

A Responsible Art Market in Practice

Case studies



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CLIENT DUE DILIGENCE CASE STUDY

Part I

Delphine DELTA is an art advisor. One of her clients (who wishes to remain anonymous) asks her to arrange a bonded warehouse contract with ArtTransport SA. The client has an impressive collection of valuable paintings and needs to store them whilst they finish building their private museum. There are over 20 artworks in the collection with an estimated value exceeding USD 10 million.

ArtTransport SA sends Delphine DELTA their standard client account opening forms asking her to pass them on to the client, so they can provide the required identification information and documents directly to ArtTransport SA.

Delphine DELTA explains this will not be possible. The client is very discrete and wants to remain anonymous. Besides, there is no time to collect all the documents. The artworks arrive at the bonded warehouse in 3 days!

She suggests the storage contract is opened in her name as agent for the client with the client paying the storage invoices direct from their bank account in the British Virgin Islands. To speed things up, Delphine DELTA gives ArtTransport SA the following email GGamma@gmail.com to use for invoicing and correspondence.

Part II

After further probing, ArtTransport SA is provided with the following information:

- The client who would enter into the storage contract is ALPHA Ltd, a company whose registered office is a PO Box in the British Virgin Islands.
- The sole director of ALPHA Ltd is another company, BETA DIRECTORS Ltd, whose registered address is in Belize.
- BETA NOMINEES Ltd, a company also with a registered address in Belize, holds 100% of the shares of ALPHA Ltd.

Part III

ArtTransport SA probes further and is told that BETA NOMINEES Ltd is actually a nominee and trustee company for Mr KAPPA. BETA NOMINEES Ltd confirms Mr KAPPA is the ultimate beneficial owner (UBO) of ALPHA Ltd.

An internet search reveals that Mr KAPPA is the president of the International Football Federation.

ARTWORK DUE DILIGENCE CASE STUDY

You are working at Gallery ArtRAM, which has offices in London, New York and Geneva.

One day you receive a phone call from Mr Cyril Dupont, a new, New York based, French client. He is interested in discussing the potential sale of two important paintings owned by his family, a Picasso and a Monet.

Mr Dupont emails you photos of the paintings. Based on the photos and pending further research you estimate the Monet at EUR 2 million and the Picasso at EUR 5 million. You are keen to have the works for sale in ArtRAM's next London exhibition in March 2019.

Speaking with Mr Dupont, you establish the following:

- Mr Dupont's father, Ernest, was an important Parisien banker who died 5 years ago. Mr Dupont's mother, Geraldine, lives in a nursing home in Montreux, Switzerland since 2005. He has a younger brother, Paul, who lives in Zurich and a sister, Michèle, who lives in Paris.
- Mr Dupont informs you the paintings are owned jointly by him, his brother Paul and his sister Michèle.
- The Monet painting is in the Geneva Freeport and held under bond. Mr Dupont's father, Ernest, sent it there just before the French election of 1981. The painting was bought from a reputable Parisian Gallery in the 1960's. No transport, shipping or other documents relating to the painting can be found. The painting features in the Wildenstein *catalogue raisonné*, but its provenance after 1939 is not clear.
- The Picasso painting is in his mother's Paris apartment which the family have kept. They have an invoice, but no authenticity certificate for the work. The Picasso is not insured.

TRANSACTION DUE DILIGENCE CASE STUDY

Mr Mickey Mouse is a reputable and world-known art and antiques dealer based in Zurich.

He is approached by Mrs Daisy Duke who wants to sell a Chinese vase on behalf of The Ming Dynasty Trust, a trust based in Bermuda. Mrs Duke provides a valuation of the vase of EUR 3 million which was issued by Prof. Chin Chin in 2000 together with a two-page report on the origin and provenance of the vase.

She informs Mr Mouse that she is aware of a potential buyer, represented by Dr Averell Dalton, a Swiss lawyer based in Zurich, but that she wants to go through him to maintain the identity of the seller confidential and that she is willing to consider a commission for his benefit of 20%.

Mr Mouse is to contact Dr Dalton, to enquire whether he would be interested in buying the vase. Dr Dalton is a solo practitioner whose website indicates that he has off-shore offices in Panama, Dubai and Macao.

After discussion with Mrs Duke, Mr Mouse agrees to establish a first contact with Dr Dalton. When contacted, Dr Dalton confirms that one of his clients would be interested in acquiring the vase at a price of EUR 5 million.