
- Art storage facilities worldwide, *Art & Auction*, January 2016
- Online art fraud, *The Art Newspaper*, September 2015
- Art adviser sued by collector, *The Art Newspaper*, September 2015
- New York art sales tax fraud, *The Art Newspaper*, March 2015
- Dimitry Rybolovlev v Yves Bouvier about the sale of 37 paintings, *The Guardian*, February 2015

‘Art is used for tax evasion and tax avoidance in the United States and abroad....presenting a readily accessible conduit for money laundering with price opacity facilitating insider trading and outright manipulation, and few checks on the origins of payments for private sales.’

Nouriel Roubini, American economist, January 2015

Art crime, legal disputes and market controversy in the news (2)

FRAUD/TAX EVASION & AVOIDANCE (FREEPORTS/OFCs) - continued

- Luxembourg freeport opens, *The Art Newspaper*, September 2014
- USA capital gains tax loopholes, *The Art Newspaper*, July 2014
- Beijing and Shanghai tax free zones, *The Art Newspaper*, January 2014
- Internet sales and fraud, *The Art Newspaper*, January 2013
- Art market corporate tax dodging, *The Art Newspaper*, December 2012
- Unseen art in a Geneva freeport, *Sunday Times*, November 2012
- Ronald Perelman v Gagosian for unfinished works, *The Guardian*, September 2012
- Opening of Singapore freeport, *ArtNews*, March 2011
- Art insurance fraud, *The Art Newspaper*, September 2009
- Borrowing against art to avoid capital gains tax, *ArtNews*, June 2005
- Swiss freeport near Zurich, *Art Review*, April 2004

CRIME/CYBERCRIME

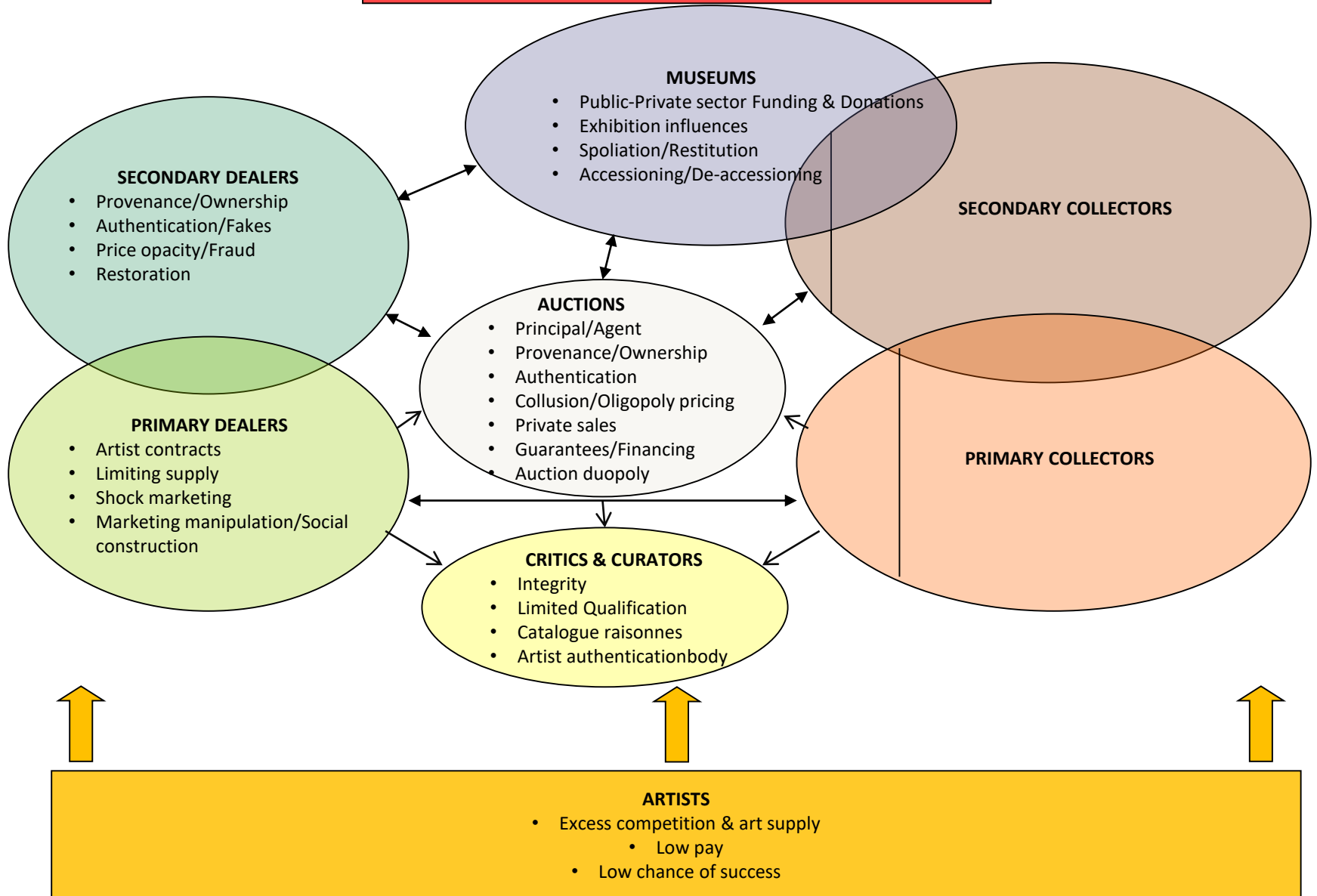
- Galleries and cybercrime hacking, *The Art Newspaper*, November 2017
- Cultural property crimes a \$6 billion illicit industry, *International Journal of Cultural Property*, May 2013
- Narcotic dealers buying art to keep, *ArtNews*, March 1991

IDENTIFICATION/FORGERY/AUTHENTICATION

- Three Parisian antiques dealers accused of forgery, *The Art Newspaper*, July 2016
- Art authentication and the law, *International Journal of Cultural Property*, August 2015
- Keith Haring Foundation sued for refusing to authenticate paintings! And is later closed, *Daily Mail*, February 2014
- Bill Viola and Dan Flavin tax on their art, *The Art Newspaper*, January 2011
- Greenhalgh forgeries from 1989-2006, *ArtNews*, February 2008

ART SERVICES/GENERALLY

- Market ignorance
- Lack of formal qualifications
- Limited & ineffective codes of conduct/trade regulations
- No overall governing body
- Finance origin
- Illegal trading
- Conflicts of interest
- Appraisal rules
- Art fair vetting
- Art adviser licences
- Freeport - owners & transactions



Market, media and legal reaction to regulation

- Art trade association guidelines – Sotheby's, Christie's, CINOA, SLAD, BADA, LAPADA - DACS, BAMF, ALR etc
- UK money laundering regulations and the art market – 2000, 2002, 2007, 2017 (for art deals over €10,000 in cash)
- Academic conferences on art crime – New York University, International Foundation for Art Research
- Dedicated security institutions – FBI, US Department of Justice, Department of Homeland Security, US Attorney Office
- Art crime books – 1974, 1994, 2004, 2006, 2007, 2013, 2016, 2017
- Art crime film - 2011

- Blockchain and less trade secrecy, *The Art Newspaper*, March 2018
- Lawyers due diligence and money laundering, *Financial Times*, March 2018
- Art business better use of arbitration for confidentiality, *Apollo*, February 2018
- EU data privacy, *The Art Newspaper*, February 2018
- More should be spent on UK police against art crime, *Financial Times*, September 2017
- EU Anti trafficking law restricting imports, *The Art Newspaper*, November 2017
- Art Basel ethical framework on prices and sales, *The Art Newspaper*, November 2017
- Technology to detect fakes and forgeries, *The Art Newspaper*, May 2017
- Art Business conference claims to growing professionalisation, *Financial Times*, April 2017
- Public policy - Self regulation of the art market, *Art Monthly*, September 2016
- Regulating the art industry, *Art Monthly*, July 2016
- Artists Resale Rights, *Art Monthly*, April 2016
- Art Recovery Group creates a database of stolen art, *The Art Newspaper*, February 2016
- Department of Homeland Security and the US Attorney's Office in New York stronger line against smuggling, *The Art Newspaper*, February 2016
- Trends in 2016 – Tax and Regulation, *Art & Auction*, January 2016

Market, media and legal reaction to regulation (2)

- Changing title of Cultural Heritage Objects in UK Museums, *International Journal of Cultural Property*, August 2015
- Art lawyer due diligence obligations, *International Journal of Cultural Property*, August 2015
- Does the art market need more regulation? *Apollo*, July 2015
- Conference in New York on art crime discussed freeports, provenance, thefts, forgery and authentication, *The Art Newspaper*, June 2015
- The Design and Artists Copyright Society debate about art market regulation, *Apollo*, April 2015
- Regulating the art industry, *Art Monthly*, March 2015
- Art market regulation an 'impossible dream' to Art Market editor, *The Art Newspaper*, March 2015
- British Art Market Federation and Pierre Valentin of Constantine Cannon LLP claim there are already 167 laws and regulations for the UK art market, *Apollo*, February 2015
- New York's new ivory laws, *The Art Newspaper*, November 2014
- Australia Protection of Cultural Objects on Loan Act 2013, *International Journal of Cultural Property*, May 2014
- Report on United Kingdom's Spoliation Advisory Panel, *International Journal of Cultural Property*, May 2014
- Discussion of money laundering through art, *Art AsiaPacific*, November 2013
- Calls for New York state legislature to increase regulation of gallery and auction sales, *New York Times*, January 2013
- New York Supreme Court calls for more auction transparency, *The Art Newspaper*, December 2012
- Research aimed at combating the illicit trade in antiquities, *The Art Newspaper*, October 2012
- Italy clamp down on tax avoidance, *The Art Newspaper*, October 2012
- China's cultural policy including regulation, *International Journal of Cultural Policy*, June 2012
- Artist contracts and regulation, *Art Monthly*, July 2009
- Ethical codes for museum activities, *International Journal of Cultural Property*, February 2009
- Artist resale rights and market migration from the UK, *Apollo*, September 2007
- Lack of Russia art market regulation, *Apollo*, July 2007
- Swiss government introduces more cultural property laws, *International Journal of Cultural Property*, February 2006
- Artist Resale Right introduction, *Art Monthly*, February 2006
- FBI creates Rapid Deployment Art Crime Team, *ArtNews*, February 2005
- British parliamentary report on Cultural Property, *International Journal of Cultural Property*, January 2002
- Restricting international trade in the national artistic patrimony, *International Journal of Cultural Property*, January 2001
- Art Loss Register creates a computer database of stolen art, *Conservation Perspectives*, Spring 1998
- Swiss art market regulation, *Passages*, Spring 1995
- Call for regulation, *Art Issues*, Summer 1990

Anti money laundering

‘Prevention to Enforcement’ in stages

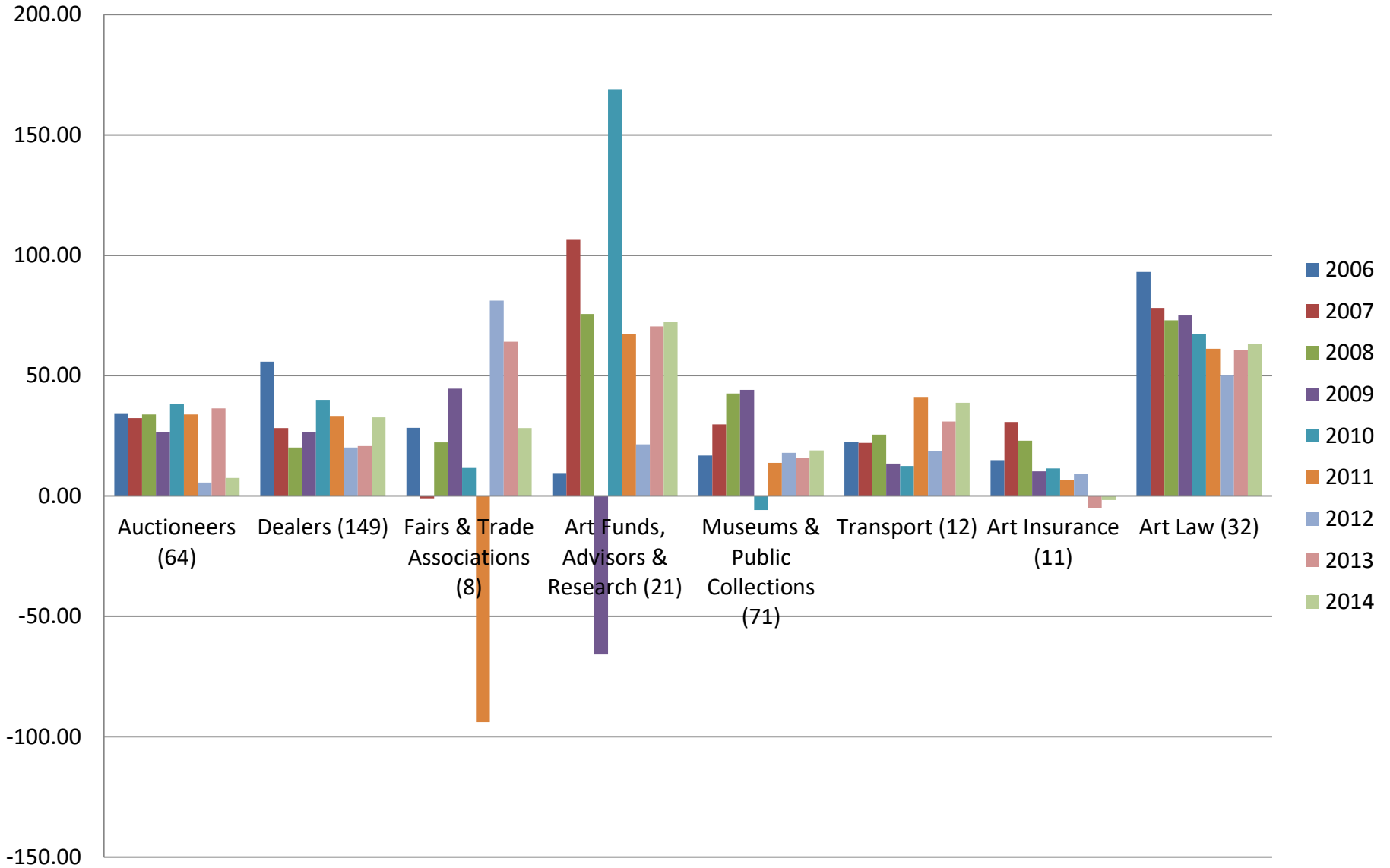
source: Levi, M. & Reuter, P. 2006

- Customer Due Diligence to Predicate Crimes
- Reporting to Investigation
- Regulation & Supervision to Prosecution & Punishment
- Administrative/Regulatory Sanctions to Civil & Criminal Confiscation/ Forfeiture
- Prevention to Enforcement

UK Art Trade Companies

Return on Capital Employed %

source: Bureau van Dijk/James Goodwin



Transparency International

anti corruption glossary

- ACCESS TO INFORMATION
- ACCOUNTABILITY
- ASSET RECOVERY
- AUDIT
- AUTOMATIC EXCHANGE OF INFORMATION
- BASE EROSION AND PROFIT SHIFTING
- BENEFICIAL OWNERSHIP SECRECY
- BRIBERY
- CIVIL SOCIETY
- CLIENTELISM
- CODE OF CONDUCT
- COLLUSION
- COMPLIANCE
- CONFLICT OF INTERESTS
- CONVENTIONS
- CORPORATE GOVERNANCE
- CORRUPTION
- COUNTRY BY COUNTRY REPORTING
- DEBARMENT
- DISCLOSURE
- EMBEZZLEMENT
- ENHANCED DUE DILIGENCE
- ETHICS
- EXTORTION
- FACILITATION PAYMENTS
- FRAUD
- GOVERNANCE
- GRAND CORRUPTION
- ILLICIT FINANCIAL FLOWS
- INTEGRITY
- KNOW YOUR CUSTOMER
- LOBBYING
- MONEY LAUNDERING
- MUTUAL LEGAL ASSISTANCE
- NATIONAL INTEGRITY SYSTEMS
- NEPOTISM
- NOMINEE
- OFFSHORE FINANCIAL CENTRES
- OVERSIGHT
- PACTS
- PATRONAGE
- PETTY CORRUPTION
- POLITICAL CONTRIBUTION
- POLITICAL CORRUPTION
- POLITICAL WILL
- POLITICALLY EXPOSED PERSONS
- PRIVATE SECTOR
- PROCUREMENT
- PUBLIC SECTOR
- REVOLVING DOOR
- RULE OF LAW
- SECRECY JURISDICTION
- SHELL COMPANY
- SOLICITATION
- STATE CAPTURE
- TAX EVASION
- TAX HAVEN
- TRANSFER (MIS)PRICING
- TRANSPARENCY
- WHISTLEBLOWING

Who will benefit from art market regulation?

BENEFICIARIES

- Tax payers
- Art trade – qualified professionals and educators
- Consumers/Collectors
- Art lovers
- Art critics
- Public sector museums

AND LESS OR NOT BENEFITTING

- Private trading collectors
- Art advisers
- Art market lawyers
- Art market journalists
- Art restorers
- Auctioneers

Lynn Pratt

'Money Laundering', June 2016



Sources

(in order of first reference)

- Transparency International
- *Artnet*
- United Nations Comtrade
- Christie's
- Sotheby's
- Own art market diagram design (after Harris, R. and GE/Shell)
- DuBoff, L. & King, C.
- Merryman, J. Elsen, A. & Urice, S.
- *The Art Newspaper*
- *ArtNews*
- *Financial Times*
- *Beaux Arts Magazine*
- *International Journal of Cultural Property*
- *Fuse*
- *Art & Auction*
- *Sunday Times*
- *Apollo*
- *New York Times*
- *Guardian*
- Trade associations – CINOA, SLAD etc
- *Daily Mail*
- *Art Asia Pacific*
- *Conservation Perspectives*
- *Passages*
- Levi, M. & Reuter, P.
- Bureau van Dijk
- Lynn Pratt artist

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