TRANSACTION RED FLAGS

Clients who knowingly wish to sell at an artificially low or inflated price

Clients who ask detailed questions about the Art Business’ procedures for reporting suspicious activity and/or financial matters to tax authorities

Sellers / Consignor is unable or unwilling to provide adequate proof of ownership for items that they are wishing to consign

Clients who suggest unusually complicated structures for achieving a purchase or sale

Sellers who request sale proceeds to be paid to a third party

Clients who ask detailed questions about the Art Business’ procedures for reporting suspicious activity and/or financial matters to tax authorities

Buyers who arrange payments from a third party

Buyers wishing to pay by a cheque drawn on a bank located outside the FATF jurisdictions http://www.fatf-gafi.org/

Seller / Consignor is unable or unwilling to provide adequate proof of ownership for items that they are wishing to consign

If there is a legitimate reason to consider paying a third party, request sufficient information and verified documentation to establish a legitimate link between the third party and the seller. If not satisfied with the information and documentation provided, decline to pay the third party

The Responsible Art Market Initiative (RAM)

RAM’s mission is: “To raise awareness amongst Art Businesses of risks faced by the art industry and provide practical guidance on establishing and implementing responsible practices to address these risks.”

Red Flags

Money laundering and terrorist financing risks

This document highlights some red flag situations which may indicate increased money laundering and terrorist financing risks and provides recommendations for dealing with them. If suspicions of money laundering or terrorist financing are not alleviated through enhanced due diligence, and in the absence of a plausible explanation or further documentation allaying those suspicions, Art Businesses should consider declining the transaction and reporting the suspicions to the appropriate authorities in the relevant jurisdiction where an obligation to report exists. Please refer to the full guidelines published on the RAM website www.responsibleartmarket.org for further details and practical guidance.
**CLIENT RED FLAGS**

- Politically Exposed Persons (PEPs) including persons closely associated with PEPs
- Clients known to be (or associated with) persons subject to criminal or regulatory investigation, prosecution or conviction
- New clients who live, operate or bank in higher risk jurisdictions e.g.:
  - where drug trafficking, terrorism and/or corruption are prevalent
  - where money laundering regulations are less stringent
  - with lower standards of financial regulation (e.g. non-FATF jurisdictions)
- Offshore companies, trusts, foundations, institutions, associations
- Agents for undisclosed buyers or sellers

**ARTWORK RED FLAGS**

- An artwork is presented with very limited or no documentation / provenance
  - Exercise enhanced due diligence
  - Obtain and record all Know Your Client (KYC) information
  - Obtain additional assurances if necessary before proceeding with the transaction
- The seller is reluctant to provide written evidence of the provenance
  - Request additional paperwork to identify the ultimate beneficial owner of:
    - the company
    - the property being sold (if offshore company selling), this may be mandatory in certain jurisdictions.
  - Exercise enhanced due diligence for complex structures (i.e. multiple layers of offshore entities)
- The artwork is an antiquity or its source country (i.e. the country where it was created) is or has been in recent conflict
  - Obtain and record KYC information for both the agent and the ultimate buyer / seller they are acting for
  - Obtain additional assurances if necessary before proceeding with the transaction
  - Exercise enhanced due diligence

**TRANSACTION RED FLAGS**

- Conduct independent research including technical analyses if appropriate
- Inform potential buyers of the extent of information available about the artwork
- Check databases of lost and stolen art. Examples include: Interpol's "Works of Art" database, The Art Loss Register, The International Council of Museums' "Red Lists" database
- The buyer is reluctant to provide written evidence of the provenance
- Exercise enhanced due diligence
- Conduct databases of lost and stolen art. Examples include: Interpol's "Works of Art" database, The Art Loss Register and The International Council of Museums' "Red Lists" database
- Conduct enhanced due diligence including obtaining independent, verifiable third party documents and evidence that the artwork has been out of its country of origin for a considerable time and has not been recently looted or dug out of the ground
  - If insufficient information or evidence is available to confirm the artwork has not been recently looted or dug out of the ground, consider declining the transaction

**BUYERS RED FLAGS**

- Clients who without plausible reason, operate through multiple private investment companies or offshore structures whose ownership, control and/or beneficiary structure is opaque
- Buyers who insist on paying large amounts in cash
  - Do not accept cash payments above a certain limit
  - Check the "Country Guides" for the legally imposed cash payment limits in the jurisdictions where you are operating
- Buyers who insist on paying large amounts in cash
  - Do not accept cash payments above a certain limit
  - Check the "Country Guides" for the legally imposed cash payment limits in the jurisdictions where you are operating
  - Consider the aggregate amount of cash payments made by the client to determine if the relevant cash payment limit is reached

**AGENTS RED FLAGS**

- Agents for undisclosed buyers or sellers
  - Obtain and record KYC information for both the agent and the ultimate buyer / seller they are acting for
  - Obtain additional assurances if necessary before proceeding with the transaction
  - Exercise enhanced due diligence

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