

Round Table Terrace Talks

Preparing for Art Basel and
Beyond

June 9, 2022

Why AML Rules Matter to US Dealers: Art Industry is Global

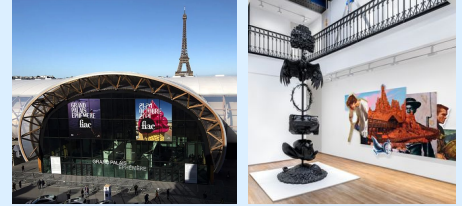
TEFAF Netherlands
June 24th - 30th



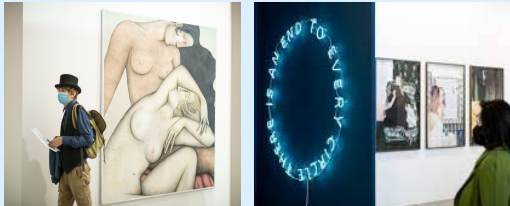
Frieze London
September 2nd - 5th



FIAC and Paris+ by Art Basel
October 20th - 23rd



Artissima (Italy)
November 4th-6th



Art Cologne
November 16th-20th





Overview



- **International AML regulations affect US dealers today**
- **US AML regulations coming & sanctions in place today**
- **How to minimize risk of illegal transaction (KYC)**
- **How to protect privacy of transactions**



Who AML Regulations Apply To Art Market Participants (AMP)



**Art
Galleries**

Art Dealers

**Art
Consultants
and Advisors**

Museums

**Auction
Houses**

**Online
Marketplaces**

Artist Agent

**Universities,
Hospitals &
Non-Profits**

**Collectors &
Estate
Managers**

**Art
Financiers**

**Interior
Designers**

**Art Storage
Facilities**

One Two Three of Money Laundering

**Dirty Money
(black market)**

**Convert to
Legal Tender**

**Purchase
Fine Art**



Sources of “Dirty” Money



**Drug
Trafficking**

Embezzlement

**Illicit
Gambling**

**Stolen
Goods**

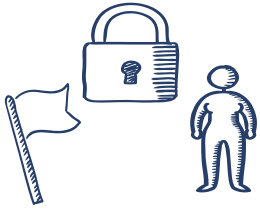
**Gun
Trafficking**

**Insider
Trading**

**Bribery and
Extortion**

**Terrorist
Financing**

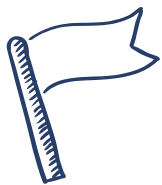
**Human
Trafficking**



Avoiding Sanctioned Transactions

- **Punishment imposed by one or more governments against a foreign country or person.**
- **Bar on transacting business with sanctioned individual, entity or country.**
- **May apply to person, product, industry, natural resource or entire country.**
- **Transactions completed with anyone or any country that is sanctioned is illegal.**
- **Location of sanctioned person is irrelevant.**
- **Sanction lists are dynamic and ever changing.**

ASV SANCTION SEARCH



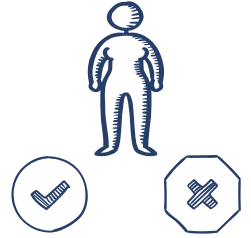
Know Your Client

Red Flags



- The buyer is associated with a high risk geographic location.
- Incomplete identification verification.
- Hesitation to provide the requested information.
- The individual is or is associated with a Politically Exposed Person.
- The source of funds to buy is unusual or complicated (or cryptocurrency)

Know Your Client (KYC) - How To Manage Risk



- **Identify potential red flags.**
- **Collect customer information.**
- **Verify - due diligence research.**
- **Determine what additional information is necessary to assess whether red flag indicates potential illegal source of funds.**
- **Maintain records of all covered transactions and resulting decisions**



Who is a Politically Exposed Person



An individual who holds a higher risk of being involved in money laundering, bribery, or corruption due to their position in society

Examples of PEPs include:

Board member or CEO of multinational corporation

High level military officers

Lobbyists

Politicians

Celebrities

AND those closely associated (e.g. girlfriend, brother-in-law)



Example: UK Regulatory Requirements



Registration

Identify a Compliance Officer

Develop a Policy

Conduct Know Your Client Due Diligence

Maintain Transaction and Decision Logs

Participate in Trainings

Identifying a Compliance Officer



"The Point Person"

Who can be a compliance officer

Partner

Director

Owner

**Executive
Officer**

**Senior
Manager**

What are their responsibilities

Be sufficiently aware of regulations to establish, examine, and evaluate compliance

Continually train and monitor staff on AML obligations and procedures

Make risk determinations

Approve transactions once due diligence is completed

Maintain records

Report suspicious activity



Customized Risk Assessment Policy



UK art market participants are required to develop a written policy that:

- Identifies their likelihood of becoming a target for money laundering**
- Spells out procedures in place to identify potential money-launderers**
- Procedures in place to minimize risk of illegal transaction**



Protecting Privacy of Sellers, Buyers & Transaction Data

The information you are collecting is personal and must be protected

**Decisions must be recorded and in compliance with your Risk
Assessment Policy**

**Records must be held for 5 years after the business relationship with
the person or entity has ended and comply with applicable Data
Privacy laws**

PUT IT IN THE VAULT

Thank you!

Stay in touch and sign up at:

www.artsalesvault.com