

DUE DILIGENCE TOOLKIT

RED FLAGS

The following “red flags” may indicate situations of increased risk (such as money laundering, stolen and looted objects, illegally exported and trafficked items and fakes or forgeries).

For further guidance please refer to the Artwork Transaction Due Diligence Notes and RAM’s Guidelines on countering money laundering and terrorist financing risks.

CLIENT		ARTWORK		TRANSACTION	
Red flags		Red flags		Red flags	
Politically Exposed Persons (PEPs) including persons closely associated with PEPs		An artwork is presented with very limited or no documentation or provenance		Client is evasive or reluctant to provide adequate information relating to their identity or the artwork	
Offshore companies, trusts, foundations, institutions, associations		The seller is reluctant to provide written evidence of the artwork’s provenance		Client provides information which appears to be false	
Clients known to be (or associated with) persons subject to criminal or regulatory investigation, prosecution or conviction		The artwork is an archeological object or part of a monument and its source country (ie the country where it originated) is or has been in recent conflict		Buyers who insist on paying large amounts in cash	
				Buyers who insist on making multiple low value cash payments for a single or connected transactions	

CLIENT		ARTWORK		TRANSACTION	
Agents for undisclosed buyers or sellers		The artist or the object is known to be forged		Buyers who insist on paying with an anonymous credit card (e.g. China Union Pay Card which does not include the holder's name) or cash cards	
Clients who without plausible reason, operate through multiple private investment companies or offshore structures whose ownership, control and/or beneficiary structure is opaque		Adverse market comment regarding the artwork exists		Clients who ask detailed questions about the Art Business' procedures for reporting suspicious activity and/or financial matters to tax authorities	
		Documentation for the artwork (e.g. authorisations, export licences, provenance documents) appears to be false. See for example the fraud regarding fake ICOM / UNESCO certificates		Clients who knowingly wish to sell at an artificially low or inflated price	
		The artwork has no recent provenance or has unexplained gaps in its provenance. This can indicate an item that has been stolen, illicitly excavated or which is a fake or forgery.		Clients who suggest unusually complicated structures for achieving a purchase or sale	

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	Unexplained or inconsistent changes in ownership	Buyers wishing to pay by a cheque drawn on a bank located outside the FATF jurisdictions http://www.fatf-gafi.org/	
	The seller changes their story as to how they acquired the artwork	Sellers /Consignors who are unable or unwilling to provide adequate proof of ownership for items that they are wishing to consign	
	The artwork is subject to trade restrictions (e.g. sanctions prohibiting the trade in items originating from Syria and Iraq)	Buyer arranges payment for the artwork by a third party	
	Artworks presenting unusual fluorescence under UV light (e.g. as a result of special varnishes used to hide details or restoration)	Seller requests the sale proceeds to be paid to a third party	
	Artworks where the original canvas and tacking edges cannot be accessed	The documentation provided is inaccurate or incomplete	
	Artworks with important or extensive restorations	The seller and buyer (or their intermediaries) are connected	

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CLIENT		ARTWORK		TRANSACTION	
				The client's profile or business structure is inconsistent with the proposed transaction	
				Parties to the transaction have conflicts of interest	

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