

AML Review

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Special Issue: Art and Antiquities

About this Issue

This Special Topics Bulletin focuses on issues related to money laundering in the art and antiquities markets.

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INTRODUCTION

Welcome to *AML Review*, your resource for staying up to date with developments in anti-money laundering (AML) efforts, including scholarly outputs, government reports, and case law.

I am pleased to announce that going forward each issue of *AML Review* will feature an ‘Introduction’ section which provides a background discussion of the material under focus and contextualizes the material referenced in each issue within the larger AML framework. In future iterations, we hope to further expand to include written contributions by AML stakeholders.

This issue of *AML Review* focuses on issues related to money laundering in the art and antiquities markets. Art may be defined broadly to include paintings, sculptures, tapestries, and photographs, whereas antiquities encompass objects of cultural importance.

In recent years, laundering money through arts and antiquities has become a growing issue. The art and antiquities markets are desirable to criminals to launder money for at least four reasons. First, the market provides anonymity, as art and antiquities can be bought and sold without having to report the transactions. Second, deals can be conducted via intermediaries and the seller may not know the identity of the buyer or the origin of the purchase funds. Third, art and antiquities can be used to launder large sums of money efficiently through a single or small number of high-value transactions. Finally, price manipulation can more easily occur given that the price of art and antiquities does not have a standardized or objective evaluation.

Given that art and antiquities have historically been regulation-free markets, questions remain among regulators and other AML professionals regarding the best way to impose regulations. The goal of this special issue is to bring awareness to money laundering in the art and antiquities markets and help address knowledge gaps in awareness by compiling scholarly research on AML in this sector. This special issue features an article by Brodie and Yates (2023) which discusses recent amendments to international AML regulations to prevent money laundering through art and antiquities and presents case studies of high-profile launders who have operated in these arenas. Also, in this special issue are chapters by Kuldova, Østbø, and Raymen (2024) in *Luxury and Corruption* and Mosna (2023) and Stoll (2023) in *Global Perspectives on Cultural Property Crime* which provide transnational insight into cultural property crime and detail cutting-edge work to tackle issues resulting from money laundering and innovative research methods. Last, included in this special issue is a 2023 report from the Financial Action Task Force which highlights jurisdictions that need to improve their awareness of money laundering through art and antiquities and provides advice on risk mitigation and ways to identify red flags.

We hope that *AML Review* will continue to be a valuable resource for you to develop your expertise in AML. If you have an idea for a future bulletin or have materials you would like to share, please contact CIFA-BC@rcmp-grc.gc.ca.

Sincerely,

Dr. Catherine Shaffer-McCuish
Editor, *AML Review*
Counter Illicit Finance Alliance of British Columbia Intelligence Hub

INCLUDED DISSEMINATIONS

Academic Articles and Book Chapters

Brodie, N., & Yates, D. (2022). Money laundering and antiquities. *Journal for Provenance Research and the History of Collection*, 1, 97-109.

Kuldova, T. Ø., Østbø, J., & Raymen, T. (2024). Compliance, defiance, and the fight against crime through the markets in art, antiquities, and luxury. In T. Østbø Kuldova, J. Østbø, & T. Rayment (Eds) *Luxury and Corruption* (pp. 79-134). Bristol University Press.

Mosna, A. (2023). More than antiquities trafficking: The issue is antiquities laundering. In M. D. Fabiani, K. M. Burmon, & S. Hufnagel (Eds.) *Global Perspectives on Cultural Property Crime* (pp. 99-118). Routledge.

Stoll, K. (2023). Money laundering and art: Correlations of crime financing and money laundering cost to criminal decision making. In M. D. Fabiani, K. M. Burmon, & S. Hufnagel (Eds.) *Global Perspectives on Cultural Property Crime* (pp. 63-82). Routledge.

Government Reports

Financial Action Task Force (2023). *Money laundering and terrorist financing in the art and antiquities market*. FATF.

ACADEMIC ARTICLES

Project and Scholarly Work

Brodie, N., & Yates, D. (2022). Money laundering and antiquities. *Journal for Provenance Research and the History of Collection*, 1, 97-109.

Abstract

Recent amendments to anti-money-laundering regulations in Europe and the United States have implicated antiquities in money laundering. This is despite the fact that there is very little evidence that antiquities are actually used for money laundering. There is, in contrast, ample evidence that the antiquities themselves are laundered, as are the criminal proceeds of antiquities sales. Some information suggests that antiquities might be used for trade-based money laundering, though if they are, the financial thresholds incorporated into money laundering regulations would radically diminish the effectiveness of the regulations.

Project and Scholarly Work

Kuldova, T. Ø., Østbø, J., & Raymen, T. (2024). Compliance, defiance, and the fight against crime through the markets in art, antiquities, and luxury. In T. Østbø Kuldova, J. Østbø, & T. Rayment (Eds.) *Luxury and Corruption* (pp. 79-134). Bristol University Press.

Abstract

The international art, antiquities and luxury markets are often described as unregulated, easy to exploit by criminal and corrupt actors, oligarchs, and kleptocrats. Art scandals and revelations of financial frauds, money laundering through art, looting of antiquities to finance terrorism, forgeries of both artworks and provenance, tax evasion, 'abuse' of freeports, offshore tax havens, and 'creative compliance', and so on, have over the

past decade attracted public attention and scrutiny, and spurred more (self-)regulatory action. This chapter zooms in on the fight against crime through art, antiquities, and luxury markets as it manifests in AML, CFT, sanctions, and related regulatory regimes that extend the logic of banking regulations and compliance into the art and antiquities markets – a move aligned with the financialization of art, framed by issues of national security, foreign policy, cultural diplomacy, and transnational organized crime. The chapter sheds light on the ideological fantasy of compliance and defiance and shows how this fantasy serves to both disavow and evade the problem at the core, while stimulating the massive proliferation and growth of neoliberal regulation and control apparatuses that not only fail, time and again, to control what they set out to control, but also result in new forms of uncontrollability.

Project and Scholarly Work

Mosna, A. (2022). More than antiquities trafficking: The issue is antiquities laundering. In M. D. Fabiani, K. M. Burmon, & S. Hufnagel (Eds.) *Global Perspectives on Cultural Property Crime* (pp. 99-118). Routledge.

Abstract

This contribution argues that antiquities trafficking aiming to funnel illegally sourced antiquities into the legal market entails the laundering of the goods in question. Antiquities laundering begins in the aftermath of the looting, pillaging, or theft of antiquities from their original position, be it a museum or an archaeological site. To make these offences profitable, the antiquities must reach the official antiquities market. As the final marketplace normally does not coincide with the source location, illegally obtained antiquities must be smuggled into the market state. It is during this trafficking trail that these antiquities are passed onto various middlemen, across national borders. These transfers make them unrecognisable both with regard to their exact geographical origin and

their illegal nature. Providing antiquities with a false provenance completes their laundering and paves the way to the market. Considering that antiquities laundering allows market demand to act as the driving force behind the unlawful taking and trafficking of antiquities, this chapter maintains that intervention on the market end is necessary for effective cultural heritage protection. Stricter regulation of the antiquities market must thus be welcomed as a tool to prevent antiquities laundering and to ensure the enforcement of applicable money laundering statutes.

Project and Scholarly Work

Stoll, K. (2023). Money laundering and art: Correlations of crime financing and money laundering cost to criminal decision making. In M. D. Fabiani, K. M. Burmon, & S. Hufnagel (Eds.) *Global Perspectives on Cultural Property Crime* (pp. 63-82). Routledge.

Abstract

The potential misuse of the art market for money laundering and terrorist financing has received increasing awareness in the international press and among academics. As laws become stricter for the financial services industry, money launderers are moving to other sectors. The topic of this paper addresses an understudied component of money laundering related to art and the art market, more specifically the links between (art) crime financing and criminal decision making. Except for terrorist financing, little research has been done specifically into the financing of crimes. This paper proposes the application of a systematic transaction cost approach to art-related money laundering. The qualification and quantification of transaction costs can be used to understand and ultimately anticipate a criminal's motivation to choose a specific money laundering typology.

Government Reports

Report

Financial Action Task Force (2023). *Money laundering and terrorist financing in the art and antiquities market. FATF.*

Abstract

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.

First, 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.

Second, 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.
