



FATF REPORT

# Money Laundering and Terrorist Financing in the Art and Antiquities Market

February 2023





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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## Abbreviations and acronyms

	Definition
1MDB	1 Malaysia Development Berhad
AML/CFT	Anti-money laundering and combatting the financing of terrorism
AMP	Art market participant
ANF	Al-Nusrah Front
CEO	Chief executive officer
DNFBP	Designated non-financial businesses and professions
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FTZ	Free trade zone
HAD	Hurras al-Din
ICIJ	International Consortium of Investigative Journalists
INTERPOL	International Crime Police Organization
ISIL	Islamic State in Iraq and the Levant (also known as Daesh)
JEM	Joint Experts' Meeting
LEA	Law enforcement authority
ML/TF	Money laundering and terrorist financing
MVTS	Money and value transfer service
NFT	Non-fungible token
NPO	Non-profit organisation
OFAC	US Treasury's Office of Foreign Assets Control
OVR	Online viewing room
PEP	Politically exposed persons
SAR	Suspicious activity report
STR	Suspicious transaction report
TPC	Italy's Carabinieri Unit for the Protection of Cultural Heritage
UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDROIT	International Institute for the Unification of Private Law
UNODC	United Nations Office on Drugs and Crime
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolution
US	United States
USD	United States dollar
VA	Virtual asset
VAT	Value added tax
VASP	Virtual asset service provider
WCO	World Customs Organisation

## Executive Summary

The trade in art, antiquities and other cultural objects is a billion dollar industry. It is one where individual objects can attract high prices and where there is a culture of privacy and discretion regarding the identity of buyers and sellers.

The market has attracted criminals, organised crime groups and terrorists who seek to launder proceeds of crime and fund their activities. The use of cash, third party intermediaries, shell companies and other complex corporate structures in relevant transactions also represents relevant illicit finance vulnerabilities.

While certain jurisdictions and market participants proactively implement measures to mitigate these risks, many do not take effective action. This Financial Action Task Force (FATF) report is the first to focus on money laundering and terrorist financing linked to art, antiquities and other cultural objects. It highlights how many jurisdictions need to improve their awareness and understanding of the risks associated with these markets and provides advice on how to mitigate the vulnerabilities identified.

The markets for art, antiquities and other cultural objects are diverse in size, business models and geographic reach. Most are relatively small and the vast majority of participants have no connection to illicit activity. Nonetheless, a number of cases over the past decades have demonstrated that criminals, including money launderers, can exploit these markets. Pieces of art or cultural objects can attract high prices, retain their value, be purchased in cash on behalf of someone else, and be discreetly transferred between people and businesses before being sold for 'clean money'. The relative ease with which small objects of high value, such as antique coins, can be transported across borders also makes them attractive to launderers.

Illicit funds laundered through these markets are generated from crimes that cause significant harm to society, including corruption, drug trafficking and financial crimes. This report outlines typical money laundering methods in the sector, which include hiding or transferring illicit proceeds by concealing the identity of the true buyer, under or over-pricing items, and the use of fake sales or false auctions. It also identifies a number of proceeds-generating crimes that occur within these markets, including art forgery, fraud, theft, and illegal trafficking.

Terrorist financing is another risk for those working predominantly in the markets for cultural objects. ISIL notoriously pillaged important archaeological sites in Syria and Iraq, using sales proceeds and taxes levied on diggers to generate funds. Although ISIL has now lost territory it previously controlled, the group and its affiliates still control territory in other parts of the world. This means they may still have access to cultural heritage sites or possess artefacts that could generate funds. Other terrorist groups, including Al-Qaeda and its affiliates, have also used similar schemes in the Middle East, North Africa and certain parts of Asia. In some cases, transnational organized crime groups have cooperated with terrorist groups to acquire such items and smuggle them out of conflict areas. These criminal groups often use common money laundering techniques, including the use of shell companies and cash transactions, to conceal or disguise the origin of the goods.

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There are many challenges to addressing money laundering and terrorist financing in the markets of art, antiquities and other cultural objects. The challenges can be broadly split into two distinct categories. The first concerns vulnerabilities related to the type of objects and the nature of the markets, including:

- Difficulties in tracing the origin of cultural objects,
- A history of privacy and use of third party intermediaries in the sector,
- Inadequate measures, or none at all, to identify and verify customers, and
- A low number of suspicious transaction reports filed with Financial Intelligence Units.

The second category concerns investigative challenges, including:

- A lack of prioritisation of investigations in this area,
- Limited resources, awareness and expertise by operational authorities, and
- Difficulties with cross-border investigations.

To address these challenges, some countries have taken regulatory action to mitigate the money laundering and terrorist financing risks identified. Some have established specialised units and investigative training programs focused on the art, antiquities or cultural objects markets. Some countries have also developed relevant databases and promoted cooperation with experts and archaeologists to help trace, identify, investigate and repatriate cultural objects.

It is vital for jurisdictions and businesses to correctly identify and understand the specific risks associated with different cultural objects and market participants. For example, cultural objects originating from areas where terrorist groups are active, or bordering jurisdictions, are specifically vulnerable to being used for terrorist financing. Businesses working in these markets, such as art dealers and advisors, auction houses and storage facilities, face a variety of risks. Markets for digital art, non-fungible tokens (NFTs), and art finance service providers all have intrinsic characteristics that expose them to different money laundering and terrorist financing vulnerabilities.

The report highlights the importance of rapidly identifying and tracing cultural objects involved in money laundering and terrorist financing, to aid the seizure and confiscation of items, as well as any associated illicit proceeds. The report also encourages cooperation with market participants, including by providing training, guidance and ethical codes. Public-private information sharing can help overcome investigative challenges. Other good practices include the creation of cross-disciplinary networks of experts, enhanced domestic and international information sharing, and working with museums to manage seized artworks and antiquities.

Finally, the report includes a list of risk indicators that can help public and private sector entities identify suspicious activities with links to cultural objects.

## Introduction

### Background

1. The global trade in art, antiquities, and other cultural objects<sup>1</sup> (hereinafter referred to collectively as cultural objects) is a multi-billion-dollar industry. The estimated value of global sales of art and antiquities in 2021 reached USD 65.1 billion, increasing by 29% from the previous year.<sup>2</sup> The industry is diverse in size, business model and geographic reach. Some parts of the market for cultural objects are global in nature, with pieces of art or antiquity frequently sold in one country and bought or kept in another and individual pieces can sell for tens or hundreds of millions of US dollars each.
2. The majority of participants involved in selling, purchasing, or holding cultural objects - whether large auction houses, small antique dealers, institutional investors, or amateur enthusiasts - do not have a connection to illicit activity. They buy or sell cultural objects for entirely legitimate reasons, whether for business interests or for their own enjoyment. Nevertheless, there is evidence that criminals are using cultural objects for money laundering and terrorist financing (ML/TF), and to generate illicit funds.
3. It is challenging to estimate the amount of illicit proceeds associated with a particular type of cultural object or market participant. Not all countries collect data by crime type, and the available data is not always comparable. There are other inherent challenges associated with estimating the extent and value of criminal activity, such as the fact that much of it is usually undetected. Noting these challenges, the United Nations Office on Drugs and Crime (UNODC) has estimated that in 2011, as much as USD 6.3 billion in illicit proceeds could have been laundered through or associated with the trade in cultural objects.<sup>3</sup>
4. Although ML/TF activities linked to cultural objects have generated some international attention, the anti-money laundering and combatting the financing of terrorism (AML/CFT) community traditionally has not focused on assessing the threats and vulnerabilities specifically associated with the market. Similarly, limited work has been carried out to analyse the methods and techniques that criminals and terrorists use to launder, collect, or move funds via markets for cultural objects. Given the transnational nature of this trade and underlying financial flows, the Financial Action Task Force (FATF) is uniquely placed to lead work in this field.

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<sup>1</sup> Different terms including 'cultural property', 'cultural object' and 'cultural goods' have been used in relevant international treaties. For example, the UNESCO 1970 convention uses the term of 'cultural property'. The 1995 UNIDROIT convention refers to 'cultural object'. For simplicity and readability, this report uses 'cultural object' and section 1.2 provides more information on the definitions in this report.

<sup>2</sup> Clare McAndrew (2022), *The Art Market 2022*, Art Basel and UBS, <https://d2u3kfw92fzu7.cloudfront.net/Art%20Market%202022.pdf>

<sup>3</sup> UNODC (2011), *Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes*, [www.unodc.org/documents/data-and-analysis/Studies/Illicit financial flows 2011 web.pdf](http://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf).

## Definitions, Objectives, Methodology and Scope

### *Defining Art, Antiquity and Cultural object*

5. At present, there are no standard, universally accepted definitions of the types of objects handled in this sector. This report uses the following broad working definitions of art, antiquity, and cultural object are included. There are clear distinctions between these categories of items, including in terms of risk and vulnerabilities. In the context of this report, the term “cultural object(s)” refers to art, antiquities, and other cultural objects collectively.

#### *Art, artwork, or work of art*

6. An object of artistic interest. Some forms of art include paintings, drawings, collages, decorative plaques, or similar pictures executed by hand; original engravings, lithographs or other prints; sculptures or statues; sculpture casts; tapestries or other hangings; ceramics; enamels on copper; photographs; and others. Art can also include digital art or collectable items, such as those secured through or represented as NFTs.<sup>4</sup>

#### *Antiquity*

7. An object obtained from archaeological excavations (including regular and clandestine) or dismembered elements of archaeological discoveries, historical monuments, or archaeological sites. This broad working definition includes objects that are more than one hundred years old. Some examples of antiquities may include statues, inscriptions, coins, and engraved seals.

#### *Cultural object*

8. An object of importance for, or with the characteristics of, prehistory, history, literature, and art of science, similar to those definitions adopted in relevant conventions by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Customs Organisation (WCO).<sup>5</sup> This covers a wide range of items such as objects of ethnological interest or other relatively high value pieces that have similar characteristics as art and antiquities and are sold in similar manners.
9. In the same way that there are no universal definitions of art, antiquity, and cultural object, there is also no universally acknowledged definition of the markets where such items are traded. For this study, we refer to the marketplaces where various cultural objects are traded, and the businesses or institutions that participate in or facilitate these transactions. Depending on whether the creators of the cultural object or their representatives participate in a transaction to buy or sell these items, the market can be generally divided into

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<sup>4</sup> NFTs are digital units, or tokens, that can be in the form of art, music, in-game items, videos, collectibles and more, on a blockchain that can represent ownership of digital files through digital wallets and smart contracts. See ‘*What Is An NFT? Non-Fungible Tokens Explained*’, Forbes April 8, 2022 (editors Robyn Conti, John Schmidt).

<sup>5</sup> Such conventions include, for example, the UNESCO 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property and the WCO Resolution of the Customs Co-operational Council on the Role of Customs in Preventing Illicit Trafficking of Cultural Objects.



two categories: the primary market and the secondary market. In the primary market, cultural objects are usually sold by creators or their representatives. In the secondary market, cultural objects are resold, for example, through auction houses.

### **Objectives**

10. The main objectives of this project are:
  - To help jurisdictions better understand the vulnerabilities associated with cultural objects, the respective markets, as well as major institutional participants in the markets.
  - To help jurisdictions better understand ML/TF threats associated with various types of, and markets for, cultural objects, including common methods, techniques, patterns, and trends.
  - To take stock of the existing measures taken across the FATF Global Network in addressing ML/TF risks associated with cultural objects.
  - To identify risk indicators and best practices that could help jurisdictions more effectively prevent, detect, investigate, and prosecute misuse the trade incultural objects for ML/TF activities, and recovery of illicit assets.

### **Methodology and Scope**

11. Experts from the United States and the European Commission co-led this project, with the support of the FATF Secretariat and the project team formed in September 2021. The project team consisted of experts from the following 27 jurisdictions and international organisations: Argentina, Belgium, Brazil, China, Colombia, European Commission, France, Germany, Greece, Guatemala, Iceland, India, Italy, Mexico, Norway, Peru, Russian Federation, Singapore, Switzerland, the United Kingdom, the United States, Europol, the International Monetary Fund (IMF), the International Criminal Police Organization (INTERPOL), UNODC, the United Nations Counter-Terrorism Committee Executive Directorate (UNCTED), and the WCO.
12. Project team members provided information on their national legislation related to the markets, ML/TF investigations, and international cooperation, as well as various efforts taken under the mandate of relevant organisations. The project relied on information, case studies, and country examples provided by 25 jurisdictions of the FATF Global Network and two international organisations, as well as discussions held in a special session of the FATF Joint Experts' Meeting (JEM) on 13 December 2021. The project also solicited and considered the insights of various market participants, the academic community, associations of art and antiquities dealers, and non-profit organisations (NPOs) that responded to a questionnaire and provided comments to the draft reports between August and December 2022.
13. The report first examines the types of cultural objects, market participants and their respective vulnerabilities. It then analyses the types of money laundering threats observed, including common methods and techniques identified through case studies, and other types of proceeds-generating crimes like forgery, fraud, theft, etc. The report further addresses terrorist financing threats, describing terrorists and their facilitators have and can use the market to generate revenue.

The report also discusses challenges that impede successful prevention, detection, investigation, and prosecution of related ML/TF activities, as well as possible detection strategies and good practices. Finally, the report identifies risk indicators which will help public and private entities identify potential suspicious transactions or activities. The scope of this report does not include restitution and repatriation of cultural objects.

## Frameworks to Combat ML/TF Linked to Cultural Objects

### *Global Instruments and Standards*

14. Several international instruments exist to help combat the illicit trade in cultural objects. The 1954 Hague Convention is the first and most comprehensive multilateral treaty dedicated to the protection of cultural heritage in times of peace as well as during armed conflict.<sup>6</sup> The UNESCO 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Cultural Property, the 1995 UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects, the 2017 Council of Europe Convention on Offences relating to Cultural Property, and many others all urge their member states to take measures to prevent and combat the illicit trafficking of cultural objects.
15. Moreover, since 2015 a series of resolutions<sup>7</sup> identify the looting and trafficking of cultural objects as a source of terrorist financing used by terrorist groups including ISIL, Al-Qaeda, and associated individuals. These UNSC resolutions condemn the looting and smuggling of cultural objects from archaeological sites, museums, libraries, archives, and other sites, notably by terrorist groups. They encourage member states to propose listings to be considered by the 1267/1989/2253 ISIL and Al-Qaeda Sanctions Committee, and to develop broad law enforcement and judicial cooperation in preventing and countering trafficking in cultural objects.
16. As the global standard on AML/CFT, the FATF Recommendations provide the legislative institutional and policy framework for countries to combat ML/TF.<sup>8</sup> The FATF Recommendations include requirements on the regulation and supervision of financial institutions, designated non-financial businesses and professions, such as lawyers, accountants, and real estate agents. The FATF Recommendations require these entities to conduct customer due diligence, keep records of transactions, and file reports on suspicious transactions or activities. Professionals involved in markets for cultural objects are not specifically identified as designated non-financial businesses and professions in the FATF Recommendations. However, the FATF Recommendations require jurisdictions to identify, assess, and understand ML/TF risks, and to implement mitigating measures where higher risks are identified. The FATF requirements for customer due diligence, record-keeping, and suspicious transaction reporting also apply to virtual assets and virtual asset service providers (VASPs). This sector may be relevant if, for example, transactions for cultural objects are

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<sup>6</sup> UNESCO, 1954 Convention for the Protection of Cultural Property in the Event of Armed Conflict, [https://en.unesco.org/sites/default/files/1954\\_Convention\\_EN\\_2020.pdf](https://en.unesco.org/sites/default/files/1954_Convention_EN_2020.pdf)

<sup>7</sup> Annex B provides further information on these international instruments and UN Security Council resolutions.

<sup>8</sup> FATF, [International standards on combating money laundering and the financing of terrorism and proliferation](#).

made in virtual assets, or where the cultural object itself is a virtual asset (which may be the case for certain NFTs) (See Section on *Market for Digital Art and NFTs* on page 18).

### **National and Supra-National Actions**

17. There are no explicit requirements in the FATF Recommendations for professionals involved in the markets for cultural objects. However, some jurisdictions have taken regulatory actions at supra-national or national level to manage identified ML/TF risks. For example, in the European Union, AML/CFT obligations have been recently extended to cover operators trading or acting as intermediaries in the trade of works of art, including when this is carried out by art galleries, auction houses, or free ports and where the value of a transaction or a series of transactions amounts to EUR 10 000 or more. In the United Kingdom, art market participants (AMPs) who deal in sales, purchases, or storage of art with a value, for a single transaction or a series of linked transactions, of EUR 10 000 or more, are subject to AML/CFT obligations.

#### **Box 1. Country Example: Regulatory Regime for AMPs in the UK**

In the United Kingdom, AMPs who deal in sales, purchases, or storage of works of art with a value, for a single transaction or a series of linked transactions, of EUR 10 000 or more are subject to AML/CFT obligations. These obligations include the verification of identity of customers and the reporting of suspicious transactions and activities.

AMPs were required to comply with the regulations from January 2020 and were given until June 2021 to register with the UK authority. The initial focus was on getting the correct businesses registered. Due to this and the impact of the Covid-19 pandemic, compliance activity commenced in autumn 2021 and tested risk assessments, policies, controls, and procedures. The testing has found that most AMPs understood the risks, but these were not always documented correctly. Further interventions are being conducted in 2022 to fully test compliance with all relevant requirements.

Source: United Kingdom

18. Additionally, participants in the market that are not subject to AML/CFT regulation may belong to trade groups or associations that have standards of practice for collecting certain information and conducting due diligence on purchasers, sellers, and items for sale. However, these measures are generally not legally binding and thus may not serve as a basis for law enforcement or judicial action.
19. Multiple jurisdictions have assessed the ML/TF risks associated with this sector, usually as part of their national ML/TF risk assessments, to identify and understand the threats and vulnerabilities of the markets. These jurisdictions have reached varied conclusions, ranging from 'no concluded risk rating' to a 'significant/very significant' level of money laundering or terrorist financing risks. The variance of these conclusions could either be the correct identification or calculation of risks in individual national markets, or a reflection of the varied

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understanding and awareness among jurisdictions about the ML/TF risks and ways in which cultural objects can be misused. These themes are elaborated later in the report.

## ML/TF Vulnerabilities Associated with Cultural Objects and the Market

20. This chapter examines ML/TF vulnerabilities associated with various types of cultural objects and with different participants in the market for selling, buying, and storing cultural objects. The participants covered include dealers, auction houses, galleries, storage facilities, advisors and intermediaries, online markets, the markets for NFTs and digital art, as well as art finance service providers.
21. This chapter considers both the intrinsic characteristics that may make these types of cultural objects and markets vulnerable to ML/TF, and the available risk mitigating factors that may make them less vulnerable. Given the wide variety of types of cultural objects, market participants, and markets themselves, the chapter underscores the need for jurisdictions and entities to understand the specific types of risk they may face, and the relative significance of such risks.

### Vulnerabilities Linked to the Market

22. In the primary market (see para 9), cultural objects are usually sold by creators or their representatives. This can reduce the risk of ML/TF and other types of crimes, at least to some extent. Artists and their representatives may prefer to choose buyers who will enhance the artist's reputation or prestige, and may avoid transacting with buyers that could create a negative perception of the work or artist. Furthermore, the primary market may be less vulnerable to crimes like art forgery, because there can be little or no doubt about the validity, authenticity, or origin of the art.
23. The absence of artists and their representatives in the transaction often makes the secondary art market more vulnerable to various types of crimes, including ML/TF. The seller may lack an incentive to scrutinise the buyer's intentions for the work, their identities, and the source of funds. Whereas artists and their representatives in the primary market typically choose buyers who will enhance the artist's reputation, in the secondary market, a seller may not have the same concerns about reputation. In addition, the relative difficulty of secondary buyers to accurately authenticate works or their source can lead to the sale of forgeries or stolen objects, and subsequently the generation and laundering of illicit proceeds. This insight is consistent with the focus of the rest of this chapter, where the emphasis is on the vulnerabilities associated with market participants in the secondary market.
24. The market for cultural objects has a history of privacy and discretion. This protects sellers and buyers from being targets of theft or other crime, and helps ensure that high net-worth individuals are not charged at a higher price if their identities is known to the seller. This may create vulnerabilities in terms of countering the risk of ML/TF, for example, where cultural objects can be purchased anonymously in cash, it complicates the traceability of transactions. The use of intermediaries and legal persons in the buying and selling process is relatively common in the market, which in certain cases can act to obscure the identity of the ultimate seller or purchaser (see Section on *Misuse of Intermediaries, Legal Persons or Arrangements* on page 23).

### Vulnerabilities Linked to Cultural Objects

25. Case studies revealed that high-value pieces of cultural objects can be more vulnerable to money laundering, mainly because they can serve as substitutes for a large amount of value that can be used to transfer or hide criminal proceeds while evading or obscuring detection. The majority of cases associated with money laundering provided for in this report involved art. In several case studies, corrupt officials received high-value art as a bribe, rather than receiving payment directly through the financial system (for example, bank transfers or money and value transfer services (MVTSS)). This helped avert possible detection while enabling the officials to benefit from the proceeds of their crimes.
26. Criminals may also directly purchase high-value art with illicit proceeds, and simply keep them in storage facilities or at home as a means to store value. Additionally, in several cases, the purchase of cultural objects is not only used to launder the proceeds of criminal activity, but also to provide the criminal with enjoyment or a status symbol.

#### Box 2: Case Study. Purchasing High Value Art with Proceeds of Drug Trafficking

In January 2015, a man was sentenced to 63 months in prison and four years supervised release for conspiracy to distribute 100 kilograms of marijuana in and through central Pennsylvania and conspiracy to commit money laundering between December 2007 and November 2011.

Among other things, law enforcement agents located 59 paintings valued at over USD 600 000 in a storage locker and at a co-conspirator's farm in Douglasville, Pennsylvania, used to warehouse and distribute the marijuana transported from California to Pennsylvania. The paintings were among the assets seized and forfeited in the case.

Source: United States

27. Some types of cultural objects can be small in size, such as an antique coin or a small statue, or may be stored on a memory stick for a digital piece of art, while some may exist without physical form. This means they can be easily hidden or transported from one jurisdiction to another, and thus facilitate the cross-border movement of illicit proceeds. The ease of transport of some cultural objects can also enable bad actors to move them through routes used to smuggle items, for example through established drug trafficking networks.
28. The high value of certain items in this sector may represent vulnerabilities for money laundering. Criminals who have built up significant wealth may be more likely to seek out high-value goods for personal consumption or as status symbols, and may therefore be familiar with the world of high-value art or antiquities. In addition, purchasing high-value items may also mean that it is easier for criminals to hide large amounts of illicit proceeds in a small number of transactions.
29. Among the various types of items traded in these markets, cultural objects originating from areas where terrorist groups or terrorist activities are

operating, or bordering jurisdictions, could be more vulnerable to terrorist financing.<sup>9</sup> The value of associated items could range significantly, from high-quality single pieces of significant value to many items sold on social media platforms with little value on their own. While the sale of large items can generate more money, small items can be more easily moved and attract less attention, making their trade less likely to be detected. Case studies concerning terrorist financing associated with antiquities revealed that criminals who are likely linked to the smuggling of illegally excavated or looted items often use false documentation or false invoices to disguise or mislead their provenance.

30. Despite these vulnerabilities, there are also factors that may reduce the vulnerabilities of different types of cultural objects. For example, items that are fragile or large in size, or require special storage may not be easily transported from one place to another. These types of objects may make storage complicated or expensive, and also make it harder for the launderer to sell items without raising suspicion and realise the true value of the object. Such sales may require the use of outside experts or professionals to verify an item's authenticity and administer their sale or purchase, and it may require experts to oversee storage. All of these could increase the risk for the launderer that the professional reveals the illicit nature of the transaction.

## **Vulnerabilities Linked to Market Participants**

### ***Dealers in Cultural Objects***

31. Dealers of various cultural objects, including galleries and antiquity stores, are retail businesses where items are exhibited for customers to view and purchase. These dealers are the most common institutional participants in the market and the most commonly used channels for purchasing art and antiquities. Dealers can vary immensely in size, business model and geographic reach. Most dealers have a small annual turnover and only a minority regularly sell art and antiquities of high value.
32. Cases demonstrate that both large and small dealers have been involved in money laundering and terrorist financing, as well as predicate crimes such as forgery, fraud and theft. Similar to other businesses or professions that are involved in financial transactions, this can range from dealers who are complicit or wilfully blind to the illicit activity taking place, to those who may be unwittingly involved in facilitating criminal activity. The risk of negative publicity from involvement in a sale linked to money laundering or other criminality is, however, a strong deterrent for dealers given the importance of reputation and integrity in the industry.
33. Several features of these dealers may make them vulnerable to becoming involved in money laundering and terrorist financing. Many cultural objects are unique and therefore require knowledge and experience to accurately identify

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<sup>9</sup> According to the Antiquities Trafficking and Heritage Anthropology Research Programme (or ATHAR), an investigative study led by a collection of anthropologists and heritage experts analysing the trafficking of cultural property online, 80% of sale offers for Syrian antiquities on social media platforms originated from conflict countries including Syria, Libya and Yemen, and bordering countries including Jordan, Egypt, Türkiye, Tunisia, and Algeria. See [www.atharproject.org](http://www.atharproject.org).

items and ascribe their value. Many dealers obtain such knowledge and experience on the basis of the number and value of objects in which they trade or deal. Transactions in large amounts of cash can provide anonymity to those seeking to conceal the criminal origin of their funds, with some dealers accepting large amounts of cash when selling items (i.e., they are unwittingly involved in the laundering process, or are wilfully blind). The unique nature of some cultural objects, and the lack of a transparent and liquid market, may lead to subjectivity and volatility of pricing in the market, which may, in turn, allow illicit actors to easily hide or move illicit proceeds by under or over-valuing items. Some dealers may conduct transactions internationally, which is another vulnerability, as cross-border investigations are generally more challenging for law enforcement, making such transactions more attractive for money laundering.

34. Some fora used by such dealers may also present vulnerabilities. Art fairs are venues usually organised by specialised art fair organisers and represent a high-visibility opportunity for dealers to display and sell art, sometimes through online viewing rooms (OVR) or other online fair platforms. Art fairs play an important role in the trade of art, with a large proportion of sales by dealers occurring there.<sup>10</sup> Art fair organisers usually pay attention to the quality of the objects presented by screening them through a vetting committee. However, they may place less or no importance on the provenance of cultural objects for sale, or the identity of the buyers and the source of their funds, as they are not obliged to adhere to such requirements.
35. Finally, it is important to note that some museums maintain close relations with dealers of cultural objects, with a view to obtaining cultural objects for temporary exhibitions on loan. Unscrupulous dealers could thus expose museums to money laundering risks, in particular, as an object of unknown provenance may acquire a pedigree (by, for example, being published in the exhibition catalogue of a well-known museum) which may facilitate its sale and lead to an increase in its value.

### ***Auction Houses***

36. Auction houses facilitate transactions of cultural objects for significant amounts each year. For example, according to the Art Market 2022, auction houses conducted approximately USD 26.3 billion worth of international public sales in 2021.
37. Auction houses make a profit by taking a commission on each sale. Therefore, they have a financial incentive to sell objects at a higher price. This incentive could reduce the amount of due diligence that auction houses conduct on transaction counterparts. However, like dealers, the risk of negative publicity is a strong factor for auction houses to avoid involvement in transactions related to money laundering or other criminality. Auction houses also occasionally facilitate private transactions directly between customers, as a different line of business, which may present similar risks and vulnerabilities to those observed for art advisors or intermediaries (e.g., lack of transparency of the ultimate seller or purchaser).

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<sup>10</sup> According to the Art Market 2022, in 2019 about 43% of all sales of art made by art dealers happened at various art fairs, with 42% from live events and 1% from art fair OVRs.



38. The mere presentation of a cultural object at an auction house may also constitute a vulnerability when it comes to money laundering. It could provide the object with a pedigree that may lead to an increase in its value or provide credibility to its origin, even if finally withdrawn from sale. Furthermore, certain case studies indicated that risks exist that some isolated auction house experts may act as accomplices in order to hide the identity of the customer or to manipulate price estimations or the description and origin of the objects.

### **Storage Facilities**

39. Storage facilities are often used to store high-value cultural objects due to the special conditions required to prevent damage or for security reasons, given some items' high value. These storage facilities can be located in free trade zones (FTZs)<sup>11</sup> which offer a variety of advantages, including reduced taxes to facilitate trade. For example, the Geneva Freeport, the oldest and largest storage facility, has evolved in recent decades to specialise in storing art and other valuable objects.
40. While these storage facilities provide a discrete and secure storage service to international art collectors, they may also represent ML/TF vulnerabilities, especially those in FTZs. They are generally designed as tax-free zones near transport hubs to facilitate the trade of property moving through that jurisdiction, meaning that property may not be subject to taxes or domestic legislation as it is considered in-transit. This can lead to the possibility of buyers and sellers conducting transactions anonymously, or property being kept out of reach of law enforcement authorities, as indicated in the following case study.

#### **Box 3. Case Study. Using Storage Facility to Hide High-Value Art**

In 2005, the founder and former president of a Brazilian bank was convicted in Brazil of crimes against the national financial system and money laundering. In December 2006, he was sentenced in Brazil to 21 years in prison. As part of the case, a São Paulo Court judge also ordered the search, seizure, and confiscation of assets that the man, his associates, and members of his family had acquired with unlawfully obtained funds from the bank. Those assets included art valued at USD 20 million to 30 million. The art was kept in several locations, including the man's home in the Morumbi neighborhood of São Paulo, the main offices of the bank, and at a holding facility. When Brazilian authorities searched these locations, they found that several of the most valuable works of art were missing.

The São Paulo Court sought INTERPOL's assistance after searching museums and institutions in Brazil for the missing art. In October and

<sup>11</sup> Free trade zones (FTZs) are created within jurisdictions to promote trade, support new business formation, and encourage foreign direct investment. They provide a preferential environment for goods and services primarily associated with exports, whereby a minimum level of regulation is imposed on those companies approved to operate within the zone. Additional benefits include suspension from payment of customs duties and other taxes, simplified administrative procedures and duty-free imports of raw materials, machinery, parts and equipment.

November 2007, INTERPOL and the Government of Brazil sought the assistance of the United States to locate and seize the missing works on behalf of the Brazilian government. The ensuing U.S. investigation revealed that two paintings were shipped from the Netherlands to a secure storage facility in New York on 21 August, 2007, and 11 September, 2007, respectively. The invoices, however, failed to comply with U.S. customs laws in a number of respects. For example, the shipping invoices did not identify the pieces and falsely claimed that their value was USD 100 each. In fact, one painting alone was recently appraised at USD 8 million.

Source: United States

41. To address such ML/TF vulnerabilities, owners and operators of such storage facilities can be subject to AML/CFT obligations, and customs or trade requirements depending on the jurisdiction of operation and the nature of the risks. For example, Singapore, with a significant global trans-shipment hub, has identified the ML/TF risks associated with storage facilities for high-value goods. The country responded by placing AML/CFT obligations, such as customer due diligence and record keeping on storage facilities that operate with specific licenses. In another example, Switzerland has taken measures to mitigate vulnerabilities by requiring free ports and other similar storage facilities to declare goods in an inventory and to indicate the names of the owners of the goods as well as their address of domicile which is examined by customs authorities.

#### ***Art Advisors and Other Types of Intermediaries***

42. Art advisors and intermediaries can play an important role in transactions involving cultural objects, especially for more valuable transactions and those involving rarer or obscure pieces. Advisors are sometimes required to help identify and authenticate works of art by non-professional investors and collectors, and intermediaries responsible for overseeing the estates of wealthy individuals may be involved in conducting transactions.
43. There are vulnerabilities linked to the frequent use of advisors and intermediaries conducting transactions. Dealers and auction houses, while dealing with legitimate advisors and intermediaries may not realise or may turn a blind eye when an advisor or intermediary is acting on behalf of a criminal to buy cultural objects with illicit proceeds or to transfer cultural object to currency. When an intermediary is acting on behalf of a company, chain of companies, or an express trust or similar legal arrangement, it can also make it difficult for the dealers and auction houses to understand or verify the ultimate beneficiary of a transaction. The US case below is not relevant to money laundering, but it demonstrates a similar typology where designated individuals used an art advisor and shell companies to hide their identities in the transaction of art in order to evade sanctions.

#### **Box 4. Case Study. Sanction Evasion by Using Shell Companies and Art Advisor**

Two individuals who were sanctioned by the US Treasury's Office of Foreign Assets Control (OFAC) were still able to access the US financial system and the art market after their OFAC designation, by using shell companies and a third-party art advisor to hide the beneficial ownership.

In 2014, after being designated by OFAC, the sanctioned individuals purchased tens of millions of dollars worth of art from major auction houses and other art market participants. They used a third-party art advisor to represent their interests at auction, and reports suggest that at least some professional staff within an auction house were aware of the identities of the persons who ultimately purchased the art.

Source: United States

44. Some jurisdictions have covered such intermediaries within their AML/CFT regulatory frameworks. For example, in Switzerland those who accept, take on, deposit, or assist others in a professional capacity to place or transfer assets belonging to third parties, and in particular those who conduct credit operations are subject to AML/CFT regulation.
45. There are also certain factors that may limit such vulnerabilities. Depending on the reputation of the advisor or intermediary, it may be unlikely for such an individual to be involved in facilitating ML/TF on behalf of the criminal (i.e., the beneficiary) unwittingly, given the need for them to have contact with the person on whose behalf they are conducting transactions. In addition, the criminal would need to trust the advisor and intermediary not to contact law enforcement. However, without specific regulations requiring advisors or intermediaries to report suspicious activity, there remains a risk that the intermediary would simply decline to do sufficient due diligence, particularly involving high-value clients or transactions that could generate significant fees.

#### **Online Markets**

46. The increase in online sales of cultural objects has been an important development in the market over recent years. According to the Art Market 2022, the value of online sales of art and antiquities in 2021 reached an estimated USD 13.3 billion, and accounted for 20% of overall sales in the global market. In part, this was driven by increases in online activity caused by the COVID-19 pandemic, and associated changes in consumer behaviour. Many of the above mentioned market participants, whether dealers or auction houses, maintain online platforms such as branded websites or OVRs to display and sell various cultural objects.
47. The use of online markets for cultural objects may provide additional vulnerabilities for ML/TF, as it can be more challenging to identify the buyers and sellers and the source of their funds. Unlike transactions conducted at physical venues, most of the businesses and individuals may be less familiar with buyers and various forms of digital verification, particularly given that the

identification of the buyer or seller is not required in most jurisdictions. Moreover, it is reported that cultural objects traffickers have profited from a diversification of online sales channels, such as online auctions, flea markets and private sales sites, to expand their customer base. Online marketplaces such as social networks and classified ads websites, offer criminals new opportunities to sell lower value items that were previously not in demand.<sup>12</sup>

48. The use of social media sites and messaging services in the trade of cultural objects has also developed rapidly over the last five years. Several jurisdictions as well as academia at the 2021 FATF JEM have identified cultural objects, specifically antiquities, being sold through social media platforms by individuals who may have a connection with terrorists or terrorist organisations or their facilitators. The ability to open and close social media accounts without leaving a trace in the same way as a physical venue represents a vulnerability.
49. The use of online facilitators to purchase or sell cultural objects also makes it easier for buyers and sellers to conduct cross-border transactions, and for marketplaces to circumvent the regulatory frameworks that have been put in place in some jurisdictions. This is particularly the case as regulatory frameworks have been designed in different ways, with some based on transactions and others focused on those providing the service (i.e., dealer or auction house).

### **Market for Digital Art and NFTs**

50. The sale of digital works of art, especially those associated with NFTs, has steadily increased over the past few years, rising massively in 2021 compared to 2020.<sup>13</sup> NFTs are blockchain-based tokens that can represent a variety of unique assets, such as digital art, photos, video games, music, 3D models, etc. Transactions involving NFTs occur in both traditional art market institutions, such as art dealers and auction houses, and through newer businesses like NFT marketplaces and virtual asset trading platforms. The extent of illicit financial activities involving NFTs was not quantifiable at the time of this report. Regulation and supervision of NFTs is nascent or non-existent in many jurisdictions, certain activities involving NFTs may not be in compliance with applicable laws in other jurisdictions, and it can be difficult to ascertain the extent of illicit financial activities involving NFTs. The FATF has identified market vulnerabilities of NFTs related to both money laundering and illicit proceeds-generating offences through its work on virtual assets, which is an area that the FATF will continue to monitor.<sup>14</sup>

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<sup>12</sup> Europol (2021), *European Union Serious and Organised Crime Threat Assessment (SOCTA)*, [www.europol.europa.eu/cms/sites/default/files/documents/socta2021\\_1.pdf](https://www.europol.europa.eu/cms/sites/default/files/documents/socta2021_1.pdf)

<sup>13</sup> In 2021, the potential market value of virtual assets used in NFT transactions reached USD 44.2 billion, compared to USD 106 million in 2020. The market for NFTs has fluctuated significantly in mid-late 2022, in part as a result of the underlying volatility of digital assets during this same period. Nonetheless, for the reasons discussed in this sub-section, NFTs continue to present money laundering vulnerabilities. For further information: Chainalysis, *NFT Money Laundering and Wash Trading*, <https://blog.chainalysis.com/reports/2022-crypto-crime-report-preview-nft-wash-trading-money-laundering/>.

<sup>14</sup> FATF (2022), *Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers*

51. These vulnerabilities include the ease of transferability of ownership; the absence of a need to physically transfer the art; the possibility of exploiting the flaws in smart contracts<sup>15</sup> used by an NFT platform in thefts or other illicit activities; the lack of monitoring of NFT wallets and the concealability of underlying virtual asset transactions; the inherent exposure to online theft; wash-trading;<sup>16</sup> and the range of market participants that facilitate their exchange. Certain market vulnerabilities, such as lack of transparency, subjective pricing, and high-value transactions, are also applicable to NFTs. That said, some of these vulnerabilities may be mitigated by developing policies, mechanisms and operational techniques to improve the ability of law enforcement to track the transfer of NFTs between parties in some cases.<sup>17</sup>

### Box 5. Case Study. NFT Frauds/Wash-Trading

In 2021, a wallet holder sold a single NFT from a popular collection for several hundred thousand EUR worth of virtual assets. Upon investigation, it was found that soon after the sale, the buyer wallet sent the NFT back to the original owner's wallet address. The same wallet then subsequently placed the NFT for sale again for an even higher price.

The movement of the NFT between wallets after sale, and the increase of the sale price, was indicative of wash-trading between the same buyers and sellers, and purposely inflated the value of the NFT.

In another case, a self-taught digital artist transferred several million EUR from his virtual asset account to a personal bank account, claiming that the source of funds was the income from selling digital art in the form of the NFT. The artist's criminal past and links to organized crime raised suspicions, as did the absurdly steep rise (and a similarly rapid decline afterwards) in the commercial success of the artist. In a period of one month, the individual rose from a digital art enthusiast to one of the most successful NFT artists.

<sup>15</sup> In this context, a smart contract is a computer program or a protocol that is designed to automatically execute specific actions such as a transfer between participants without the direct involvement of a third party when certain conditions are met. See FATF (October 2021) *Updated Guidance for a Risk-based Approach to Virtual Assets and VASPs*. [www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf](https://www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf)

<sup>16</sup> Wash-trading refers to executing a transaction in which the seller is on both sides of the trade in order to paint a misleading picture of an asset's value, trading volume and liquidity.

<sup>17</sup> FATF clarified in its updated guidance in October 2021 that NFTs that are unique and used in practice as collectibles, rather than as payment or investment instruments, and are accordingly not VAs for the purpose of the FATF standards. Nevertheless, this is a fact-sensitive determination based on the particular NFT platform and the details about its purchase and sale, and jurisdictions should apply the FATF Standards to NFTs when they perform the same function as VAs (used for payment or investment purposes). NFT platforms which offer NFTs functioning as VAs may be considered VASPs, which are covered by the FATF Standards. To understand the application of AML/CFT obligations, it is important to consider the nature of the business dealing in NFTs and their function in practice as well as the facts and circumstances of the platform or other person doing business.

Multiple red flags appeared upon analysing the NFT transactions. The red flags indicated possible wash trading, inflated values of the art, as well as the use of different virtual asset services that reduce the traceability of transactions.

Source: Latvia

### **Art Finance Service Providers**

52. Art finance companies and other institutions providing financial services in the art market provide personal loans to art owners using the art as collateral for loans, or directly provide financing for the acquisition of pieces of art. Depending on the jurisdiction and the details of the business model, such companies may or may not have an obligation to identify the owner or to collect any information on the ultimate owner or the source of funds originally used to acquire the art. This can create a vulnerability and allow illicit actors to unlock the value of high-value art purchased with illicit funds without being subject to customer due diligence and scrutiny regarding the source of the funds.

### **Risk Mitigating Factors**

53. There are factors that may reduce the vulnerabilities described above. Some countries or supra-national organisations have put in place, or are in the process of putting in place, regulatory regimes that require certain market participants to register and to apply measures including customer due diligence, keeping records, and reporting of suspicious transaction. Jurisdictions take different approaches – some cover dealers of all luxury goods over a certain price threshold, while others focus more narrowly on specific types of items. Extending the AML/CFT framework to operators in the market for cultural objects by making them obliged entities may reduce the number of professionals that are complicit or wilfully blind. This may also further improve the understanding of ML/TF risks for those who are not, although it may not eradicate complicit or wilfully blind professionals. It also relies on the effective implementation of the AML/CFT framework.
54. Furthermore, market participants have highlighted that the higher the value of a cultural object, the more likely that the object is unique, has a well-documented provenance and is or has been subject to comprehensive authenticity checks (both by the market participant and external experts). In addition, a large part of the transactions carried out in the sector are routed through the banking system, which generally has mature and long-standing AML/CFT controls. Where cash is used, cash controls or reporting requirements often exist, although this remains a common money laundering typology in the sector (see Section on *Use of Cash in Transactions* on page 23). Finally, jurisdictions are increasingly adopting legislation to improve the transparency of corporate vehicles and beneficial owners, which could mitigate some risks in this area. These factors may help reduce the vulnerabilities described in the preceding paragraphs.

## Money Laundering Threats Associated with Cultural Objects

55. This chapter focuses on how the market for cultural objects can be misused for money laundering. It analyses the transfer of value through various types of cultural objects in the laundering process, the use of cash, the role of intermediaries and legal persons, fictitious sales and false auctions, and under or over-pricing. The chapter also covers analysis of some of the threats from proceeds-generating predicate crimes, in particular forgery, fraud, theft or looting, and illegal trafficking, some of which share similar characteristics with the money laundering methods and techniques evaluated.

### Associated Money Laundering Activities

56. Case studies received for this report and discussions amongst law enforcement experts indicate that illicit funds laundered through the market for cultural objects can be derived from various crimes, including corruption, embezzlement, drug trafficking, tax fraud, and other offences associated with the activities of organised criminal groups. Some common methods and techniques are analyzed in the following sections.

### *Using Cultural Objects as a Vehicle to Transfer or Hide Illicit Proceeds*

57. As discussed in the previous chapter, many cultural objects are unique and their prices are subjective and volatile. Pieces of high value could be used as a vehicle to transfer or hide illicit proceeds. The case study below provides an example of how high value artworks were bought with illicit proceeds, without the use of formal financial instruments like bank transfers or designated non-financial professionals, which are regulated and supervised for AML/CFT requirements.
58. Other case studies show that criminals have purchased art with illicitly obtained proceeds, or receive high value art as a bribe or kickback, and then hide these artworks to keep the illicit proceeds. Some criminals may keep this art in storage facilities, either in or outside of FTZs, while others may simply use the art as decoration in their homes.

#### **Box 6. Case Study. Receiving High Value Art as Bribe**

As alleged in civil forfeiture complaints filed in the United States, from 2009 through 2015, more than USD 4.5 billion in funds belonging to 1 Malaysia Development Bank (1MDB) were allegedly misappropriated by high-level officials of 1MDB and their associates, and Low Taek Jho (aka Jho Low), through a criminal scheme involving international money laundering and embezzlement. Some of the embezzlement proceeds were also allegedly used to pay bribes.

1MDB was created by the government of Malaysia to promote economic development in Malaysia through global partnerships and foreign direct investment. Its funds were intended to be used for improving the well-being of the Malaysian people. Instead, funds held by 1MDB and proceeds of bonds issued for and on behalf of 1MDB were taken and spent on a wide variety of extravagant items, including luxury homes

and properties in Beverly Hills, New York, and London; a 300-foot superyacht; and fine art by Monet and Van Gogh. Using fraudulent documents and representations, the co-conspirators allegedly laundered the funds through a series of complex transactions and shell companies with bank accounts located in the United States and abroad.

Source: United States

59. Other similar methods and techniques can be used to transfer value and facilitate the payment of bribes. The below case, for example, takes advantage of the price volatility of some cultural objects. This can be done with art of no or little value, together with other schemes like false sales or false auction, or under or over-pricing. The below case study revealed that the suspect bought art of no actual value at a price of USD 264 000 from a close associate of a corrupt politician in order to pay kickbacks.

### **Box 7. Case Study. Purchase Art with Illicit Proceeds and Use Art of No Value to Pay Kickbacks**

Mr. A was managing director and CEO of an Indian bank who misused his position during his tenure. He sanctioned loans of the rupee equivalent of USD 628 million to business entities incurring losses or with negative credit, deliberately violating existing norms and regulations.

A money laundering investigation revealed that Mr. A used his influence to sanction the loan to a loss incurring entity, Company B. Investigations further revealed that Company B diverted the loan to 79 shell companies including Company C, which was controlled and owned by Mr. A and his daughters. Company C received USD 79 million and used part of the funds to purchase assets including art from famous painters and influential people. Mr. A invested a significant amount of proceeds in buying art of famous artists. Investigations revealed that he had purchased around 44 paintings.

Mr. A had received awards and accolades from several organisations in inappropriate ways. Investigation revealed that, in order to pay kickbacks for receiving awards, Mr. A purchased mediocre art from politicians and in turn paid huge kickbacks through banking channels, projecting them as genuine pieces of art. In one such incident, Mr. A purchased a piece of art from the close relative of a member of the ruling political party at that time for USD 264 000. However, the investigation revealed that this was an over-valuation, and that the price paid was not for art, but rather was a bribe to influence the awarding of the prestigious Indian award 'Padma Bhushan' for himself.

The trial is ongoing and Mr. A has been in judicial custody since March 2020.

Source: India



**Use of Cash in Transactions**

60. Case studies submitted for this report revealed that the use of cash in purchasing cultural objects is a favoured money laundering technique. The use of cash to conceal the source of funds is a technique that has been used in a range of different sectors, and probably is one of the oldest methods for money laundering. This method provides anonymity to cultural object transactions, making it more difficult to identify the buyer and the seller, and to trace the source of funds.
61. The case study below shows how large amounts of cash were used to pay for the purchase of art, with the volume of each cash transaction ranging from EUR 17 000 to EUR 210 000 and the overall amount reaching EUR 1.2 million. Purchasing cultural objects may be a way to legitimise illicit cash and convert it into an asset that retains value and that can be sold at a later stage.
62. However, either due to regulations or as a result of self-imposed compliance controls, many art market institutions conducting high-value sales do not accept cash payments amounting to more than USD/EUR 10 000 from a single customer. Nonetheless, in the case below, the art dealer was either unaware of or purposefully circumvented the rules in order to accept payments in cash exceeding the authorized threshold.

**Box 8. Case Study. Using Multiple Bulk Cash Transactions to Purchase Art**

The case concerns Mr. X, an African businessman with addresses in various jurisdictions (France, Switzerland, the United States, and the Ivory Coast). Open-source information indicates that Mr. X is suspected of various financial crimes in the context of his business activities in Africa (e.g., corruption, embezzlement, and kickbacks during the award of various public contracts).

The investigation into Mr. X's activities revealed that Mr. X had purchased various works of art from a gallery in Paris for a total amount of EUR 3.3 million. About 36.5% of the amount was paid by multiple cash transactions ranging from EUR 17 000 to 210 000, which was above the authorised threshold for cash payments in France.

This case may represent a potential money laundering operation in which Mr. X aims to invest illicit proceeds, derived from his overseas business activities, into the French market.

Source: France

**Misuse of Intermediaries, Legal Persons or Arrangements**

63. Various case studies reviewed for this project identified the use of intermediaries, including natural and legal persons or arrangements, to conceal the beneficiary of the transaction.<sup>18</sup> These intermediaries could be individuals,

<sup>18</sup> It is important to stress, however, that individuals and companies can use shell companies for legitimate purposes, such as holding assets, making pooled investments, executing reverse

shell companies, or non-profit organisations (NPOs). They are used to hide the identity of the buyer or seller, to obscure the transfer of high-value art or the source of funds, or both. Several case studies (for example, the cases in boxes 6, 7 above and 9 below) revealed a typical typology where a corrupt official or the buyer of the art uses shell companies, sometimes established in an offshore centre, to conduct the transaction, in order to disguise their identities and to further obscure the source of funds.

#### Box 9. Case Study. Using Shell Company to Purchase Art as a Bribe

During the execution of a search and seizure warrant in relation to a corruption case, Brazilian Federal Police identified and subsequently seized 131 works of art at the residence of the accused. The documentation of some of those works of art revealed that the accused, a politically exposed person (PEP), selected the works of art, which were then purchased by a third party as a bribe. This method allowed the involved parties to avoid moving funds between bank accounts, complicating attempts to trace the funds.

The accused's declaration to the Brazilian tax authorities was for a value far below the estimated value of the works of art. For one piece of art, a payment involving the use of an offshore company was identified. Some of the works of art acquired by the accused were deposited (concealed) in the storage room of an art gallery. Due to the large quantity of works of art seized, it has not been possible to complete the examinations and prove the authenticity of all of the works of art. However, there are some pieces of art which have been valued at approximately USD 145 000.

The seized works of art were subsequently left under the care of a museum which had the appropriate conditions to effectively maintain the works.

Source: Brazil

64. The same typology was also observed in the other types of crimes involving art. Several case studies revealed that criminals received illicit proceeds, either in cash or via bank transfer, through shell companies or sometimes through nominees such as their close associates or family members, and then laundered these proceeds by purchasing high-value art or falsifying sales of art. A separate case study indicated that a criminal sponsored a non-profit organisation and then used its bank account to receive transfers from accounts held in offshore centres, and used the majority of these funds to purchase art through different offshore companies and natural persons (see additional case study in box 23).
65. According to a recent article by the International Consortium of Investigative Journalists (ICIJ), more than 1,600 works of art appeared to have been traded using shell companies and trusts in offshore financial centres, in part to avoid or

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mergers or facilitating transfers. They can also be misused to hide the identities of criminals, move illicit proceeds of crime, and commit a wide range of misconduct, including money laundering, human or drug trafficking, fraud, tax evasion, and corruption.

evade taxes.<sup>19</sup> The large portion of cases submitted for this study indicated the wide use of intermediaries and legal persons or arrangements in money laundering associated with the art transaction. This suggests that the misuse of corporate structures may be a common technique to disguise ownership of items and conceal funds laundered in the cultural objects market.

### ***Use of Under or Over-Pricing***

66. Case studies provided for this report demonstrate how over and under-pricing can be used to conceal value or to legitimise illicit proceeds, a technique also used with other property of significant value. The uniqueness of many cultural objects may make it difficult for non-experts to understand whether sales (and values) are legitimate or not. The case study below provides a typical typology where suspects purchased shares of a commercial bank by selling multiple art at 15 times the average price of other paintings by the same artist.

#### **Box 10. Case Study. Using Over-Pricing to Disguise Illicit Proceeds**

The case concerns a joint investigation by Rosfinmonitoring and law enforcement authorities of the Russian Federation into a group of individuals planning to purchase more than 20% of the authorised capital of a Russian commercial bank. The concerned individuals reported that the funds allocated to the purchase were obtained from the sale of art by contemporary artists for a total amount of USD 1.81 million (on average USD 30 000 per painting).

However, open source reporting indicated that these artworks were overpriced. According to art galleries and the artists union website, the price of the various items did not exceed USD 2 000 per painting. The individuals had attempted to launder the proceeds of illicit activity by purchasing and selling art and investing in the shares of authorised capital of a commercial bank. They have been convicted of illicit banking and money laundering.

Source: Russian Federation

### ***Use of Fictitious Sales or Fake Auctions***

67. Cases studies also indicate the use of fictitious sales and fake auctions to provide legitimacy to funds that are subsequently sent through a financial institution or a non-financial businesses or profession in the laundering process. In this typology, a launderer will put up art for sale or auction. An accomplice will buy the works using funds generated from predicate crimes. The money launderer then receives a transfer from the auctioneer to his bank account, and the illicit proceeds are successfully placed in the financial system. The same technique can be used with the help of an art broker, a merchant acting as an intermediary, a custodian, or other market participants.

<sup>19</sup> Scilla Alecci (2022), *From Banksy to Picasso, Offshore World Awash in Valuable Art*, ICIJ, [www.icij.org/investigations/pandora-papers/from-banksy-to-picasso-offshore-world-awash-in-valuable-art/](http://www.icij.org/investigations/pandora-papers/from-banksy-to-picasso-offshore-world-awash-in-valuable-art/)

68. The fictitious sale of art at an online venue is based on the same principle as above, except that the operation is carried out online. Similarly, a sale or auction does not necessarily need to be completely fake; an illicit actor could achieve the same outcome by over or under-invoicing for a cultural object, incorporating illicit proceeds in the transaction.

### Proceeds-Generating Crimes

69. While the previous section considered the typologies through which money may be laundered in the cultural objects markets, this section considers how illicit proceeds may be generated within the market itself. This study identified a large number of illicit proceeds-generating crimes that involve the markets for cultural objects, including forgery, fraud, theft or looting, and illegal trafficking. An international operation supported by the Europol, the INTERPOL and the WCO since 2016 has to date resulted in 407 arrests and the recovery of 147 050 trafficked cultural objects. These objects include archaeological objects (coins, bells, buckles, rings and pieces of pottery), Mexican artefacts, paintings, and a marble column.<sup>20</sup> However, very little information has been received about how the proceeds of these proceeds-generating crimes are subsequently laundered. Nonetheless, analysis of these proceeds-generating crimes could help jurisdictions to better understand this issue and subsequent money laundering activities (either inside or outside the cultural object markets), and provide information to improve countries' efforts to more effectively recover illicit proceeds as required by FATF Recommendation 4.

### Forgery

70. Forgery of cultural objects is one of the most prevalent crimes in the market, according to case studies for this report. Due to the complexity of verifying the authenticity of cultural objects, customers may not be able to identify forgeries, which increases the responsibility of dealers in identifying forged works. Forgeries may present a more lucrative avenue for criminals and art thieves than the theft of authentic art, in part because some forgeries are easier to sell. Forgers tend to sell forged lesser-known, minor works by famous artists, often of lower quality, via online platforms. This is because it is much more difficult to trace the provenance of lesser-known works of famous artists, especially when the works have not been photographed or included in catalogues, or when the artist is deceased and cannot confirm authenticity of the art. These factors can also make these works easier to copy. In addition to sales, forgeries can also be used as collateral for loans. Criminals can insure forged art at the price of the real ones, and fraudulently present them to financial institutions as collateral for borrowing large sums of money. This use of forgeries is similar to the techniques associated with fraud, covered in the following section.

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<sup>20</sup> INTERPOL (2022), *52 arrests were made in an operation across 28 countries targeting trafficking in cultural goods*, 9 March 2022, [www.interpol.int/en/News-and-Events/News/2022/52-arrests-in-operation-across-28-countries-targeting-trafficking-in-cultural-goods](https://www.interpol.int/en/News-and-Events/News/2022/52-arrests-in-operation-across-28-countries-targeting-trafficking-in-cultural-goods).

### Box 11. Case Study. Using Forged Paintings Attributed to Preeminent Artist as Collateral for Loans

The case concerned a criminal association which used forged paintings attributed to preeminent artists as collateral for acquiring loans from banking institutions. The collection of paintings was valued at over EUR 200 million.

The investigation was launched thanks to the cooperation of an expert who was made aware of the existence of these formerly unknown works of art of relevant artists, allegedly kept in the safe of a bank.

Source: Italy

### Fraud

71. Various fraudulent schemes exist that target buyers or investors, irrespective of whether the art is authentic or not. One newly observed method is to increase the value of art through new attributions. An artwork previously accredited to a lesser-known artist is attributed to another, usually better-known artist, potentially increasing the value of the artwork. In certain cases, new attribution occurs immediately after import. Attributing work to an artist is a legitimate action, however, it is necessary to verify the time, circumstances, and basis of this new attribution in order to ensure that it is not just a means to avoid export and import controls or to fraudulently increase the value of the object. Some cases revealed that investors in the high-end art market may be vulnerable to investment fraud, such as material misrepresentations on the true value or ownership of an artwork.

### Box 12. Case Study. High Value Contemporary Art Investment Fraud

In May 2022, an art dealer specializing in post-war and contemporary fine art with galleries in the United Kingdom and United States was sentenced to 84 months in prison in connection with a multi-year scheme to defraud various individuals and entities. He was also ordered to pay a forfeiture of more than USD 86 million.

From approximately 2016 through 2019, to finance his art business, the dealer engaged in a scheme to defraud multiple individuals and entities in the art market located in the New York metropolitan area and abroad. The dealer made material misrepresentations and omissions to art collectors, investors, and lenders to access valuable art and obtain sales proceeds, funding, and loans. He knowingly misrepresented the ownership of certain art, for example, by selling a total of more than 100 percent ownership in an art to multiple individuals and entities without their knowledge; and by selling art and/or using art as collateral on loans without the knowledge of co-owners, and without disclosing the ownership interests of third parties to buyers and lenders. The dealer furnished fraudulent contracts and records to investors to artificially

inflate the art's value and conceal his scheme, including a contract that listed a stolen identity as the seller. Over the years, the dealer obtained over USD 86 million in loans and sale proceeds in connection with the fraud scheme.

Source: United States

### ***Theft, Looting, and Illegal Trafficking***

72. Criminals can also generate proceeds through the theft of pieces of cultural objects from private owners, museums, galleries, or other institutions. Thieves usually target high-value art, demonstrated by a growing number of reported art thefts that have occurred in recent years. Looting, or the unauthorised removal of cultural artefacts or human remains, can also generate illicit funds, and is more prevalent in conflict zones or countries with a high density of archaeological sites. It can also be related to terrorist financing (see below).
73. Stolen cultural objects (such as those seen in the case study below) are often trafficked from source countries using false export certificates and offered for sale in high-end art markets in Europe or North America. Although criminals often traffic stolen items to disguise their origins, unauthorised exports or imports of cultural objects can be a crime in many jurisdictions, even if the objects are not stolen.<sup>21</sup> Delegations noted that *modi operandi* observed include cooperation between different criminal groups specialised in particular aspects of the trafficking (such as looters, document forgers, etc) and the practice of storing looted cultural objects for some time in order to dissociate them from the source country. This suggests that criminal groups commit 'organised looting'. The lack of reliable statistics concerning looting activities, especially from conflict zones, makes it difficult to assess the scale of the phenomenon. However, taking into account the volume of looted archaeological goods seized in certain international or national police operations, it appears that this is a large-scale activity.<sup>22</sup>

#### **Box 13. Case Study. Operation Pandora VI**

Operation Pandora, which was first launched in 2016, is an annual law enforcement operation. Operation Pandora VI, which ran from 1 June 2021 to 30 September 2021, saw law enforcement authorities in 28 countries carry out checks and controls at airports and border crossing points, as well as in auction houses, museums, and private homes. The

<sup>21</sup> For example, European Union law requires export licences for certain cultural objects in order to export them legally from the EU (Council Regulation (EC) 116/2009 on the export of cultural goods) and aims to prevent the illicit trade by requiring import licences for certain cultural objects considered to be "particularly endangered heritage" and importer statements for other lower risk items (European Parliament and Council Regulation (EU) 2019/880 on the introduction and the import of cultural goods).

<sup>22</sup> For example, France estimated that roughly 520,000 artefacts are looted on an annual basis in their jurisdiction and noted that market participants are more likely to be exposed to looted objects than to stolen ones.

operation targeted the illicit trafficking in cultural objects and led to 52 arrests and the seizure of 9,408 cultural artefacts across the world. The seized items included archaeological objects, furniture, coins, paintings, musical instruments, and statuettes. To date, Operation Pandora has netted 407 arrests and resulted in the recovery of 147,050 cultural goods. Pandora VI was coordinated at the operational level by the Europol, the INTERPOL and the WCO.

Source: Europol

74. A report in 2021 by the United Nations Analytical Support and Sanctions Monitoring Team noted that international criminal networks engaging in trafficking of cultural objects often falsify the value of objects.<sup>23</sup> In the case of authentic objects, traffickers assign artificially low values to the objects, which subsequently accumulate both value and authenticity as they change hands. Conversely, inauthentic objects may enter the market with highly inflated values. Both practices complicate authorities' efforts to preserve and protect cultural heritage and to combat money laundering.

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<sup>23</sup> This report was submitted pursuant to UNSCR 2368 (2017) concerning the Islamic State of Iraq and the Levant (ISIL or Da'esh), al-Qaeda and associated individuals and entities.

## Terrorist Financing Threats Associated with Cultural Objects

75. This chapter examines how the trafficking and trade of cultural objects can be misused to finance terrorist groups or activities. It relied on information received from the FATF Global Network, insights of experts during a special session at the 2021 FATF JEM, and information collected from FATF's regular update on the financing of ISIL, Al-Qaeda and their affiliates.<sup>24</sup>
76. The chapter considers how terrorist organisations, including ISIL, Al-Qaeda and their affiliates, have historically raised funds through the excavation, looting, and smuggling of cultural objects, specifically antiquities, and the potential scale of this activity. It also analyses the criminal networks that facilitated the generation of revenue through the illegal trade in cultural objects, and examples and evidence of other terrorist organisations exploiting the trade.

### Exploitation of Antiquities as a Source of Financing

77. The FATF has noted the exploitation of antiquities by ISIL, Al-Qaeda and its affiliates since 2016 in the course of its regular monitoring of the financing of these groups. For example, during its height, ISIL controlled territory in Syria and Iraq where more than 5,000 archaeological sites were located, many of which were listed as UNESCO World Heritage sites, such as the grand palace of Assyrian King Ashurbanipal II. In addition, it controlled territory containing numerous museums, libraries, and archives. This provided ISIL with an expansive supply of precious antiquities and cultural objects, as well as an important source of funding.
78. Relevant bodies of the UN have also noted this issue. For example, in 2015 the UN Security Council Resolution (UNSCR) 2199 'note[d] with concern that ISIL, ANF and other individuals, groups, undertakings and entities associated with Al-Qaida, are generating income from engaging directly or indirectly in the looting and smuggling of cultural heritage items,' and therefore urged all member states to take steps to prevent the trade of relevant items.
79. In the case of ISIL, the organisation has used two known methods to generate funds through exploiting cultural objects and heritage. In the first, ISIL directly benefits from the excavation, looting, and trafficking of cultural objects, including by selling it to third parties. The second involves ISIL taxing non-ISIL members for the excavation, looting, and smuggling of cultural objects on territory that it controls. Excavating without a licence in an ISIL-controlled area is considered illegal and subject to punishment. ISIL set up a special division and collected a 20% tax on the sales of antiquities excavated or looted by non-ISIL members in the area. However, there are no accurate estimates about funds obtained by ISIL through this scheme.
80. The gradual loss of territory by ISIL preceding 2016 and total loss of territory in 2017 has likely eradicated the importance of this source of revenue, or at least

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<sup>24</sup> Since 2015, the FATF has produced regular, non-public updates for operational authorities and intelligence services that ensure that authorities across the FATF Global Network are swiftly informed of the shifting terrorist financing activity involving these groups, as well as of actions taken by jurisdictions to combat associated risks.



severely limited it. Nevertheless, ISIL continues to exert influence over territory in other parts of the world (e.g. the Sahel region in Africa), and may possess cultural objects that could generate funds. Meanwhile, experts at the 2021 FATF JEM indicated that other terrorist groups in the Middle East and parts of North Africa, including Al-Qaeda and affiliates, ANF, and Hurras al-Din (HAD) have been using similar schemes as those described above to obtain funds to support their operations.

81. In addition, previously looted cultural objects are still in circulation in illicit markets. While purchase or sale of these cultural objects may not be a terrorist financing offence directly (as the funds would be paid to the individual in possession of the object rather than the terrorist organisation that oversaw and benefitted from its extraction or sale), the purchase of cultural objects known to be looted and smuggled would be a criminal offence in most jurisdictions.

### **The Role of Transnational Organised Crime Groups**

82. Terrorist financing through cultural objects extracted or looted from conflict zones is not an easy task that can be carried out solely by terrorist groups. Once various cultural objects have been excavated or looted, these objects need to be transported and sold. Transnational crime groups have been observed cooperating with terrorist groups to acquire cultural objects, then using their networks to smuggle these items out of conflict areas, and into destination markets for sale.
83. Experts at the 2021 FATF JEM indicated the existence of a supply chain through which antiquities looted by terrorist groups have been smuggled out of the region and into destination countries. This supply chain originates from source countries including Iraq, Syria and other conflict areas in the Middle East, Africa or Central Asia, then goes through transit jurisdictions such as Türkiye, Iran or Hong Kong SAR, and finally reaches destination countries including the US, UK, Germany, Italy, and Canada.
84. Small criminal groups can operate under the umbrella of a larger criminal organisation to help facilitate the supply chain for smuggled or stolen cultural objects. In such cases, members of these groups play distinct roles, such as excavators, mediators, domestic vendors, exporters, and sellers of the antiquities through auction houses and dealers and to private buyers.
85. Case studies in boxes 14 and 15 also reveal the close engagement of certain complicit dealers in these supply chains. These dealers, either cooperating with organised criminal groups or through direct involvement in these groups, participate in the smuggling or sales of looted or excavated cultural objects. Some of these complicit dealers therefore provide the expertise needed during the process, and may have links to, or even be part of, terrorist organisations themselves. Some of them may also provide false documentations or invoices to facilitate the smuggling process.

#### Box 14. Case Study. Art Dealers and Gallery Owners Participate in the Laundering of ‘Blood Antiquities’

The opening of judicial proceedings relating to the trafficking of cultural objects by terrorist groups has made it possible to identify the role of several intermediaries involved in trafficking in Europe, including art dealers and gallery owners who participate in the laundering of ‘blood antiquities’.

Mr. X runs company A, an art gallery with offices in several cities established in country A. Mr. X and company A are being prosecuted in several countries for trafficking in antiquities.

In order to sell the looted antiquities, Mr. X uses company B, a subsidiary of company A established in country B, to trade with European art dealers who are known to be part of a network of art traffickers and to set up business relays in Europe. To this end, Mr. X uses two direct intermediaries:

A foreign company, company C, registered in country A, which favors banking discretion, specialized in the storage of precious objects and known to store in a freeport looted art on behalf of Mr. X;

A European art gallery, company D, domiciled at the same address and having the same manager as company B in country B. It acts as a financial intermediary for the marketing of the works. This partnership aims to hide the identity of the beneficiaries of the art objects acquired. This company has received more than EUR 4 million from transactions with collectors, an archaeologist, and an auctioneer.

Mr Y is an antiquity dealer and owns a gallery in a European country (country D). He is suspected by the authorities of his country of participating in the financing of terrorism and of belonging to a criminal organization. Mr. Y has maintained important commercial relations with several French antiquity dealers. One of them has particularly opaque and fragmented accounting between different structures registered in tax havens.

Mr. Y uses the services of an antiquity gallery, company E, for the storage of his works in country C. Company E's bank account has been credited with more than EUR 4 million from the account of a French art gallery. Its manager did not file an intra-Community VAT return for purchases of cultural objects, as required by the applicable legislation.

Source: France

86. In addition to traditional venues and market participants, social media platforms have been used to connect, advertise, and sell looted cultural objects, similar to their use in the sale of art. Algorithms that are used to connect members and drive content choice, and also help facilitate connections between looters, facilitators, buyers, and sellers. Private groups on social media sites and group chats on messaging applications with hundreds of thousands of members

can keep information out of the hands of law enforcement using privacy settings and encryption.

87. Although no relevant cases were identified, terrorist groups could also create counterfeit antiquities themselves to generate funds through these markets. As with other criminals, terrorists and their facilitators could also manipulate the value of cultural objects, either by inflating the price of counterfeit objects or by listing authentic antiquities as inexpensive modern copies to evade export regulations.

### Exploitation of Supply Chains by other Terrorist Organisations

88. It is unclear whether ISIL continues to benefit from facilitating the excavation, smuggling, or sale of cultural objects following its loss of territory in Syria and Iraq. However, the smuggling routes for transportation and venues for selling previously looted cultural objects have created markets which may continue to be abused for the purposes of trafficking in and selling of cultural objects originating not only from Syria and Iraq, but also from other regions. These markets could either fuel the trade of forged or previously extracted items, or make it easier for ISIL, its affiliates and other terrorist organisations to raise revenue by continuous exploitation of cultural objects. The following example shows how this has occurred in a case involving a terrorist organisation in North Africa.

#### Box 15. Case Study. Operation HARMAKIS

In 2016, the Spanish National Police with support from Europol, dismantled a network trading in antiquities looted in Libya that were used to finance jihadist terrorism. The network was involved in the illicit purchase of pieces from archaeological sites looted by terrorist groups related to ISIL. The sale of the antiquities allowed those terrorist groups to finance their activities.

The network relied on foreign intermediaries to obtain the antiquities and conceal their origin by transshipping them through Asia or the Middle East. Shell companies acquired the antiquities on behalf of two art experts who were detained in a Spanish prison at the time and made the shipments from those third countries. These two art experts who acquired these pieces (also known as ‘blood antiquities’) in order to sell them in a gallery they control in Barcelona. The items were described on false invoices as decorative items, which allowed them to pass as objects of relatively little value.

Source: Spain

89. In general, organised criminal groups involved in the trafficking of looted antiquities deployed similar methods and techniques to launder proceeds from the sale of previously looted or illegally excavated cultural objects. For example, two cases described how criminals use shell companies established in different countries and with different functions to hide the identity of sellers and buyers and to disguise the associated source of funds and their subsequent movement. Storage facilities, either in freeports or in antiquity galleries, have been used by

criminals to keep looted antiquities for sale or to keep it out of the sight of law enforcement. In other cases, criminals used shipments transiting via foreign countries to disguise the origin of looted objects and received payment in cash, including large-value bank notes.

90. Although cases related to Al-Qaeda or other terrorist organisations were not submitted for this report, UNSCRs have referenced exploitation of trade in cultural objects by these groups.<sup>25</sup> The growing influence of terrorist organisations in some parts of the world may mean that there are opportunities for terrorist organisations to take advantage of the territory that they control to raise funds through the illegal excavation and sale of antiquities.

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<sup>25</sup> See UNSCR 2199 (2015), UNSCR 2253 (2015), UNSCR 2347 (2017), etc.

## Challenges and Good Practices

91. This section outlines the challenges that law enforcement authorities face in identifying and investigating ML/TF activity associated with cultural objects. It also highlights some of the approaches that competent authorities take to overcome these challenges. The examples draw on the types of vulnerabilities and threats identified in previous chapters.

### Challenges

#### *Challenges associated with detecting ML/TF*

92. Market participants for cultural objects often do not collect customer identification information, nor do they always conduct detailed due diligence on buyers or sellers. In some cases, the applicable regulatory framework does not require customer due diligence (or filing suspicious transaction reports to the country's financial intelligence unit (FIU) when suspicious activity is detected). In other cases, regulations may not be effectively implemented. In addition, some sectors of this market are accustomed to engaging with high-net worth clients where privacy and discretion are valued, and place an emphasis on or accept the need for client confidentiality. The emphasis on privacy and discretion in the market can be considered an important challenge to the effective detection of money laundering and terrorist financing.
93. Even for market participants who are subject to AML/CFT obligations, including certain financial intermediaries and market participants in some jurisdictions, the number of suspicious transaction reports is generally low relative to the risks countries have identified in the sector. Actively monitoring for suspicious financial activity is relatively new for most market participants and many of them are still developing the capacity to fully implement AML/CFT obligations, including to monitor and report suspicious transactions or activity. Even when subject to AML/CFT regulation and supervision, financial institutions rarely employ experts from the cultural object market meaning they lack expertise in this area. In addition, the limited number of ML/TF risk assessments that cover the market, and the varied findings of the risk assessments that have been conducted by countries (see para 19), can make it very challenging for some market participants to effectively build their own risk understanding and effectively detect suspicious activity.
94. Beyond the above-mentioned issues, the market poses specific challenges because of difficulties in assessing the origin of various cultural objects. Despite several registers or databases of stolen art or looted antiquities maintained by jurisdictions or international organisations or 'red lists' describing types of items that might be subject to illicit movement<sup>26</sup> it can still be difficult even for experts to confirm the provenance or authenticity of various cultural objects due to the large number of items traded in the market. In addition, there may not be a record of transactions attached to a particular item that can be used to uncover

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<sup>26</sup> Examples include the INTERPOL Stolen Works of Art database and the International Council of Museums' Red List. In addition, the Carabinieri Unit for the Protection of Cultural Heritage (TPC) of Italy keeps a stolen heritage database, which includes around 700,000 images and information on 1.2 million objects.

the history of its ownership. This makes it difficult for law enforcement officials to identify and bring charges of illegal possession of cultural objects or money laundering linked to investigations into related predicate offences. Special investigative measures to find this information, such as the use of undercover officers, can be costly.

95. Finally, due to the relatively high cost-to-size ratio of cultural objects, in some cases it can be easy for criminals to hide certain high value cultural objects.<sup>27</sup> Transactions outside of institutional market participants can be hard to trace, and art are difficult to locate, especially if they have been given away by the suspect or stored with third parties, such as storage facilities in freeports. In addition, even if seized by a law enforcement authority during a check, the illegal status of cultural object is not easy to determine and often requires substantive expertise.

### ***Challenges associated with investigating ML/TF***

96. Investigators and prosecutors also face various challenges with investigations into potential ML/TF associated with the trade in cultural objects, in particular the generally low prioritisation of ML/TF investigations among law enforcement. This observation is consistent with other recent FATF reports assessing different types of money laundering risks and responses, and the findings of its current round of mutual evaluations, where the large majority of jurisdictions have been assessed as having major or fundamental weaknesses in their ability to conduct parallel financial investigations generally and carry out ML/TF prosecutions effectively.<sup>28</sup>
97. Case studies and operational discussions identified that the lack of prioritisation among law enforcements on ML/TF investigation related to cultural objects is the primary investigatory challenge. Available investigations appear to be mainly focused on retrieving stolen, looted, or illegally trafficked objects. Once this goal is achieved, investigators tend to stop and may not examine the financial aspects of the offence or the criminal networks associated with a specific individual case. As noted above, this may be due, in part, to broader challenges associated with the prioritisation of money laundering investigations, particularly investigations into professional money laundering and more complex money laundering cases. This is a challenge identified in many jurisdictions' mutual evaluation reports.
98. Another challenge is the lack of understanding amongst law enforcement about the threats and vulnerabilities associated with the market and the ML/TF risks associated with cultural objects. For example, estimations of value of cultural objects in the market require specific expertise, not only regarding the objects themselves, but also about how the market operates, cross-border crime and trafficking mechanics, and financial investigations expertise. This has manifested in examples such as police searches, where officers may pay less attention to

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<sup>27</sup> It is to be noted, however, that while some cultural objects are indeed portable (e.g. coins, paintings, small ceramic items and pottery), others are not portable and can be fragile and easily damaged.

<sup>28</sup> FATF (2022), *Report on the State of Effectiveness and Compliance with the FATF Standards*, [www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf)

cultural objects on the premises that may be laundered. Building this expertise can be expensive, regardless of whether it is through in-house hiring and training, or by consulting with the private sector. Furthermore, jurisdictions incur high costs when keeping cultural objects under custody in appropriate storage facilities after seizure.

99. A third investigative challenge is the inherent cross-border nature of the market, which can hinder investigations, especially because many ML/TF cases involve more than one or two jurisdictions. This poses challenges in collecting evidence and identifying the proceeds of crime. INTERPOL Red Notices, mutual legal assistance, and cross-border law enforcement cooperation can all help alleviate this challenge. However, the timeline and effectiveness of assistance varies across jurisdictions, which can delay or hinder investigations. Communication and cooperation between jurisdictions of object origin and jurisdictions of transit or destination can be particularly tricky. There is often an imbalance in resources and technical abilities to track cases. In some instances, source jurisdictions may not even know an object is stolen until they are contacted by transit or destination jurisdictions. Furthermore, many jurisdictions identified the involvement of many types of participants in the transaction, consistent with some of the cases analysed in this report, that can make it difficult to detect and dismantle an entire crime network.

## **Investigative Strategies**

### ***Detection***

100. Similar to crimes associated with other markets and predicates, ML/TF associated with cultural objects can be detected through different sources, consistent with the nature of the threats assessed in this report.
101. One useful method for detecting ML/TF in the market is the reporting of suspicious transactions by both financial institutions and market participants, when the latter is covered by the AML/CFT regime. Investigations into other types of crimes, such as through search and seizure warrants can also help detect potential ML/TF cases involving cultural objects. For example, one jurisdiction noted that the majority of police cases involving money laundering and cultural objects originate from search and seizure warrants, including of antique sellers, arrests of criminals conducting illegal excavations, or of criminals attempting to sell their illegally acquired antiquities. Finally, ML/TF cases associated with cultural objects can be detected through referrals from international counterparts, such as INTERPOL, referrals from other domestic agencies, and through information from plea agreements and confessions.

### ***Investigation***

102. Several jurisdictions maintain specialised law enforcement units with specific authority to investigate crimes in the markets for cultural objects, including financial crimes such as fraud, as well as forgery, illegal trafficking, and theft. These units receive specialised training in cultural objects investigations, assist with international cooperation for foreign law enforcement officials, and help prevent the looting of cultural sites in conflict zones. For example, Italy

established the Carabinieri Unit for the Protection of Cultural Heritage (TPC) in May 1969, becoming the first country in the world to set up a unit specialised in this field.

**Box 16. Country Example. The Carabinieri Command for the Protection of Cultural Heritage (Carabinieri per la Tutela del Patrimonio culturale–TPC) of Italy**

The Carabinieri Unit operates functionally under the Ministry of Culture of Italy, with personnel specifically trained in the field of cultural heritage protection, as described below. The headquarters in Rome includes the Commander’s Staff and an Operational Department, divided into three sections: Antiques, Archaeology, Counterfeiting and Contemporary Art.

- The Carabinieri TPC works towards guaranteeing the safety and protection of Italy’s cultural heritage through various kinds of operations.
- It also engages in activities to prevent theft, particularly from archaeological areas, from UNESCO World Heritage sites and from areas with high numbers of tourists.
- It checks security measures adopted inside museums, archives, libraries and other places of cultural interest.
- It monitors illegal trading in traditional antiques markets and via the internet.

The Carabinieri TPC operates the Italian Stolen Artworks database, the oldest and largest in the world, which includes around 700 000 images and information on 1.2 million objects. The objects listed belong to Italy’s heritage, but also to foreign countries.

The Carabinieri TPC has also specific tasks in the recovery and securing of cultural heritage damaged by natural disasters, for example following the earthquakes that hit central Italy in 2016 and the island of Ischia in 2017.

Italy has also created the *Caschi Blu della Cultura* Task Force, a rapidly deployable unit that is tasked to work at national and international level to safeguard cultural heritage that has been either damaged or endangered by war, crisis or natural or anthropogenic disasters. The Task force is composed by members of the Carabinieri TPC and civilian experts of the Ministry of Culture.

The TPC Unit also raises awareness about the importance of protecting heritage, carrying out training and information sharing activities for other police forces at national and international level, as well as providing awareness raising activities in schools, museums and other cultural institutions with innovative tools.

Source: Italy



103. In the case of looted archaeological objects, cooperation with outside experts can help overcome gaps in the expertise of law enforcement that is required in the course of investigations. Archaeologists can proactively cooperate with investigative authorities to identify objects that are likely to be trafficked. Cooperation between archaeologists and law enforcement may also allow more effective verification of authenticity and the provenance of items. By tracking the type of objects likely to be illegally excavated and documenting illegal practices and evolving trafficking patterns, they can contribute to uncovering the sale of looted artifacts which are offered on the market with false provenance. This input is particularly invaluable to appraise the authenticity, rarity, and price of objects and to uncover laundering techniques which are key to dismantling ML/TF schemes.
104. Case studies reviewed for this project also emphasised the importance of tracing and identifying cultural objects involved in money laundering early in a financial investigation to seize and, ultimately, confiscate these works (see for example, the case study in Box 3 above).

### Good Practices

105. As indicated in this report, it is critical that jurisdictions understand their risks and respond effectively. Several jurisdictions noted they have developed training programs, guidance and codes of ethics for market participants that are both publicly and privately available.<sup>29</sup> A range of institutions, including multilateral bodies,<sup>30</sup> various market participant standard setters,<sup>31</sup> and NPO initiatives, have published documents aimed at raising awareness of the risks faced by the industry.<sup>32</sup> Jurisdictions have begun developing internal specialised training courses and working with the private sector to start partnership initiatives and issue investigative guidance. These programmes help jurisdictions better detect transactions related to ML/TF.
106. In addition to providing training to the private sector, several jurisdictions noted that public-private information sharing can help overcome investigative challenges. Liaising with galleries to determine customers or delivery points of cultural objects, raising awareness regarding good practices and potential trafficking and facilitation of illicit activity, play important roles in preventing market participants from unwittingly facilitating money laundering activity. Public-private information sharing could also contribute to detecting ML/TF related activity involving cultural objects taking place online. The joint participation of law enforcement and academics in awareness raising and training programmes has enabled the creation of a cross-disciplinary network of experts, which is a valuable information exchange tool.

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<sup>29</sup> Examples in this regard include, the AML/CFT guidelines issued by the Finnish Regional State Administrative Agency on risks and the reporting of suspicions, the guidance on anti-money laundering for UK art market participants issued by the British Art Market Federation, and the joint AML/CFT guidance issued by the French FIU Tracfin and French Customs.

<sup>30</sup> UNESCO, *International Code of Ethics for Dealers in Cultural Property*, <https://unesdoc.unesco.org/ark:/48223/pf0000121320>

<sup>31</sup> ICOM, *Code of Ethics for Museums*, <https://icom.museum/wp-content/uploads/2018/07/ICOM-code-En-web.pdf>

<sup>32</sup> For more information, please see: <http://responsibleartmarket.org/art-market-guidelines/>

107. Multiple jurisdictions maintain databases to track, identify, investigate, and repatriate cultural objects that have been stolen. A good practice pertains to the use of national databases to cross-match transactions and stolen objects with international databases, including the database maintained by the Italian Carabinieri Unit for the Protection of Cultural Heritage and INTERPOL's Stolen Works of Art database. While these lists are predominantly aimed at preventing or helping support investigations into predicate offences such as theft and smuggling, they may also be useful for ML/TF investigations. Ensuring such databases are available to market participants can also facilitate due diligence within the sector.
108. Other tools can include the establishment of information exchange platforms between competent authorities, such as international centres dedicated to the development of art-specific forensic intelligence, and provision of specialised training for law enforcement agencies. Joint international investigations and cooperation by law enforcement authorities aiming to fight trafficking in cultural objects is another good practice identified by this report.
109. Monitoring high-risk markets is a good practice to mitigate identification challenges with looted antiquities that can be linked to or drive terrorist financing activity in particular, and that may represent the criminal activity of smuggling and/or illegal excavation. Market participants dealing with archaeological objects coming from areas prone to illegal excavation (e.g., conflict areas affected by natural or man-made disasters, areas affected by economic or social crisis) could be placed under observation. Despite the difficulties in proving the illegal origin of archaeological objects sold on the art market, there can be heightened risks that items coming from the above-mentioned areas are proceeds of crime (pillaging, looting, illegal excavation and/or export) as well as possible source of revenues for criminal and terrorist organisations.
110. Some jurisdictions highlighted as a good practice the management by museums of art seized during investigations. In the event of an order to confiscate cultural objects, if the crime has no determined victim, these items could be maintained and displayed in public museums. This could help reduce the costs and difficulties for law enforcement to store and maintain these valuable objects. It would also give the public opportunity to view and enjoy objects that have been stolen or laundered and ultimately enable seized and confiscated property to be used for public interest or social purposes.

## Conclusions

111. There are different ways in which money launderers and terrorist financiers can exploit markets for art, antiquities and other cultural objects. This includes large one-off transactions, obscurity of the ultimate seller or buyer, and the use of shell companies to make purchases. Nevertheless, the vast majority of market participants like auction houses, art and antique dealers and investors do not have a connection to illicit activity.
112. Jurisdictions that have assessed the ML/TF risks associated with the sector, reached varying conclusions, from 'no concluded risk rating' to a 'significant/very significant' level of risk. Each country needs to evaluate the size and risks of its own markets for art, antiquities and other cultural objects. If the markets are a material sector, or if there are specific risks, then national authorities should improve their understanding of the issues and use that as a basis to determine the correct level of regulation and supervision (e.g. risk-based approach). This will ensure targeted and proportionate risk mitigation.
113. Risks need to be re-evaluated periodically as markets, the objects traded, and relevant market participants change rapidly. For example, marketplaces for NFTs represent an emerging vulnerability, although few cases have been detected so far and in many jurisdictions the sector is neither regulated nor supervised. Given the associated risks identified by FATF through its work on virtual assets, this is an area that FATF will continue to monitor.
114. While certain terrorist financing risks may have declined since ISIL lost territory, conflict zones remain vulnerable to terrorist financing through trafficking in cultural objects. Jurisdictions need to continue to build an understanding of the evolving terrorist financing risks associated with illegal excavation, looting and trafficking of cultural objects from conflict zones. The trade in illegal antiquities should be prevented. This includes encouraging social media platforms and online market places to do more to prevent the sale and purchase of antiquities that may have been excavated or looted.
115. Financial institutions and market participants also need to understand and consider their ML/TF risks. Those facilitating transactions should understand who their customers are, including the ultimate sellers and purchasers. Auction houses, dealers, galleries and art finance service providers need to know how to recognise suspicious activity. They should be willing to conduct appropriate enhanced due diligence if questions arise regarding source of funds, or if transactions are structured in a way that is unusual, or include inappropriate anonymity.
116. Complicit professionals can provide false documentation and invoices to hide the identity of a buyer or facilitate the smuggling of items. Some complicit dealers may have links to, or themselves be supportive of, terrorist organisations. This undermines preventive efforts within the sector. Depending on the level of risks, regulatory measures may be needed to prevent professionals from being complicit or wilfully blind to illicit activity taking place. Auction houses and galleries should also proactively encouraged to adopt compliance programmes and provide training to their staff.
117. The effectiveness of AML/CFT regulation in the sector relies on a number of factors. The proper scope and implementation of AML/CFT rules, proactive

outreach by competent authorities, and the sharing of up-to-date information on risks and relevant typologies are all important. Consistent action across jurisdictions is also important as different approaches create a risk of regulatory arbitrage that criminals may try to exploit.

118. All relevant stakeholders, including public and private sector entities, should proactively work with experts, such as academics and archaeologists, to overcome gaps in expertise. This will also help deal with emerging threats such as the sale of items of unclear origin. It is also important to have education or training programmes aimed at improving the ability of public and private entities to successfully detect ML/TF activities. The risk indicators contained in Annex A aim to help in this respect.

## Annex A. Risk Indicators

1. The risk indicators provided below are a non-exhaustive list derived from the information received by the FATF in the course of this project. The risk indicators are designed to enhance the ability of public and private entities to identify suspicious activity associated with relevant ML/TF. By no means is this a conclusive list. While several indicators identified may not appear to have a direct or exclusive connection with the market and may be indicative of other forms of money laundering or another illicit activity, they may nonetheless be relevant when trying to identify illicit activity related to cultural objects.
2. Before using the risk indicators, readers should read the handling notes below.

### How to use these risk indicators

3. A risk indicator demonstrates or suggests the likelihood of the occurrence of unusual or suspicious activity. The existence of a single indicator in relation to a customer or transaction may not alone warrant suspicion of a transaction of a cultural object, nor will the indicator necessarily provide a clear indication of such activity, but it could prompt further monitoring and examination, as appropriate. Similarly, the occurrence of several indicators could also warrant closer examination. Whether one or more of the indicators suggests a suspicious transaction or activity is also dependent on the business, product or service that an institution or market participant is offering; how it interacts with its customers; and its human and technological resources.
4. The indicators listed below are relevant to both the public and private sectors. With respect to the latter, the indicators are relevant to financial institutions, including banks and money value transfer services, designated non-financial businesses and professions, virtual asset service providers, and small and mid-size businesses and large conglomerates operating in, or with touchpoints to, the cultural objects market. Within the private sector, these indicators are intended to be used by personnel responsible for compliance, transaction monitoring, investigative analysis, client onboarding and relationship management, and other areas that work to prevent ML/TF and predicate crimes.
5. Some of the risk indicators require the cross-comparison of various data elements (e.g., financial transactions, customs data, and open market prices) often held in external sources. Due to this reliance on external data, the private sector may not observe all of the indicators identified below. For some of the risk indicators, the private sector will need additional contextual information from competent authorities, e.g., via engagement with law enforcement authorities or financial intelligence units (FIUs). In using these indicators, private sector entities should also take into consideration the totality of the customer profile, including information obtained from the customer during the due diligence process, trade financing methods involved in the transactions, and other relevant contextual risk factors.

- Use of shell companies, trusts, or third-party intermediaries, including art dealers, brokers, advisers, or interior designers, to purchase, hold, or sell cultural objects.
- Cash transactions, in particular using large bulks of cash.
- Use of large-denomination banknotes (e.g., the EUR 500 banknote in the EU).
- Unusually high profit margins on the sale of an item of art, antiquity or other cultural objects.
- Sales or purchases of items involving sellers who are not concerned with recouping their initial investments.
- Sales or purchases of art vastly or routinely exceeding the expected sales value of the work.
- Sales or purchases of art involving purchasers who do not appear to be concerned with paying a substantially higher price than the notional value of the work.
- Sales or purchases of art where a client is not familiar with, or interested in, the provenance, history, style, genre, or artist of an object.
- Unwillingness of a customer to provide identification information to receive an art-collateralized loan, or early repayment or use of cash to pay such a loan.
- Imported or exported items not declared to the relevant customs administration(s).
- Purchase or termination of insurance policies to protect the market value or provide cash payments for the loss, theft, or destruction of privately held or donated high-value art in circumstances where other information has suggested the art has a low value.
- Presence of natural or legal persons known to be involved in, or suspected of, trafficking in cultural objects.
- Use of social media or financial intermediaries to advertise cultural objects that have been looted.
- Unique archaeological pieces allegedly related to existing collections but previously unstudied.
- Newly 'discovered' art attributed to a prominent artist.
- Purchases of items by third party intermediaries on behalf of an ultimate seller or purchaser.
- Transactions involving market participants without expertise in concluding high-value purchases or sales.
- Transactions involving politically exposed persons (PEPs) or their family members or close associates.

## Annex B. Examples of Relevant International Conventions

1. Some international and multilateral works have been done and agreements have been made on several distinct aspects related to various cultural objects and the market.
2. The UNESCO 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property<sup>33</sup>, for example, urges States Parties to take measures to prohibit and prevent the illicit trafficking of cultural Property and provides a common framework for the States Parties on the measures to be taken to prohibit and prevent the import, export, and transfer of cultural object. The 1995 UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects<sup>34</sup> is one of the main international conventions adopted to fight against illicit trafficking in cultural property. The Convention deals with the repatriation of stolen or illegally exported goods. It guarantees uniform rules of private law and international procedure which make it possible to apply the principles set in the UNESCO 1970 Convention. The two Conventions are compatible and complementary.
3. Furthermore, the Council of Europe Convention on offences relating to cultural property<sup>35</sup>, adopted in 2017, aims to prevent and combat the illicit trafficking and destruction of cultural property and to foster international cooperation to fight these crimes. In the EU, Regulation (EU) 2019/880 on the introduction and the import of cultural goods<sup>36</sup> sets out the conditions for the introduction of cultural goods and the conditions and procedures for the import of cultural goods in EU Member States for the purposes of safeguarding cultural heritage and preventing the illicit trade in cultural goods, in particular where such illicit trade could contribute to terrorist financing, while Council Regulation (EC) 116/2009 on the export of cultural goods subjects the export of certain cultural goods from the Union customs territory to the presentation of an export licence to customs.
4. The looting of cultural objects has been identified by the UN Security Council as a potential source of terrorism financing. The following UN Security Council resolutions (UNSCR) and monitoring team updates are worth highlighting:
  - UNSCR 2199 (2015) obligating member states to prohibit the import, export or trade of cultural property from Iraq and Syria if it is known, or there is reason to suspect, the artefacts in question were illegally exported during recent conflicts (since 6 August 1990 in relation to Iraq, and since 15 March 2011 for Syria);

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<sup>33</sup> Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property 1970, Paris, 14 November 1970. <https://en.unesco.org/about-us/legal-affairs/convention-means-prohibiting-and-preventing-illicit-import-export-and>

<sup>34</sup> UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects, Rome 24 June 1995. [www.unidroit.org/instruments/cultural-property/1995-convention/](http://www.unidroit.org/instruments/cultural-property/1995-convention/)

<sup>35</sup> Council of Europe Convention on Offences relating to Cultural Property, CETS No 221, Nicosia, 19 May 2017. [www.coe.int/en/web/conventions/-/council-of-europe-european-convention-on-offences-relating-to-cultural-property-ets-no-119-translations](http://www.coe.int/en/web/conventions/-/council-of-europe-european-convention-on-offences-relating-to-cultural-property-ets-no-119-translations)

<sup>36</sup> Regulation (EU) 2019/880 of the European Parliament and of the Council of 17 April 2019 on the introduction and the import of cultural goods, OJ L 151, 7.6.2019, p. 1-14.

- UNSCR 2253 (2015) further condemns ‘the destruction of cultural heritage in Iraq and Syria particularly by ISIL and ANF, including targeted destruction of religious sites and objects’ and develops a number of sanctions designed to prevent terrorism by limiting the financing of terrorist groups, including by preventing trade in ‘cultural property’;
- UNSCR 2322 (2016) urges States to ‘develop, including, upon request, with the assistance of UNODC and in close cooperation with UNESCO and INTERPOL, broad law enforcement and judicial cooperation in preventing and combating all forms and aspects of trafficking in cultural property and related offences that benefit or may benefit terrorist or terrorist groups, and to introduce effective national measures at the legislative and operational levels where appropriate, and in accordance with obligations and commitments under international law and national instruments, to prevent and combat trafficking in cultural property and related offences, including considering to designate such activities that may benefit terrorist or terrorist groups, as a serious crime in accordance with article 2 of the UN Convention against Transnational Organized Crime’;
- UNSCR 2347 (2017) condemns the looting and smuggling of cultural property from archaeological sites, museums, libraries, archives, and other sites, notably by terrorist groups. It also encourages Member States to propose listings of ISIL (Da’esh), Al-Qaeda and associated individuals, groups, undertakings and entities involved in the illicit trade in cultural property to be considered by the 1267/1989/2253 ISIL (Da’esh) and al-Qaeda Sanctions Committee and urges Member States to develop broad law enforcement and judicial cooperation in preventing and countering trafficking in cultural property.
- UNSCR 2462 (2019) explicitly notes the illicit trade and trafficking in cultural property as one of the means used by terrorists and terrorist groups to raise funds and encourages Member States to improve efforts and take decisive action to identify cases of trafficking in persons and in cultural property that finance terrorism with a view to holding those responsible accountable.
- UNSCR 2617 (2021) underscores the importance of Member States’ cooperation with investigations, prosecutions, seizure and confiscation as well as the return, restitution and repatriation of trafficked, illicitly exported or imported, stolen, looted, illicitly excavated or illicitly traded cultural property, through appropriate channels and in accordance with relevant legal frameworks as well as with the United Nations Convention against Transnational Organized Crime and the Protocols thereto and relevant regional, sub-regional and bilateral agreements.



## Annex C. Additional Case Studies

### Box 17. Art Purchased with Proceeds of Corruption

In 2017, U.S. authorities announced the filing of a civil complaint seeking the forfeiture and recovery of approximately USD 144 million in assets that were allegedly the proceeds of foreign corruption offenses and were laundered in and through the United States. According to the complaint, from 2011 to 2015, two Nigerian businessmen conspired with others to pay bribes to Nigeria's former Minister for Petroleum Resources, who oversaw Nigeria's state-owned oil company. In return for these improper benefits, the Minister allegedly used her influence to steer lucrative oil contracts to companies owned by the businessmen. The complaint alleged that the proceeds of those illicitly awarded contracts were then laundered in and through the United States and used to purchase various assets subject to seizure and forfeiture. According to the allegations, the businessmen and others conspired to purchase millions of dollars in real estate in and around London for the Minister and her family members, then renovated and furnished these homes with millions of dollars in furniture, art, and other luxury items purchased at two Houston-area furniture stores at the Minister's direction.

Source: United States

### Box 18. Art and Antiquity Purchased with Proceeds of Embezzlement

In 2021, a Texas man was sentenced to 87 months of imprisonment for a scheme to embezzle millions of dollars from a company headquartered in Austin where his ex-wife served as Chief Financial Officer. He was also ordered to pay more than USD 15 million in restitution. According to court records, an investigation revealed that in 2009, the couple began stealing money from the company and using it for their personal benefit. They used the stolen money to purchase a USD 2.7 million residence and to pay for travel, hotels, restaurant tabs, vehicles, lavish jewellery, rare American coins from the 1800s, gold bars, art, a collection of designer handbags and clothes valued at hundreds of thousands of dollars, and firearms and illegal controlled substances. The ex-wife was sentenced to 63 months imprisonment for her role in the same scheme in 2020, and was also ordered to pay restitution.

Source: United States

**Box 19. Former Banker Conspired in Tax Evasion**

In 2009, a former banker was sentenced to 40 months incarceration after pleading guilty to conspiring to defraud the United States. According to court documents and statements made in court, the former banker assisted an American billionaire real estate developer evade paying USD 7.2 million in taxes by assisting the developer conceal USD 200 million of assets hidden offshore in Switzerland and Liechtenstein. While at the bank, the banker routinely travelled to, and had contacts within, the United States in an effort to assist wealthy Americans conceal their ownership in assets held offshore and therefore evade the payment of taxes on the income generated on the money hidden offshore. The banker admitted that he and others advised U.S. clients, among other things, to purchase jewels, art and luxury items using the funds in their Swiss bank account while overseas.

Source: United States

**Box 20. Money Laundering Through Art Obtained with Proceeds of Fraud**

In 2016, a Texas man was sentenced to 121 months in prison, three years of supervised release, to pay more than USD 87 million in restitution and to be forfeited USD 51 million for generating and selling fraudulent biodiesel credits in the federal renewable fuel program.

Related to the case, the United States filed a civil asset forfeiture complaint in 2013 seeking a collection of art containing more than 2 200 pieces and valued at more than USD 15 million. The complaint alleged that the art—bought with money from the sale of fraudulent credits for renewable fuel—was transported in interstate commerce knowing that it was the proceeds of fraud and was utilized in laundering the proceeds of fraud.

Source: United States

**Box 21. Drug Trafficking Network Using Art Trade to Launder Illicit Proceeds**

Authorities in Italy, Spain and the Netherlands, supported by Eurojust, conducted an operation against a major drug trafficking network that allegedly used the art trade in the Netherlands in order to launder the profits of its illegal business. During the action, a total of 47 locations were searched, including an art gallery located in Amsterdam. The case is ongoing.

Source: Eurojust

### **Box 22. Money Laundering Through Simulated Sales and Cash Transaction**

During a plea bargain agreement signed with the Brazilian Federal Prosecutor's Office, two owners of an art gallery confessed to have laundered funds through simulated sales of art, receiving 50% via bank transfers and 50% in cash. The invoices did not reflect the total amount paid.

The buyer of the works of art in this case was a public official and a PEP. During the plea bargain, both gallerists admitted that due to this 'high-risk' situation, they should have been more vigilant and should have reported the activities as suspicious to the relevant national authorities.

The fines imposed reflected the value of the transactions conducted and amounted to approximately USD 100 000 at the time of the settlement.

Source: Brazil

### **Box 23. Art Purchased with Proceeds of Organised Crimes through Intermediaries**

The case pertains to the financial activities of Mr. X, a foreign businessman residing in Belgium. Mr. X was already known to the national law enforcement authorities for money laundering activities in the past as well as links with organised crime groups. Research into Mr. X showed that he was the chairman and alleged sponsor of a non-profit organisation (NPO).

The Belgian bank account of the NPO received transfers from accounts held in offshore centres and from a company owned by Mr. X and based in an Eastern European jurisdiction. The funds received were primarily used to purchase works of art through different offshore companies and natural persons. Allegedly, all or part of Mr. X's investments in works of art were proceeds of illegal activities related to organised crime.

Source: Belgium

### **Box 24. Large-volume Undeclared Transactions and Cash Withdrawn Concerning Trade of Art and Antiquity**

The case concerns Mr. Y, the manager of a French antiquity gallery, Gallery A. In the course of three years, amounts worth EUR 7 million have been wired to the account of the gallery by a trust registered in a foreign jurisdiction. Due to difficulties identifying beneficial ownership, it is not possible to establish the origin of the funds.

The majority of the funds, approximately EUR 5 million, were transferred to a number of European galleries to finance the purchase of works of art. Only three transactions amounting to EUR 2 million were declared to the customs authorities. The remaining EUR 3 million was transferred to another gallery, Gallery B, whose manager is suspected of being involved in the trade of stolen antiquities. The invoices relating to the purchase of antiquities by Gallery A from Gallery B contain various irregularities and the transactions between the two galleries were not declared to the customs authorities. Finally, a EUR 150 000 credit to Mr Y's account from the account of Gallery A was withdrawn in cash.

According to the FIU's analysis, the elements of the case could characterise criminal activity linked to tax fraud and likely to be part of a money laundering scheme.

Source: France

### Box 25. Money Laundering Through Art Transaction

During a plea bargain agreement with the Federal Prosecutor's Office, a professional money launderer (Mr. X) confessed that he laundered funds using art galleries through simulated sale and purchase of works of art. In order to legitimise cash deposited in the accounts of a front company owned by Mr. X, he collaborated with three art galleries and set up a scheme to issue false invoices for the purchase of works of art. Those art existed and were previously sold to legitimate buyers that had asked the galleries not to issue invoices in order to avoid the payment of taxes.

In the next stage, Mr. X, in collaboration with an exchange broker, obtained the identification information of foreign citizens who used the services of the broker. The art galleries would then falsify the invoices for overpriced sales of the same art by Mr. X to the foreign citizens that would justify the cash deposits made in the account owned by Mr. X's front company.

Source: Brazil

### Box 26. Potential Money Laundering Concerning Art Gallery and Offshore Company

A financial intermediary in Switzerland took measures regarding a client account of a father and his two sons, all residing in a foreign jurisdiction, after a foreign financial intermediary asked him to reimburse an amount that had been credited to this account, as the money was allegedly fraudulently debited from the foreign account. The financial

intermediary requested documents to verify the plausibility of the economic situation, and qualified the information received as insufficient and inadequate. The amount recovered was supposed to be a partial payment for a painting sold. The balance should have been paid to another intermediary in Switzerland.

While one of the sons worked in his father's company, the other managed a modern and contemporary art gallery abroad. The intermediary found that the receipts for the sales of the paintings often came from offshore companies. Furthermore, the entities whose beneficial owners are subject to the intermediary's supervision were not known. Furthermore, the intermediary found that payments for certain transactions were sometimes not related to the usual operations of a gallery (e.g., one payment was related to a six-figure Euro transaction for the transfer of a football player).

Source: Switzerland

### **Box 27. Unusual Cross-border Transactions Concerning Possible Offences**

The case concerns Mr. X, an art collector who is the director of several companies in France. The case concerns the transfer of funds between legal persons and accounts located in several jurisdictions (France, Luxembourg, Switzerland) and the ultimate acquisition of works of art who appear to be destined for Mr X. Further purchases of similar nature have been made with a questionable link between the purchases and the corporate nature of the companies involved.

The case highlights how unusual cross-border flows of funds raise the question for the possible commission of the offences of misuse of corporate assets, tax fraud and the laundering of the proceeds of these offences.

Source: France

### **Box 28. Selling Antiquities Potentially Looted from ISIL Controlled Area**

An art dealer was selling works of art via a dealership and offering Asian and Islamic works through an online auction. The high-quality works originated from the ancient Persian Empire, which spanned territory including present-day Syria and Iraq, but the provenance of some of the objects was not clear. This was perceived as presenting risks of comingling of legitimate objects with looted artefacts that potentially originated from ISIL controlled territories.

Certain money laundering indicators, including credit card transactions above the threshold of EUR 10 000 (most of them in round numbers), cash deposits on private and company accounts, including EUR 500 banknotes, helped identify the scheme. Additionally, the art dealer did not disclose the true source of cash deposits as well as unusual high profit margins on the sale of an work with buyer and seller originating from the same foreign jurisdiction.

Source: EU Member State

### **Box 29. Selling Fake Arts and Money Laundering**

An art dealer pled guilty in 2013 to participating in a scheme to sell more than 60 fake works of modern art to two New York art galleries. Her victims paid more than USD 80 million for the fake works.

Starting in 1994 and continuing through 2009, the art dealer sold more than 60 never-before-exhibited and previously unknown works of art that she claimed were by the hand of some of the most famous artists of the twentieth century. The works were fakes created by a painter for the dealer and a co-conspirator. The provenance that the dealer supplied for the works was also false. The dealer received most of the proceeds from the sale of the works in a foreign bank account that she hid from, and failed to report to, the Internal Revenue Service.

Source: United States

### **Box 30. Bank Fraud with Forged Painting Attributed to Preeminent Artists**

The case concerned a criminal association which used forged paintings attributed to preeminent artists as collateral for acquiring loans from banking institutions. The collection of paintings was evaluated at over EUR 200 million. The investigation was launched thanks to the cooperation of an expert who was made aware of the existence of these formerly unknown works of art of relevant artists, allegedly kept in the safe of a bank.

Source: Italy

### Box 31. Art Forgery and Money Laundering

Three cases demonstrate that art forgery is a major risk for criminal activity in the high-value art market. The cases concern the sale of counterfeit works of art and the laundering of the funds of this illicit activity. Three persons were convicted of aggravated money laundering and one was convicted of negligent money laundering.

Different modi operandi were deployed, including transferring funds between bank accounts of various persons (both natural and legal) before being the final cash withdrawal. The estimated values of concerned transactions and commodities ranges from EUR 80 000 to EUR 221 000. The government recruited various experts to verify the authenticity of the works of art in relation to one of the cases.

Source: Finland

### Box 32. NFT Fraud and Money Laundering

In June 2022, U.S. law enforcement announced that an individual had been charged with one count of conspiracy to commit wire fraud and one count of conspiracy to commit international money laundering in connection with a scheme involving the 'Baller Ape' NFT.

As alleged in the indictment, the accused was involved in the Baller Ape Club, an NFT investment project that purportedly sold NFTs in the form of various cartoon figures, often including the figure of an ape.

According to the indictment, shortly after the first day Baller Ape Club NFTs were publicly sold, the accused and his co-conspirators engaged in what is known as a 'rug pull', ending the purported investment project, deleting its website, and stealing the investors' money. Based on blockchain analytics, shortly after the rug pull, the accused and his co-conspirators laundered investors' funds through 'chain-hopping', a form of money laundering in which one type of coin is converted to another type and funds are moved across multiple virtual asset blockchains. They also used decentralized virtual asset swap services to obscure the trail of Baller Ape investors' stolen funds.

In total, the accused and his co-conspirators obtained approximately USD 2.6 million from investors. If convicted of all counts, the accused faces up to 40 years in prison.

Source: United States

**Box 33. Stolen Antiquity Exported with False Documentation**

The Directorate of Enforcement initiated investigations into the alleged theft of antique idols from ancient temples in India. The criminals stole antique idols with the knowledge and help of local gallery owners.

The criminals exported the idols outside of the jurisdiction with the use of false export certificates, obtained from concerned authorities, to mask the origin of the idols and falsely claim they were newly produced. The idols were mixed with other new handicraft items and finally exported outside of the jurisdiction, using transshipment through other Asian jurisdictions before arrival in the United States. Many of the items were sold to world famous museums, galleries, art fairs and auction houses.

Source: India

**Box 34. Stolen/Forged Antiquity with False Documentation**

An antiquities dealer in Belgium listed an Italian antiquity for sale that had been stolen from a private individual in Rome in 2011. The investigation, conducted by the General Directorate of Economic Inspection under the direction of the public prosecutor's office in Brussels, revealed that an Italian national using a false name had deposited the object in question with the antiquities dealer along with three other objects, including two forged items and a piece that had been looted from the Puglia region of Italy. Each object was accompanied by forged provenance documents. The dealer also offered eight other objects looted in Italy for sale, including Greco-Roman krater vases and Sicilian sculptures.

It can be argued that the antiquity dealer acted as a recipient for illicit objects due to his negligence in verifying the provenance of the objects sold.

Source: Belgium

**Box 35. Criminal Group Involving in Illegal Trafficking of Italian Antiquities**

The investigation revealed a large criminal organisation involved in illicit trafficking of authentic and forged archaeological items from southern Italy. These goods were ultimately destined for markets in the northern part of the jurisdiction and other jurisdictions. The investigation enabled the re-construction of the archaeo-trafficking chain, documenting the various steps: procurement of the goods, clandestine export, and placement of the 'cleaned goods' in the art market.



Over 23 000 antiquities had been seized and valued at over EUR 15 million. One of those artefacts was a very precious Roman coin which was up for sale at an auction house in another jurisdiction. In the vast majority of cases, the false provenance of the items was enabled through forged documents.

Source: Italy

### **Box 36. Criminal Group Involving in the Trade of Antiquities**

In 2016, Greek authorities dismantled a criminal organisation active in the illicit trade of antiquities. The operation led to the seizure of 2 204 ancient coins, 126 ancient objects, and two ancient statues. The investigation into the case showed that the persons involved in the export of illegal antiquities used to receive a monetary amount by European auction houses as a loan or/and as an advance payment in order to purchase antiquities from Greece and organise their export and delivery to the interested auction house. Based on documents seized, as well as the estimated cash value of the seized antiquities, the amount transferred by the criminal organisation was approximately EUR 2 million. The amounts were paid either in cash or in German bank cheques.

Source: Greece

### **Box 37. Criminal Group Involving in Illegal Export of Looted Objects**

The case was detected thanks to a report by Interpol. The ensuing investigation concerned a criminal group composed of grave robbers, launderers, and international traffickers. The final recipient of all discovered objects (six archaeological items) was a gallery in New York. The 'recycling' of the items was concluded with the removal of any traces of the excavation site from which the finds came through 'disguising' the items, illegally exporting the items from Italy to the United States through Germany with fictitious sales documentation (the invoices were related to common vases or contemporary furniture). The purchase and sale notes at the U.S. art gallery revealed data relating to the sale of archaeological items with the indication of the price for each single piece was several tens of thousands of Euros.

Source: Italy

### **Box 38. Dismantling Criminal Group Involving in Trafficking of Antiquities**

The investigation enabled the dismantling of a criminal association dedicated to the international trafficking of archaeological items. During the operation, 13 precautionary measures were carried out in Italy and two European Arrest Warrants (EAWs) issued. The aggravating circumstance of transnational crime relating to the laundering of archaeological assets was raised. The estimated value of confiscated items amounted to EUR 5 million.

The investigations concerned an art gallery in Paris and one in Barcelona which had purchased numerous items from the traffickers. A false provenance had been established for the objects using forged documents, and the objects were described as part of previously existing collections.

Source: Italy

### **Box 39. Crack Down of Online Sales of Illegally Exported Antiquities**

The Polish FIU (General Inspector of Financial Information) received a notification from the head of customs and tax control office in which the latter reported that a joint action has resulted in the seizure of several thousand antiquities and collectible items of unknown origin. Two objects among those found on the property were listed on the national register of the Minister of Cultural of Stolen Monuments or Monuments Exported Illegally Abroad.

The suspect in this case had been selling antiquities through a website. Between 2014 and 2020, the suspect's accounts showed substantial payments made from the online payments system, payments made at the post office, and transfers from various individuals, for the total amount of EUR 42 000. Most of the funds were withdrawn in cash. There is also a high probability that the suspect was making direct cash sales of antiquities and that the objects were purchased directly from sellers for cash. Corresponding action was taken by the FIU and law enforcement.

Source: Poland

**Box 40. Purchasing Fake Art and Antiquities with Proceeds of Fraud**

Mr. A, an imposter, portrayed himself as a motivational speaker, doctor, cosmetologist, art promoter, antique collector, YouTube star, etc. and cheated people for about a decade by using a mixture of deceit and cultivated influence. To influence people, he threw lavish parties where invitees included celebrities and bureaucrats. He had even set-up an 'artifacts' museum in Kaloor, Kochi and was in possession of fleet of high-end cars. He claimed to have possessed many antique pieces like Mysore emperor Tipu Sultan's throne, silver coins Judas received for betraying Jesus Christ, Solomon-era gold coins and rare books on Maratha warrior Shivaji and Mughal emperor Aurangzeb. He also claimed that he is a German-trained cosmetologist and treated many VIPs. Through his cultivated influence he was able to sell a walking cane as the staff of Moses, small earthen pots made in provincial Cherthala in Kerala as Lord Krishna's favourite 'dahi handi', and Paintings by someone in Kochi as Pablo Picasso's art, among other things.

It was found in the investigation under the Prevention of Money laundering Act 2002, that Mr. A by cheating businessmen and common people collected several crore of rupees. He used the money to support his lavish lifestyle and purchased fake antiques and artifacts using the bank accounts of his staff, and purchased properties, gold ornaments etc. in the name of his personal staff and associates.


Source: India

The FATF logo consists of the letters 'FATF' in a white, bold, sans-serif font, positioned above a stylized white graphic of a globe or a similar shape, all contained within a red, rounded rectangular background.

FATF

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The background of the lower half of the page is a close-up photograph of various coins and pieces of jewelry. In the foreground, several coins are visible, including a prominent gold coin with a detailed relief of a figure. To the left, there is a piece of ornate jewelry, possibly a necklace or bracelet, with intricate carvings. The background is slightly blurred, showing more coins and what appears to be a display case or museum setting.

The trade in high value works of art and antiquities can attract criminals who seek to exploit the sector's history of privacy and the use of third-party intermediaries to launder the proceeds from drug trafficking, corruption and other crimes. The report also explores how terrorist groups can use cultural objects from areas where they are active to finance their operations. Many jurisdictions do not have sufficient awareness and understanding of the risks associated with these markets. The report includes a list of risk indicators that can help public and private sector entities identify suspicious activities in the arts and antiquities market. The report also highlights the importance of rapidly identifying and tracing cultural objects involved in money laundering or terrorist financing and includes some good practices that countries have taken to address the challenges they face.