

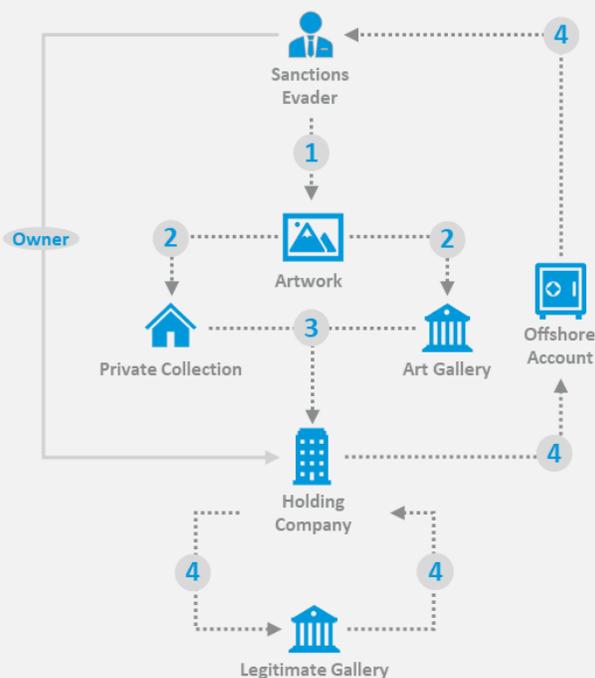
OFAC Advises Art World Vulnerable to Abuse, Must Comply with Sanctions

FiveBy is a specialized risk intelligence services firm. We give you the insight you need to move faster and further with the confidence to transform your risks into opportunity. The opportunity to grow your profits, strengthen your brand, and exceed your customer expectations.

Our unique point of view brings together expertise spanning security, technology, data science, and business operations to connect your dots. By turning data into an enabler, FiveBy designs adaptable responses—whether to an ongoing incident or to implement preventive measures—tailored to your business needs and always with a human touch.

Illicit Financial Activity in the Art Market

A US-designated individual uses the high-value art market in the United States to move illicit funds into an offshore account and access the global financial system.



1 An individual sanctioned by OFAC uses cash to purchase art

2 The sanctioned individual transfers some of the artwork he has purchased to his private collection and other artworks to a non-US gallery he owns or controls

3 The sanctioned individual subsequently transfers the artwork to an offshore holding company that he owns or controls

4 The holding company sells the art to a legitimate art gallery, which transfers the payment for the art to an offshore account owned by the holding company, giving the designated individual access to the funds

Illicit actors use a variety of methods to launder money and evade sanctions. The high value artwork market is only one of the pathways malign actors exploit to move illicit proceeds through the US and global financial systems, and regulators expect all US companies to comply with US law and recommend that all firms establish a robust, risk-based compliance program and a well-maintained due diligence process that ensure they are not in violation of sanctions and anti-money laundering/counter financing of terrorism (AML/CFT) laws.

US Sanctions Laws Apply to all US Persons and Entities

On 30 October 2020, the US Treasury's Office of Foreign Assets Control (OFAC) issued an ["Advisory and Guidance on Potential Sanctions Risks Arising from Dealings in High-Value Artwork,"](#) emphasizing the need for participants in the high-value art market to maintain a risk-based compliance program, probably because many high-value art dealers and their advisors believe that the Berman Amendment—which stipulates that transactions involving "information and informational materials," such as art, are generally not subject to presidential regulation—exempts art dealers from complying with US sanctions.

The advisory serves as a reminder that all US persons must comply with OFAC regulations, including all US citizens and permanent resident aliens regardless of

location, all persons and entities within the United States, and all US-incorporated entities and their foreign branches.

[Recent attention](#) turned to sanctions evasion and money laundering in the high-value art world after the US Senate issued a [report](#) in July 2020 describing how illicit actors, such as US-designated Russian oligarchs Boris and Arkady Rotenberg and other designated individuals, use networks of shell companies to evade US sanctions. The Treasury Department warned in 2019 that illicit actors and specially designated terrorists and their facilitators use the art market to conduct financial transactions and access the global financial system.

The process of evading sanctions through the art market, for example, can be complex (see graphic), and could involve shell companies, offshore bank accounts, and multiple layers of opacity. FiveBy employs a team of regional and linguistic experts with the knowledge, experience, and certifications in AML/CFT and global sanctions compliance who can augment your current compliance efforts or build a new program from the ground up.

